



## FRANCHISE DISCLOSURE DOCUMENT

Qargo Coffee, Inc.  
A Delaware Corporation  
701 Brickell Avenue, Suite 1550, Miami, FL 33131 – (786) 913-9991  
[info@qargocoffee.com](mailto:info@qargocoffee.com) | <https://www.qargocoffee.com>

The franchise offered is a traditional quick-service coffee shop serving freshly made hot and cold beverages with a variety of select food menu items. Our strategic partnership with the Lavazza Corporation provides Qargo Coffee stores with high-quality coffee products, enhanced system support and affiliation with the Lavazza coffee brand. We utilize a non-traditional approach to store construction and design by using the shipping container prototype as a model to create pop-up or full-size cafes. This design defines the signature look of the Qargo Coffee brand and customer experience.

The total investment necessary to begin operation of a single Standard - Regular Qargo Coffee Location is \$280,000 to \$568,500. This includes \$60,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of 3 Standard - Regular Qargo Coffee Locations is \$340,000 to \$628,500. This includes \$110,000 that must be paid to the franchisor or affiliate.

The total investment necessary to begin operation of a single Qargo Coffee franchise in a non-traditional location is \$155,400 to \$299,000. This includes \$50,000 that must be paid to the franchisor or affiliate. The total investment necessary to begin operation of 3 Qargo Coffee franchises in non-traditional locations is \$205,400 to \$249,000. This includes \$90,000 that must be paid to the franchisor or affiliate.

This disclosure document summarizes certain provisions of your franchise agreement and other information in plain English. Read this disclosure document and all accompanying agreements carefully. You must receive this disclosure document at least 14 calendar-days before you sign a binding agreement with, or make any payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **Note, however, that no governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, please contact Qargo Coffee, Inc. at 701 Brickell Avenue, Suite 1550, Miami, FL 33131, via email [info@qargocoffee.com](mailto:info@qargocoffee.com) or (786) 913-9991.

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your entire contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTCHELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, D.C. 20580. You can also visit the

FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may be laws on franchising in your state. Ask your state agencies about them.

Issuance Date: May 24 2024

## How to Use This Franchise Disclosure Document

Here are some questions you may be asking about buying a franchise and tips on how to find more information.

Question	Where To Find Information
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibit E.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit D includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Qargo Coffee business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Qargo Coffee franchisee?</b>	Item 20 or Exhibit E lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

## What You Need to Know About Franchising Generally

**Continuing responsibility to pay fees.** You may have to pay royalties and other fees even if you are losing money.

**Business model can change.** The franchise agreement may allow the franchisor to change its manuals and business model without your consent. These changes may require you to make additional investments in your franchise business or may harm your franchise business.

**Supplier restrictions.** You may have to buy or lease items from the franchisor or a limited group of suppliers the franchisor designates. These items may be more expensive than similar items you could buy on your own.

**Operating restrictions.** The franchise agreement may prohibit you from operating a similar business during the term of the franchise. There are usually other restrictions. Some examples may include controlling your location, your access to customers, what you sell, how you market, and your hours of operation.

**Competition from franchisor.** Even if the franchise agreement grants you a territory, the franchisor may have the right to compete with you in your territory.

**Renewal.** Your franchise agreement may not permit you to renew. Even if it does, you may have to sign a new agreement with different terms and conditions in order to continue to operate your franchise business.

**When your franchise ends.** The franchise agreement may prohibit you from operating a similar business after your franchise ends even if you still have obligations to your landlord or other creditors.

## Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit C.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

## Special Risks to Consider About *This* Franchise

Certain states require that the following risk(s) be highlighted:

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation in Delaware. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Delaware than in your own state.

2. **Financial Condition.** The Franchisor's financial condition as reflected in its financial statements (see Item 21) calls into question the Franchisor's financial ability to provide services and support to you.

Certain states may require other risks to be highlighted. Check your “State Specific Addenda” (if any) to see whether your state requires other risks to be highlighted.

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## State of Michigan

### THE FOLLOWING APPLIES TO TRANSACTIONS GOVERNED BY MICHIGAN FRANCHISE INVESTMENT LAW ONLY

**THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.**

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - (i) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
  - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
  - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(iv) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

(h) A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

(i) A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

**THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.**

A franchisor whose most recent financial statements are unaudited and which show a net worth of less than \$100,000.00 shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

Any questions regarding the notice should be directed to the department along with the address and phone number of the department.

State of Michigan  
Consumer Protection Division / Franchise Section  
525 West Ottawa Street  
G. Mennen Williams Building  
Lansing, MI 48933

Telephone Number: (517) 373-7117

# FRANCHISE DISCLOSURE DOCUMENT

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# FRANCHISE DISCLOSURE DOCUMENT

To simplify the language in this Disclosure Document, the words “we,” “our,” and “us” refer to Qargo Coffee, Inc., the franchisor of Qargo Coffee businesses. “You” and “your” refer to the person who buys the franchise, whether you are an individual or a business entity. If you are a business entity, certain provisions of this disclosure also apply to your owners and will be noted. Unless otherwise defined in this FDD, all capitalized terms are defined in Section 1 of the Franchise Agreement attached as Exhibit A.

## **Item 1: The Franchisor, and any Parents, Predecessors, and Affiliates.**

### Our Franchise Opportunity

The franchise offered is a traditional quick service coffee shop under the brand name "Qargo Coffee". Our partnership with Lavazza Coffee ensures quality, consistency and brand name recognition. Qargo Coffee stores serve freshly made, hot and cold beverages, select complementary food menu items and a variety of dessert offerings. We prepare handcrafted beverages using traditional and original recipes. The Qargo Coffee franchise system provides specialized training, methods of operation and advertising support. The store brand and design draw on the imagery of the shipping industry and the spirit of innovation the industry represents. We utilize a non-traditional approach to store construction including the use of the shipping container prototype as a model to create pop-up or full size Qargo Coffee cafes.

There are two models of Qargo Coffee stores that we grant to franchisees. The first is a “Standard – Regular” model, which shall be locations that are endcap, in-line, stand-alone and/or drive-thru locations. The second model is a “Non-Traditional Location,” which shall include transportation facilities, including airports and train stations; military bases and government offices and facilities; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; supermarkets; concessionaire locations (including event specific non-permanent, temporary or moveable stands, kiosks, trailers, tents or similar installations); educational facilities; recreational theme parks; hospitals and health care facilities; fitness businesses; malls; schools and universities; or any similar captive market or any other location to which access to the general public is restricted.

We also offer qualified individuals the right to open and operate multiple locations within a defined geographical area (the “Development Area”) by: (i) executing our current form of Area Developer Agreement (the “Area Developer Agreement”) attached as Exhibit B to this Disclosure Document; and (ii) paying our then-current development fee upon execution of your Area Developer Agreement, which will depend on the number of locations you agree to open (the “Development Fee”).

You will be required to enter into our then-current form of franchise agreement for each of the locations you are required to open under the Area Developer Agreement, and you must execute the Franchise Agreement for your initial location contemporaneously with the execution of your Area Developer Agreement. Each subsequent franchise agreement you sign after your initial franchise agreement may differ from the current Franchise Agreement included with this Disclosure Document. You must then ensure that you open and commence operations of each additional location in the Development Area in accordance with a development schedule set forth in your Area Developer Agreement (the “Development Schedule”).

### The Market and Competition

We operate in the coffee service market that is well developed. Our products or services are offered year-round. You will compete for customers with independent and franchised coffee outlets as well as with grocery stores and other businesses featuring a coffee/beverage department.

### The Franchisor

We are a Delaware Corporation, organized on May 20, 2020, for the purpose of offering Qargo Coffee franchises. We do not operate a business of the type being franchised. We also engage in the coffee distribution business through our franchise system and other channels. Our principal business address is 701 Brickell Avenue, Suite 1550 Miami, FL 33131. We have offered Qargo Coffee franchises since May 2020. We do not offer franchises in any other line of business. Our agent for service of process in Delaware is Legal Inc Corporate Services, Inc. who can be reached at 651 N Broad St, Suite 206, Middletown, DE 19709. Our agents for service of process in other states can be found in Exhibit C.

### The Franchisor's Predecessors, Parents, and Affiliates

We do not have any Predecessors, Parents or Affiliates that offer franchises in any line of business or provide products or services to our franchisees.

### Industry Regulations

Operation of a Qargo Coffee will require you to be aware of federal, state and local regulations that are common to all businesses and those laws specifically applicable to the beverage/food service business, including laws pertaining to food handling and safety, food labeling, sanitation, and weights and measurements, if applicable. You should also be aware of federal, state, and local employment laws and regulations, specifically including minimum wage and wage requirements. In addition, you may be required to obtain restaurant, business, occupational, food handling and other miscellaneous licenses. Some states also have laws regarding who may secure these licenses. You should consult with your own advisors and the government agencies for information on how these laws apply to you. Local law requirements vary by location.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **Item 2: Business Experience.**

**Samir Shenouda, Founder, CEO:** Mr. Shenouda has served as our CEO since our inception in May 2020. He also served as our President from May 2020 to August 2023. Mr. Shenouda has been the President and CEO of a medical laboratory located in California since May 2000.

**Bernadette Bastorous, President and Co-founder:** Mrs. Bastorous has served as our President since August 2023 and was our Co-Founder in May 2020. She also served as our Director of Product & Vendor Management from May 2020 to August 2023. From January 2016

to May 2020, Mrs. Bastorous served as Vice President of Operations for CITI Investment Group in California.

**James Sebastian Garcia, Director of Marketing:** Mr. Garcia has served as our Director of Marketing since February 2022. From July 2021 to January 2022, Mr. Garcia worked as a social media specialist for Realme in Colombia. From September 2020 to July 2021, Mr. Garcia was the Digital Creative Manager with B Brain Advertising Marketing Agency in Colombia. From March 2017 to September 2020 served as Community Manager with Netbangers Digital Marketing Agency in Colombia.

**Andres Hernandez, Master Barista:** Mr. Hernandez has served as our Master Barista since January 2022. Since April 2022, Mr. Hernandez has owned Plantula Coffee in Colombia. From January 2020 to March 2023, Mr. Hernandez was a barista teacher with LCI Fundacion Tecnologica in Colombia. From October 2017 to January 2020, Mr. Hernandez was a barista teacher with Arte y Pasion, Escuela de baristas in Colombia.

**Diego Alejandro Rivero Diaz, Director of Operations:** Mr. Rivero has served as our director of Operations since January 2022. From May 2021 to January 2022, Mr. Rivero served as Logistics Coordinator for Lean Staffing Group in Colombia. From February 2015 to April 2022, Mr. Rivero was the area supervisor for Domino's Pizza in New Mexico.

**Sara Muñoz Uribe, Director of Design and Architecture:** Ms. Muñoz has served as our Director of Design and Architecture since February 2022. From June 2017 to May 2021, Ms. Muñoz worked as a project and sales manager with Puerta Moliere SA de CV in Mexico. From February 2016 to June 2021, Ms. Muñoz was an interior designer with Weber Arquitectos in Mexico.

**Nicolas Chavarro, Operations Manager.** Mr. Chavarro has served as our Operations Manager since April 2024. From November 2023 to April 2024, Mr. Chavarro operated as a freelance event producer. From August 2022 to November 2023, Mr. Chavarro served as the F&B Director for Coliseo Medplus in Bogota, Colombia. From June 2022 to August 2022, Mr. Chavarro operated as a freelance event producer. From January 2022 to June 2022, Mr. Chavarro served as F&B Director of Xue Café in Bogota, Colombia. From November 2021 to January 2022, Mr. Chavarro operated as a freelance event producer. From May 2018 to November 2021, Mr. Chavarro served as F&B Ops Director and Manager of Andres Carne de Res in Bogota, Colombia.

**Mark Bastorous, Development Manager:** Mr. Bastorous has served as our Development Manager since July 2020. From January 2016 to June 2020, Mr. Bastorous was the President of CITI Investment Group in California.

**Juan Pablo Paniagua Gonzalez, CRM and Email Marketing Specialist:** Mr. Paniagua has served as our CRM and Email Marketing Specialist since February 2023. From February 2021 to October 2022, Mr. Paniagua served as a Marketing and Communications Analyst for Starbucks Colombia in Bogota, Colombia. From 2019 to 2021, Mr. Paniagua served as BTL Producer and Communications Analyst for Colombia Restaurativa Foundation in Bogota, Colombia. From January 2019 to December 2020, Mr. Paniagua served as a Senior Marketing Analyst for Procevinos SAS in Bogota, Colombia. From January 2015 to December 2020, Mr. Paniagua served as a Production Manager and Radio Host for Universidad Jorge Tadeo Lozano Radio Station in Bogota, Colombia.

**Ginna Astrid Vega Romero, Creative Director:** Ms. Vega has served as our Creative Director since July 2023. From January 2023 to July 2023, Ms. Vega was a freelance Art Director for

Ogilvy Col in Bogota, Colombia. From September 2022 to December 2023, Ms. Vega served as Creative Director of Proximity BBDO in Bogota, Colombia. From September 2018 to June 2021, Ms. Vega served as Head of Design for Robinfood SAS in Bogota, Colombia.

### **Item 3: Litigation.**

No litigation is required to be disclosed in this Item.

### **Item 4: Bankruptcy.**

On December 8, 2017, our Director of Product & Vendor Management and Co-founder, Bernadette Bastorous, and our Development Manager, Mark Bastorous, filed a bankruptcy petition under the liquidation provisions of Chapter 7 of the U.S Bankruptcy Code. In re: Bastorous, No. 6:17-bk-20092-MH (C.D. Cal. 2017). On September 30, 2020, an order dismissing Mark Bastorous was entered, and on July 14, 2022, the bankruptcy court entered a discharge for Bernadette Bastorous.

Except as stated above, no bankruptcy is required to be disclosed in this Item.

### **Item 5: Initial Fees.**

#### Franchise Fee

An initial lump sum Franchise Fee of \$50,000 is due upon signing the Franchise Agreement. The Franchise Fee is uniform (except in the case of a Veteran discount), fully earned upon payment, and is non-refundable under any circumstances and will include up to 10-days of on-site training at your Qargo Coffee Store during your grand opening.

If you purchase a franchise for the right to operate a Qargo Coffee in a Non-Traditional Location, an initial lump sum Franchise Fee of \$40,000 will be due upon signing the Franchise Agreement. The Franchise Fee is uniform (except in the case of a Veteran discount), fully earned upon payment, and is non-refundable under any circumstances and will include up to 10-days of on-site training at your Qargo Coffee Store during your grand opening.

#### Development Fee

For a three unit store development, the franchise fee is reduced to \$25,000 for a traditional location and \$20,000 for a non-traditional location for each additional franchise after your first location. The Development Fee is due upon signing the Area Developer Agreement. The Development Fee is uniform, fully earned when paid and is non-refundable under any circumstances.

#### Marketing/Architectural and Design Development Support Fee

Under the Franchise Agreement, you must pay us an initial lump sum Marketing/Architectural and Design Development Support Fee of \$10,000. The Marketing/Architectural and Design Development Support Fee is due upon signing the Franchise Agreement. We will use the initial Marketing/Architectural and Design Development Support Fee to off-set the costs and expenses

related to providing site and store development support and on site store opening assistance at the Qargo Coffee Store. The Marketing/Architectural and Design Development Support Fee is uniform, fully earned when paid and is non-refundable under any circumstances.

#### Veteran Incentive Program

We offer a \$10,000 discount off of the Franchise Fee to qualified US veterans and individuals currently serving or who have served in the US armed forces under our Veteran Incentive Program. Under the Veteran Incentive Program, we offer a discount on the initial franchise fee as described below.

If you are a US veteran and qualify for the Veteran Incentive Program, you will receive a discount on the initial franchise fee for your Qargo Coffee Store; as a result, this will reduce the initial franchise fee for your first Qargo Coffee Store. The terms of the discount may vary by market or support requirements. If the franchisee is a legal entity and not an individual, to meet these eligibility requirements a qualified individual must own at least 50% of the entity.

The Veteran Incentive Program is available to all qualified individuals who either have received an honorable discharge from one of the US Armed Forces (i.e., Army, Navy, Air Force, Coast Guard or Marine Corps) or are currently serving in one of the US Armed Forces and are eligible to receive an honorable discharge. We reserve the right to extend, change or discontinue the Veteran Incentive Program at any time.

### **Item 6: Other Fees.**

#### **OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Royalty Fee	6% of Gross Revenue	Weekly, on Wednesday	You must pay your royalty fee directly to us from Gross Revenue generated through your business via ACH electronic funds transfer.
Marketing Fund Contribution	2% of Gross Revenue	Weekly, on Wednesday	Every week, you shall contribute 2% of the monthly gross revenue to the corporate marketing fund to be used to promote, market, and grow the brand via ACH electronic funds transfer.
Cooperative Contributions	Anticipated to be a maximum of 50% of your local store marketing requirements	Monthly	We have the right to establish cooperative marketing programs ("Cooperatives") in your region. You can reduce your local store marketing obligation by the amount that you contribute to a cooperative. Please see Item 11 for further details.

Type of Fee	Amount	Due Date	Remarks
Approval of Products or Suppliers	\$500 to \$1,000	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase.	Applies to the costs we expend in our evaluation of new suppliers you wish to purchase from or products you wish to purchase. Costs vary depending on the availability of product samples for testing, shipping costs or travel costs to review the product, the type of product under review, whether the product or supplier has been rated and other similar factors. You pay our actual costs only.
Technology Fee	Currently, \$150 -\$500 Per Month	Monthly by the 5 <sup>th</sup> of each Month	This Fee is payable to us by the 5 <sup>th</sup> of each month for technology support and services via ACH electronic funds transfer. This fee represents ongoing support provided to assist you with required technology services, operations management and digital marketing applications.
Transfer/New Franchisee	\$10,000	At the time of transfer	Payable to us at time of transfer to a new franchisee.
“Under New Management” Advertising Fee	Currently, \$1,000 to \$5,000 depending on market size	Upon completion of transfer	We will design and implement a “under new management” Advertising & Marketing Campaign to promote your new management of the Franchise Business.
Audit Expenses	All costs and expenses associated with audit, approximately \$1,500 to \$5,000	Upon completion of audit.	Due if the audit shows you have not spent 1% of your monthly gross revenue on local advertising or if you underreported amounts you owe us by 3% or more. We assume costs vary depending on factors, including prevailing auditor’s rates in your area, the business activity being audited

Type of Fee	Amount	Due Date	Remarks
			and how well you keep your books and records. You pay our actual costs only. You should be able to investigate these costs by contacting auditors in your area.
Late Fees	1.5% per month or the highest rate allowed by the state where you are located (whichever is lower)	As accrued.	Applies to all overdue fees you owe us. Also applies to any understatement in amounts due revealed by an audit. Late fees begin from the date payment was due, but not received, or date of underpayment.
Prevailing party's legal costs	All costs including reasonable attorneys' fees	Upon demand	You must reimburse us for all reasonable costs and expenses, including attorney's fees, incurred in enforcing your obligations to us if we prevail.
Temporary Management	Currently, \$600 per day	As Billed	If you are unable to act as or hire a Designated Manager and we elect to operate your Franchise Business due to your death, incapacity, or upon receiving a notice of termination, and we decide to take over as temporary manager of your business.
Ongoing Training Fee	Currently, \$600 per day	As Billed	If we require additional training for your Designated Manager.
Successor Franchise Fee	\$10,000	Upon Renewal	Our administrative fee for processing the renewal of your Franchise Agreement.
Secret Shopper Fee	Our actual costs	As incurred	We may use a secret shopper to evaluate your facilities and operations. If we use a secret shopper, you will reimburse us for our actual costs.

### NOTES

All of the fees noted above are uniform, payable only to us and are non-refundable. We do not impose and collect fees for a third party.

We collect fees payable to us via the Automated Clearing House (“ACH”) electronic funds transfer program. All fees owed and any other amounts designated by us must be received or credited to our account by pre-authorized ACH payment on or before the applicable due date.

"Gross Revenue" means the total revenue collected from all sources in connection with the Outlet, whether by check, cash, credit, or otherwise, including but not limited to all proceeds from any business interruption insurance, gift cards, online sales, catering services, and any other revenue sources related to the Outlet. This excludes: (a) any revenue the Franchisee remits to a customer, property owner, or collection agency that the Franchisee is contractually obligated to remit; (b) any chargeback fees the Franchisee pays to a collection agency; (c) any sales and equivalent taxes that are collected by the Franchisee for or on behalf of any governmental taxing authority and paid thereto; and (d) any rebate received by the Franchisee from a manufacturer or supplier.

## Item 7: Estimated Initial Investment.

**TABLE A – YOUR ESTIMATED INITIAL INVESTMENT: STANDARD-REGULAR**

Type of expenditure	Amount From - To		Method of payment	When due	To whom payment is to be made
Franchise Fee <sup>1</sup>	\$50,000	\$50,000	Lump Sum	Signing of Franchise Agreement	Franchisor
Marketing/Architectural and Design Development Support Fee <sup>1</sup>	\$10,000	\$10,000	Lump Sum	Signing of Franchise Agreement	Franchisor
Training Expenses <sup>2</sup>	\$3,000	\$6,000	As Incurred	During Training	Airlines, Hotels, Restaurants
Location Lease <sup>3</sup>	\$2,000	\$10,000	As Arranged	Before Beginning Operations	Landlord
Leasehold Improvements <sup>4</sup>	\$75,000	\$150,000	As Arranged	Before Beginning Operations	Contractor
Computer Hardware and Software <sup>5</sup>	\$7,500	\$20,000	As Incurred	Before Beginning Operations	Supplier
Office Supplies <sup>6</sup>	\$500	\$1,000	As Incurred	Before Beginning Operations	Supplier

Type of expenditure	Amount From - To		Method of payment	When due	To whom payment is to be made
Signage <sup>7</sup>	\$5,000	\$15,000	As Arranged	Before Beginning Operations	Supplier
Furniture and Equipment <sup>8</sup>	\$50,000	\$150,000	As Arranged	Before Beginning Operations	Supplier
Utilities <sup>9</sup>	\$150	\$1,500	As Incurred	Before Beginning Operations	Utility Provider
Uniforms <sup>10</sup>	\$300	\$1,500	As Arranged	Before Beginning Operations	Supplier
Inventory <sup>11</sup>	\$15,000	\$25,000	As Arranged	Before Beginning Operations	Approved Supplier
Grand Opening Advertising <sup>12</sup>	\$3,500	\$10,000	As Incurred	Before Beginning Operations	Supplier
Insurance <sup>13</sup>	\$5,000	\$10,000	As Arranged	Before Beginning Operations	Insurance Agent
Licenses and Permits <sup>14</sup>	\$1,000	\$4,000	As Incurred	Before Beginning Operations	Relevant Organizations
Legal and Accounting <sup>15</sup>	\$500	\$3,500	As Arranged	Before Beginning Operations	Accountants, Lawyers
Dues and Subscriptions <sup>16</sup>	\$50	\$1,000	As Incurred	Before Beginning Operations	Relevant Organizations
Additional Funds – First 3 Months <sup>17</sup>	\$50,000	\$100,000	As Incurred	Upon Beginning Operations	Suppliers

Type of expenditure	Amount From - To		Method of payment	When due	To whom payment is to be made
Total <sup>18</sup>	\$278,500	\$568,500			

## FOOTNOTES

<sup>1</sup> Franchise Fee and Marketing/Architectural and Design Development Support Fee: The Franchise Fee is described in greater detail in ITEM 5. Payment is due upon signing franchise agreement payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer. The Marketing/Architectural and Design Development Support Fee is described in greater detail in ITEM 5. Payment is due upon signing franchise agreement payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer.

<sup>2</sup> Training Expenses. The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. The estimated costs listed are for 3 to 5 attendees. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation. These expenses are typically non-refundable.

<sup>3</sup> Location Lease. The average Approved Location will range from 700 to 2,500 square feet and should be located in a high foot-traffic area such as a downtown business area, an upscale strip center or other highly visible, trafficked area. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary based upon square footage and cost per square foot. The cost of a security deposit is included. Estimated rental costs for 3 months are included with the category “Additional Funds”.

<sup>4</sup> Leasehold Improvements. The low end of the range in the initial outlay assumes that the landlord provides a partial build out allowance. The high end of the range reflects the cash outlay by a franchisee that does not receive a build-out allowance.

<sup>5</sup> Computer Hardware and Software. This is for computers, monitors, battery backups, electronic devices, internet access and other IT work. This also accounts for the POS system for the Outlet. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. The amounts you pay for a computer and software are typically non-refundable, or if refundable, may be subject to a “re-stocking” fee. Your initial investment will depend on your location and any modifications needed for set up and installation of all required POS, hardware, kiosk payment terminal, software, internet, security and communications systems.

<sup>6</sup> Office Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include

local market conditions, competition among suppliers and other factors. Typically, office supplies may be returned if unused but are otherwise nonrefundable. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

<sup>7</sup> Signage. The range of costs represents the outright purchase of all signage on the franchised locations. It is subject to all local ordinances. These costs are typically not refundable.

<sup>8</sup> Furniture and Equipment. Although some of these items may be leased, the range shown represents the actual purchase price. Equipment installation charges are included in the range of expenses for location improvements.

<sup>9</sup> Utilities. The high side of this range includes payment of a utility deposit that will typically be required if the franchisee is a new customer of the utility company.

<sup>10</sup> Uniforms. This expense covers shirts, hats and/or other branded apparel for employees. The estimated costs listed here are for 25 to 30 employees.

<sup>11</sup> Inventory. You must purchase an initial inventory of coffee, food products and other items needed for use in the operation of the franchised business. Costs vary based upon the size and location of the franchised business, suppliers and other related factors. Currently, the minimum inventory opening order is \$10,000.

<sup>12</sup> Grand Opening Advertising. The Grand Opening Advertising will be managed and operated by us. You will pay the entire amount to a third-party vendor and we will provide direction to the marketing program.

<sup>13</sup> Insurance. You must purchase the following types and amounts of insurance: (1) "all risk" property insurance; (2) workers' compensation insurance and employer liability coverage with a minimum limit of \$250,000 or higher if your state law requires; (3) comprehensive general liability insurance with a minimum liability coverage of \$2,000,000 per occurrence, or higher if your state law requires. A 20 percent down payment of the annual premium for general liability insurance and workers' compensation insurance costs is included in the low-end estimate, and the full annual premium is included in the high estimate. Factors that may affect your cost of insurance include the size and location of the Approved Location, equipment, inventory, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase. Qargo Coffee, Inc. must be listed as an additional named insured on all insurance policies related to the Franchised Business.

<sup>14</sup> Licenses and Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and permits to make improvements to your office and storage area. These fees are typically non-refundable.

<sup>15</sup> Legal and Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Outlet. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants and your existing relationships. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

<sup>16</sup> Dues and Subscriptions. You may choose to join the local Chamber of Commerce in addition to local business networking groups in your market. Membership fees vary from area to area.

<sup>17</sup> Additional Funds. This entry estimates additional funds you may need for the first 3 months of operations, including payroll costs (but not including any draw or salary for you) and working capital for other expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our product, the prevailing wage rate, competition and the sales level reached during the initial period. We have relied on the experience of our existing franchisee owned locations to prepare these estimates.

<sup>18</sup> Total. We do not offer direct or indirect financing for any part of the Estimated Initial Investment. See Item 10.

**TABLE B – YOUR ESTIMATED INITIAL INVESTMENT**  
**AREA DEVELOPER AGREEMENT (3-UNIT: STANDARD-REGULAR)**

Type of expenditure	Amount From	Amount To	Method of payment	When due	To whom payment is to be made
Franchise Fee <sup>1</sup>	\$50,000	\$50,000	Lump Sum	Signing of Franchise Agreement for first franchise location, or as agreed	Franchisor
Franchise Fee <sup>1</sup>	\$25,000	\$25,000	Lump Sum, or as agreed	Signing of Franchise Agreement for the second location, or as agreed	Franchisor
Franchise Fee <sup>1</sup>	\$25,000	\$25,000	Lump Sum, or as agreed	Signing of Franchise Agreement for the third location, or as agreed	Franchisor
Marketing/Architectural and Design Development Support Fee <sup>1</sup>	\$10,000	\$10,000	Lump Sum	Signing of the Franchise Agreement for the first franchise location	Franchisor

Type of expenditure	Amount From	Amount To	Method of payment	When due	To whom payment is to be made
Estimated Initial Investment to Open Initial Franchised Business (Based on range from Item 7 Table A above) <sup>2</sup>	\$228,500	\$518,500	See Table A Above for Each Expenditure	See Table A above for Each Expenditure	See Table A above for Each Expenditure
Total Estimated Initial Investment	\$338,500	\$628,500			

### FOOTNOTES

<sup>1</sup> Franchise Fee and Marketing/Architectural and Design Development Support Fee. The Franchise Fee is described in greater detail in ITEM 5. Payment is due upon signing the franchise agreement for each respective location, or as otherwise agreed in writing, per the Area Developer Agreement, Exhibit B, Development Schedule, and payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer. The Marketing/Architectural and Design Development Support Fee is described in greater detail in ITEM 5. Payment is due upon signing the franchise agreement for the first franchise location per the Area Developer Agreement, Exhibit B, Development Schedule, and payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer.

<sup>2</sup> Initial Investment for First Franchised Business. This figure represents the total estimated initial investment required to open the initial Franchised Business you agree to open and operate under the Development Agreement. The range includes the items outlined in Item 7, Table A, but excludes Franchise Fee and Marketing/Architectural and Design Development Support Fee. These fees are included in Table B, but they are listed and named separately. This estimate does not include any of the costs you will incur in opening any additional Franchised Businesses that you are granted the right to open and operate under your Development Agreement. You will be required to enter into our then-current franchise agreement for the initial franchised business and each successive franchised business you open under the Development Agreement.

### **TABLE C – YOUR ESTIMATED INITIAL INVESTMENT: NON-TRADITIONAL LOCATION**

Type of expenditure	Amount From - To		Method of payment	When due	To whom payment is to be made
Franchise Fee <sup>1</sup>	\$40,000	\$40,000	Lump Sum	Signing of Franchise Agreement	Franchisor
Marketing/Architectural and Design Development Support Fee <sup>1</sup>	\$10,000	\$10,000	Lump Sum	Signing of Franchise Agreement	Franchisor

Type of expenditure	Amount From - To		Method of payment	When due	To whom payment is to be made
Training Expenses <sup>2</sup>	\$2,500	\$5,000	As Incurred	During Training	Airlines, Hotels, Restaurants
Location Lease <sup>3</sup>	\$1,500	\$5,000	As Arranged	Before Beginning Operations	Landlord
Leasehold Improvements <sup>4</sup>	\$25,000	\$75,000	As Arranged	Before Beginning Operations	Contractor
Computer Hardware and Software <sup>5</sup>	\$7,500	\$20,000	As Incurred	Before Beginning Operations	Supplier
Office Supplies <sup>6</sup>	\$500	\$1,000	As Incurred	Before Beginning Operations	Supplier
Signage <sup>7</sup>	\$2,500	\$10,000	As Arranged	Before Beginning Operations	Supplier
Furniture and Equipment <sup>8</sup>	\$25,000	\$50,000	As Arranged	Before Beginning Operations	Supplier
Utilities <sup>9</sup>	\$150	\$500	As Incurred	Before Beginning Operations	Utility Provider
Uniforms <sup>10</sup>	\$700	\$2,000	As Arranged	Before Beginning Operations	Supplier
Inventory <sup>11</sup>	\$5,000	\$10,000	As Arranged	Before Beginning Operations	Approved Supplier
Grand Opening Advertising <sup>12</sup>	\$2,000	\$5,000	As Incurred	Before Beginning Operations	Supplier
Insurance <sup>13</sup>	\$5,000	\$10,000	As Arranged	Before Beginning Operations	Insurance Agent

Type of expenditure	Amount From - To		Method of payment	When due	To whom payment is to be made
Licenses and Permits <sup>14</sup>	\$1,000	\$2,500	As Incurred	Before Beginning Operations	Relevant Organizations
Legal and Accounting <sup>15</sup>	\$2,000	\$2,500	As Arranged	Before Beginning Operations	Accountants, Lawyers
Dues and Subscriptions <sup>16</sup>	\$50	\$500	As Incurred	Before Beginning Operations	Relevant Organizations
Additional Funds – First 3 Months <sup>17</sup>	\$25,000	\$50,000	As Incurred	Upon Beginning Operations	Suppliers
Total <sup>18</sup>	\$155,400	\$299,000			

### FOOTNOTES

<sup>1</sup> Franchise Fee and Marketing/Architectural and Design Development Support Fee: The Franchise Fee is described in greater detail in ITEM 5. Payment is due upon signing franchise agreement payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer. The Marketing/Architectural and Design Development Support Fee is described in greater detail in ITEM 5. Payment is due upon signing franchise agreement payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer.

<sup>2</sup> Training. The cost of initial training is included in the franchise fee, but you are responsible for transportation and expenses for meals and lodging while attending training. The total cost will vary depending on the number of people attending, how far you travel and the type of accommodations you choose. Before making airline ticket, hotel, rental car or other reservations, you should inquire about the refund policy in the event you need to cancel any reservation. These expenses are typically non-refundable.

<sup>3</sup> Location Lease. The average Approved Location will range from 700 to 2,500 square feet and should be located in a high foot-traffic area such as a downtown business area, an upscale strip center or other highly visible, trafficked area. It is difficult to estimate lease acquisition costs because of the wide variation in these costs between various locations. Lease costs will vary

based upon square footage and cost per square foot. The cost of a security deposit is included. Estimated rental costs for 3 months are included with the category “Additional Funds”.

<sup>4</sup> Leasehold Improvements. The low end of the range in the initial outlay assumes that the landlord provides a partial build out allowance. The high end of the range reflects the cash outlay by a franchisee that does not receive a build-out allowance.

<sup>5</sup> Computer Hardware and Software. This is for computers, monitors, battery backups, electronic devices, internet access and other IT work. This also accounts for the POS system for the Outlet. You should inquire about the return and refund policy of the suppliers at or before the time of purchasing. The amounts you pay for a computer and software are typically non-refundable, or if refundable, may be subject to a “re-stocking” fee. Your initial investment will depend on your location and any modifications needed for set up and installation of all required POS, hardware, kiosk payment terminal, software, internet, security and communications systems.

<sup>6</sup> Office Supplies. You must purchase general office supplies including stationery, business cards and typical office equipment. Factors that may affect your cost of office equipment and supplies include local market conditions, competition among suppliers and other factors. Typically, office supplies may be returned if unused but are otherwise nonrefundable. You should inquire about the return and refund policy of the supplier at or before the time of purchase.

<sup>7</sup> Signage. The range of costs represents the outright purchase of all signage on the franchised locations. It is subject to all local ordinances. These costs are typically not refundable.

<sup>8</sup> Furniture and Equipment. Although some of these items may be leased, the range shown represents the actual purchase price. Equipment installation charges are included in the range of expenses for location improvements.

<sup>9</sup> Utilities. The high side of this range includes payment of a utility deposit that will typically be required if the franchisee is a new customer of the utility company.

<sup>10</sup> Uniforms. This expense covers shirts, hats and/or other branded apparel for employees.

<sup>11</sup> Inventory. You must purchase an initial inventory of coffee, food products and other items needed for use in the operation of the franchised business. Costs vary based upon the size and location of the franchised business, suppliers and other related factors. Currently, the minimum inventory opening order is \$10,000.

<sup>12</sup> Grand Opening Advertising. The Grand Opening Advertising will be managed and operated by us. You will pay the entire amount to a third-party vendor and we will provide direction to the marketing program.

<sup>13</sup> Insurance. You must purchase the following types and amounts of insurance: (1) “all risk” property insurance; (2) workers’ compensation insurance and employer liability coverage with a minimum limit of \$250,000 or higher if your state law requires; (3) comprehensive general liability insurance with a minimum liability coverage of \$2,000,000 per occurrence, or higher if your state law requires. A 20 percent down payment of the annual premium for general liability insurance and workers’ compensation insurance costs is included in the low-end estimate, and the full annual premium is included in the high estimate. Factors that may affect your cost of insurance include the size and location of the Approved Location, equipment, inventory, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase. Qargo Coffee, Inc. must also be listed as an additional named insured.

<sup>14</sup> Licenses and Permits. State and local government agencies typically charge fees for occupancy permits, operating licenses and permits to make improvements to your office and storage area. These fees are typically non-refundable.

<sup>15</sup> Legal and Accounting. You will need to employ an attorney, an accountant and other consultants to assist you in establishing your Outlet. These fees may vary from location to location depending on the prevailing rates of local attorneys, accountants and consultants and your existing relationships. These fees are typically non-refundable. You should inquire about the refund policy of the attorney, accountant or consultant at or before the time of hiring.

<sup>16</sup> Dues and Subscriptions. You may choose to join the local Chamber of Commerce in addition to local business networking groups in your market. Membership fees vary from area to area.

<sup>17</sup> Additional Funds. This entry estimates additional funds you may need for the first 3 months of operations, including payroll costs (but not including any draw or salary for you) and working capital for other expenses. These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as: how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our product, the prevailing wage rate, competition and the sales level reached during the initial period.

<sup>18</sup> Total. We do not offer direct or indirect financing for any part of the Estimated Initial Investment. See Item 10.

**TABLE D – YOUR ESTIMATED INITIAL INVESTMENT**

**AREA DEVELOPER AGREEMENT (3-UNIT: NON-TRADITIONAL LOCATIONS)**

<b>Type of expenditure</b>	<b>Amount From</b>	<b>Amount To</b>	<b>Method of payment</b>	<b>When due</b>	<b>To whom payment is to be made</b>
Franchise Fee <sup>1</sup>	\$40,000	\$40,000	Lump Sum	Signing of Franchise Agreement for first franchise location, or as agreed	Franchisor
Franchise Fee <sup>1</sup>	\$20,000	\$20,000	Lump Sum, or as agreed	Signing of Franchise Agreement for the second location, or as agreed	Franchisor
Franchise Fee <sup>1</sup>	\$20,000	\$20,000	Lump Sum, or as agreed	Signing of Franchise Agreement for the third location, or as agreed	Franchisor
Marketing/Architectural and Design Development Support Fee <sup>1</sup>	\$10,000	\$10,000	Lump Sum	Signing of the Franchise Agreement for the first franchise location	Franchisor
Estimated Initial Investment to Open Initial Franchised Business (Based on range from Item 7 Table C above) <sup>2</sup>	\$115,400	\$259,000	See Table C Above for Each Expenditure	See Table C above for Each Expenditure	See Table C above for Each Expenditure
Total Estimated Initial Investment	\$205,400	\$349,000			

**FOOTNOTES**

<sup>1</sup> Franchise Fee and Marketing/Architectural and Design Development Support Fee. The Franchise Fee is described in greater detail in ITEM 5. Payment is due upon signing the franchise agreement for each respective location, or as otherwise agreed in writing, per the Area Developer Agreement, Exhibit B, Development Schedule, and payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer. The Marketing/Architectural and Design Development

Support Fee is described in greater detail in ITEM 5. Payment is due upon signing the franchise agreement for the first franchise location per the Area Developer Agreement, Exhibit B, Development Schedule, and payable as a lump sum via ACH, Electronic Funds Transfer (EFT) or wire transfer.

<sup>2</sup> Initial Investment for First Franchised Business. This figure represents the total estimated initial investment required to open the initial Franchised Business you agree to open and operate under the Development Agreement. The range includes the items outlined in Item 7, Table C, but excludes Franchise Fee and Marketing/Architectural and Design Development Support Fee. These fees are included in Table B, but they are listed and named separately. This estimate does not include any of the costs you will incur in opening any additional Franchised Businesses that you are granted the right to open and operate under your Development Agreement. You will be required to enter into our then-current franchise agreement for the initial franchised business and each successive franchised business you open under the Development Agreement.

## **Item 8: Restrictions on Sources of Products and Services.**

### Generally

You are required to purchase or lease the following goods and/or services in this Item either directly from us, from an Approved Supplier, or according to our specifications. Neither we or any of our officers or directors are approved suppliers and no franchisor officer owns an interest in any supplier.

### Required Purchases and Leases

**Real Estate:** We will assist you with specifications for real estate locations that will be suitable for operation of your business. We must approve the location(s) you select for your business, and after receiving our approval you will make the final location decision.

**Contractors:** We will assist you with the design, development and remodeling specifications for the contractors and suppliers who will support you in constructing and building out your franchised business location.

**Inventory:** We will provide you with a list of Approved Suppliers for the inventory, coffee products and supplies related to coffee retail.

**Equipment:** We will provide you with specifications for your purchase through third parties of the equipment necessary to operate your business location.

**Equipment Loan Agreement:** Through a national agreement with Lavazza Coffee, Qargo Coffee, Inc. will provide an equipment loan agreement for each Qargo Coffee location.

**Computer System:** We will provide you with specifications for your purchase through third parties of the computer system, POS software, POS hardware, kiosk payment terminal and payment processing systems.

**Signage:** We will provide you with specifications and examples of the proper signage you will purchase through third parties or our approved suppliers to emphasize your connection with our brand.

**Uniforms:** We will provide you with a list of Approved Suppliers for the uniforms.

Business Insurance: We will provide you with the specific types of insurance you will be required to purchase and the required policy limits where applicable.

### Supplier Approval Process

We permit you to contract with alternative suppliers for products or services where we require the use of an Approved Supplier, where your supplier is first approved by us. We do not have a specific criterion for approving suppliers that are available to you but will provide guidance as to what we are looking for upon your request. You will send us sufficient information, specifications and samples for us to evaluate the supplier. We will decide within a reasonable time (usually 30 days) after receiving the required information whether we approve your supplier. We will provide reasonable notice (usually 30 days) if we decide to revoke the approval of your supplier. We will not charge you any additional fees for our time in evaluating your suppliers.

### Our Specifications

Any specifications we may have for goods, services or suppliers will be provided to you in the Operations Manual or other written material when you go through your initial training. As the Operations Manual or other written materials are updated, we will provide you a copy of the updated versions.

### Estimated Proportions

We estimate that 50%-80% of your purchases made in establishing your Outlet will be made according to our specifications. We estimate that 50%-80% of your purchases made in operating your Outlet will be made according to our specifications.

### Insurance

You must purchase the following types and amounts of insurance: (1) "all risk" property insurance; (2) workers' compensation insurance and employer liability coverage with a minimum limit of \$250,000 or higher if your state law requires; (3) comprehensive general liability insurance with a minimum liability coverage of \$2,000,000 per occurrence, or higher if your state law requires. Insurance cost estimate is between \$2,500 - \$10,000. A 20% down payment of the annual premium for general liability insurance and workers' compensation insurance costs is included in the low-end estimate, and the full annual premium is included in the high estimate. Factors that may affect your cost of insurance include the size and location of the Approved Location, equipment, inventory, number of employees and other factors. The amounts you pay for insurance are typically non-refundable. You should inquire about the cancellation and refund policy of the insurance carrier or agent at or before the time of purchase. Qargo Coffee, Inc. must also be listed as an additional named insured.

### Miscellaneous

There are no purchasing or distribution cooperatives. We do not negotiate purchase agreements with suppliers on your behalf. We do not provide material benefits to you based on the purchase of particular products or services or use of particular suppliers.

While we currently do not do so, we reserve the right to derive revenue from any of the purchases that our system franchisees are required to make in connection with the Franchised Business. We

may derive revenue directly or in the form of payments from suppliers or rebates, based on purchases made by our franchisees. We may either retain these commissions, discounts, rebates or incentives received as a result of your purchases or use them for advertising or other expenses.

### Item 9: Franchisee's Obligations

This table lists your principal obligations under the franchise agreement and other agreements. It will help you find more detailed information about your obligations in these agreements and in other items of this Disclosure Document.

Obligation		Section in Agreement	Disclosure Document Item
a.	Site selection and acquisition/lease	5	11
b.	Pre-opening purchases/leases	5, 13	7, 8
c.	Site development and other pre-opening requirements	5	11
d.	Initial and ongoing training	8	6, 7, 11
e.	Opening	5, 8, 11	11
f.	Fees	3, 11	5, 6, 7
g.	Compliance with standards and policies/Operations Manual	9, 12, 13	8, 14, 16
h.	Trademarks and proprietary information	2, 6	13, 14
i.	Restrictions on products/services offered	13	8, 16
j.	Warranty and customer service requirements	13	16
k.	Territorial development and sales quotas	Not Applicable	12
l.	Ongoing product/service purchases	13	8, 11
m.	Maintenance, appearance and remodeling requirements	5, 13	6
n.	Insurance	14	6, 7, 8
o.	Advertising	11	6, 7, 11
p.	Indemnification	20	Not Applicable
q.	Owner's participation/ management/ staffing	8, 13	15
r.	Records and reports	12	11
s.	Inspections and audits	6, 12	6, 11, 13
t.	Transfer	17	6, 17
u.	Renewal	4	17
v.	Post-termination obligations	16	17
w.	Noncompetition covenants	7	17
x.	Dispute resolution	22	17
y.	Right of First Refusal	18	Not Applicable

### Item 10: Financing

We do not offer direct or indirect financing. We do not guarantee your note, lease or obligation.

## **Item 11: Franchisor's Assistance, Advertising, Computer Systems and Training.**

**Except as listed below, we are not required to provide you with any assistance.**

### Initial Obligations of Franchisor

Before you open, we will perform the following obligations:

1. Assist you in selecting a location for your Outlet by approving your site selection based on the condition of the premises, demographics of the surrounding area, proximity to other franchisees and affiliates, proximity to Competitive Businesses, or the size of the location and lease requirements. We will approve or disapprove of your site selection within 30 days of receiving a proposed location. (Franchise Agreement, §5.1)
2. We will designate a geographic area your site selection will fall within if you have not already received approval for your location when you sign the Franchise Agreement. (Franchise Agreement, §2.4)
3. We will review and approve the lease contract for your site. (Franchise Agreement, §5.3) If you fail to receive approval for your site within six months of signing the Franchise Agreement, we will have the right to terminate that Agreement with no refund due to you of any amounts paid. (Franchise Agreement, §5.2) We do not generally own the location and sublease it to you. An unrelated third party will own the location and lease it to you.

We are not obligated to assist you in conforming the premises of your site to local ordinances and building codes and obtaining any required permits. We will provide you with specifications for the development, remodeling, or decoration of the Approved Location. (Franchise Agreement, §5.4) We will provide training for your Designated manager and up to 2 assistants. (Franchise Agreement, §8.1) We are not obligated to assist you in the hiring of your staff, but we will provide training for your staff and other general opening assistance. (Franchise Agreement, §8.2) We will not provide you with the necessary equipment, signs, fixtures, opening inventory and supplies required to open for business directly, but we will assist you in working with third party approved vendors.

### Development Timetable

We estimate that the typical length of time between the signing of the Franchise Agreement and the opening of the franchise location is 90-180 days. If you choose to purchase a three-unit franchise, you will be required to have all units opened within the agreed upon development schedule. Factors that may affect Franchisee's beginning operations include ability to obtain a lease, financing or building permits, zoning and local ordinances, weather conditions, shortages, or delayed installation of equipment, fixtures, and signs. (Franchise Agreement, §§5.2, 5.5 and 5.7)

You will select a location to lease or purchase for the franchise location. If the location for the Outlet has not been determined as of the date you sign the Franchise Agreement, you will promptly select a site and notify us of such selection. We will evaluate the site and notify you of our approval or disapproval of the site within a reasonable time (usually 30 days) after receiving notice of the site. If we approve, the site shall be designated as the approved location. If we do

not approve of such selection, you will select and notify us of new sites until we approve a site for the Outlet. We will provide you with general guidelines to assist you in selecting a site suitable for the approved location. We have the right to approve or disapprove a proposed location based on such factors as we deem appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other Qargo Coffee Outlets, proximity to Competitive Businesses, or the size of the location and lease requirements. (Franchise Agreement, §§5.1). Should you fail to obtain an approved location within 6 months after signing the franchise agreement and/or commence operations within 6 months after site approval, we will have the right to terminate the franchise agreement.

#### Ongoing Obligations of Franchisor

1. As we continue to develop our System, we will provide you with updates and developments by providing updated copies of the Operations Manual or other relevant written documents. (Franchise Agreement, §§7.2 and 9.2)
2. We are not obligated to assist you in the hiring or training of your staff but we will provide additional training to the Designated Manager as necessary and training for newly named Designated Managers. We will be available to render advice, discuss problems and offer general guidance to you by telephone, e-mail, facsimile, newsletters and other methods with respect to general operating problems. (Franchise Agreement, §8.6)
3. We will prescribe a standard accounting system in the Operations Manual. (Franchise Agreement, §12)
4. We will provide you with pricing for the products or services offered. (Franchise Agreement, §13.1)
5. We will make periodic visits to the Approved Location to provide you with consultation, assistance and guidance in various aspects of the operation and management of the Outlet. (Franchise Agreement, §8.6)

#### Grand Opening Advertising

We will specify the time at which you must conduct grand opening advertising. Prior to, and/or during a period of approximately 3 months following the initial opening of the Outlet, you must spend an amount specified by us on local advertisement and promotion of the initial opening ("Grand Opening Advertising"). We will approve a plan for Grand Opening Advertising based upon our general assessment of the area surrounding the Approved Location and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions. (Franchise Agreement, §11.1)

#### Marketing/Advertising Program

We have established a System-Wide Marketing Fund for the enhancement, promotion and protection of the System and the Proprietary Marks. You must contribute a percentage of your Gross Sales weekly to the System-Wide Marketing Fund. We have the right to direct all

advertising, media placement, marketing and public relations programs and activities financed by the System-Wide Marketing Fund, with final discretion over the strategic direction, creative concepts, materials and endorsements used, and the geographic, market and media placement and allocation. You must participate in all advertising, marketing, promotions, research, and public relations programs instituted by the System-Wide Marketing Fund. As of the date of this disclosure document, the required contribution is 2% of weekly Gross Sales. All franchisees and corporate outlets are required to contribute the same 2% of weekly Gross Sales to the System-Wide Marketing Fund.

Among the programs, concepts, and expenditures for which we may utilize the System-Wide Marketing Fund monies are: (1) creative development and production of print ads, commercials, radio spots, point of purchase materials, direct mail pieces, door hangers, free standing inserts, brochures, logo wear, labeling, video, audio, and written materials and electronic media, and other advertising and promotional materials; (2) media placement and buying, including all associated expenses and fees; (3) administering regional and multi-regional marketing and advertising programs; (4) market research and customer satisfaction surveys, including the use of secret shoppers; (5) the creative development of, and actual production associated with, premium items, giveaways, promotions, sweepstakes, contests, public relation events, and charitable or nonprofit events; (6) creative development of signage, posters, and individual Qargo Coffee location décor items including wall graphics; (7) recognition and awards events and programs including periodic national and regional conventions and meetings; (8) design, establishment, and maintenance of websites, extranets, intranets, search rankings, social media profiles, mobile applications and other digital marketing; (9) retention and payment of personalities engaged as spokespersons, advertising and promotional agencies, endorsement contracts, and other outside advisors including retainer and management fees; (10) sponsorship of sporting, charitable, or similar events; (11) review of locally produced marketing materials; (12) list acquisition and development; (13) association dues; (14) affinity program development; (15) development of third party facilities for the development of local advertising; and (16) public relations and community involvement activities and programs.

We may sell certain advertising materials, merchandise and premium items to you that are developed by the System-Wide Marketing Fund and the earnings from such sales will be deposited in the System-Wide Marketing Fund. The System-Wide Marketing Fund also may be used to pay our reasonable salaries and expenses of our and our affiliates' employees who work on advertising, marketing, public relations materials, programs, activities or promotions prepared, planned or undertaken on behalf of the System-Wide Marketing Fund and professional fees and administrative costs and overhead that we or our affiliates incur in activities reasonably related to the administration and activities of the System-Wide Marketing Fund (including accounting fees, legal fees, and interest on monies borrowed by the System-Wide Marketing Fund). We will not use the System-Wide Marketing Fund for anything whose sole purpose is the marketing of franchises, however, the System website, public relations activities, community involvement activities and other activities supported by the System-Wide Marketing Fund may contain information about franchising opportunities.

We will prepare an annual, unaudited statement of System-Wide Marketing Fund collections and expenses within 60 days after our fiscal year end and will provide a copy of the statement to all franchisees. We retain the final authority on all programs financed by the Brand Fund. We have the right to change or dissolve the System-Wide Marketing Fund at any time. If we disband the System-Wide Marketing Fund, we will spend all monies in the fund for advertising and/or promotional purposes or distribute all unspent monies to contributors in proportion to their respective System-Wide Marketing Fund contributions during the preceding 12-month period.

During the 2023 fiscal year, we collected \$67,720 in franchisee contributions towards the System-Wide Marketing Fund, of which 100% of it was spent on media placement.

The System-Wide Marketing Fund (including any earnings on unspent funds) will be used to maximize general public recognition, acceptance, and patronage of Qargo Coffee locations. We are not obligated to make System-Wide Marketing Fund expenditures for you which are equivalent or proportional to your contributions, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the System-Wide Marketing Fund. The System-Wide Marketing Fund is not a trust and we have no fiduciary obligation in collecting payments, bookkeeping, or disbursement of monies from the System-Wide Marketing Fund. We will conduct national advertising by maintaining the Qargo Coffee Website but we are not obligated to advertise directly in your territory. (Franchise Agreement, §11.5) You will be permitted to use your own advertising material for local advertising provided that we first approve the material. (§11.1.1)

#### Local Advertising

You must spend at least two percent (2%) of your monthly Gross Revenue on advertising and marketing in your market area ("Local Store Marketing"). We must approve all Local Store Marketing as described below. (Franchise Agreement, §11.2)

#### Advertising Council

We currently do not have an advertising council. However, we reserve the right to establish one in the future.

#### Advertising Cooperative

We have the right to establish: (1) co-marketing programs in which we and our franchisees join with suppliers or other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple franchised and affiliate-owned Qargo Coffee locations contribute to a specific ad or event; and/or (3) local or regional Cooperatives that pool funds of franchised and affiliate-owned Qargo Coffee locations on an ongoing basis to jointly promote the Proprietary Marks and the Qargo Coffee locations of the members. You must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

- We have the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to your Qargo Coffee location, you must become a member and begin contributing. You will not have to contribute to more than one Cooperative for the same Qargo Coffee location at the same time. We (or our affiliates, as the case may be) will become a member of any Cooperative that is applicable to a Qargo Coffee location owned by us or our affiliates.
- Each Cooperative will adopt a cooperative agreement governing the organization and operation of the Cooperative, subject to our approval. If the members of the Cooperative do not sign an agreement within a reasonable time, you agree to sign our recommended form of Cooperative Agreement. We reserve the right to change the form of organization, governing documents, and manner of operation of any Cooperative. No changes in the bylaws or other governing documents of a Cooperative may be made without our prior

written consent.

- Each Cooperative will be organized for the exclusive purpose of developing, administering, and executing marketing/advertising programs for the members of the Cooperative. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without our prior approval as described below.
- You and each other member of the Cooperative must contribute monthly to the Cooperative up to 50% of your Local Advertising expenditure (unless a majority of the Cooperative votes to increase the amount), which amount will result in a corresponding reduction in your Local Advertising obligation.
- We may grant any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, and/or from the obligation to contribute (including a reduction, deferral or waiver of the contribution), upon written request stating reasons that we deem sufficient to support the exemption. Our decision concerning any request for exemption will be final. If we grant an exemption to a franchisee, the franchisee will be required to spend on Local Advertising the amount the franchisee otherwise would have been required to contribute to the Cooperative.

#### Approval Requirement

All advertising and promotion by you and by any Cooperative must be in the type of media and format that we approve, must be conducted in a dignified manner, and must conform to our standards and requirements. You or the Cooperative must submit written samples of all proposed marketing/advertising and promotional plans and materials for our approval at least 20 days before their intended use. If we do not approve of the submitted plans and materials by the end of such 20-day period, such plans or materials will be deemed denied.

#### Computer System

You are required to purchase the following computer hardware and software:

Hardware	Software
POS Hardware	QuickBooks Accounting Pro Software Package
Computer, Tablet(s), Printer	POS System Software
Backup Drive	Microsoft Office and/or Google Workspace
Kiosk Payment Terminal	POS Software and Kiosk App Software
Self Service Kiosk	PAR Menu

The approximate cost of the Computer System and set up and installation of all related components (POS, kiosk payment terminal, hardware, software, internet, security and communications systems) to support your business is \$7,500 to \$20,000. This may vary depending on your location and the modifications that may be needed. We will be permitted access to your computer and point of sale data, subject to relevant data protection and privacy laws, and any contractual limitations agreed upon in the Franchise Agreement. (Franchise

Agreement, §12.4) We are not obligated to repair or maintain your computer system and do not require you to purchase a maintenance package as there are no contractual limits on the frequency and cost to update your computer system, but you may decide to hire an IT professional for this purpose. To the extent possible and to the extent limited by the contract with the service providers, we will have access to the information generated or stored in your computer system.

#### Operations Manual

Our Operations Manual includes the following topics:

Manual Section	Number of Pages
Section A - Introduction	33
Section B - Establishing the Business	62
Section C - Personnel	78
Section D - Administrative Procedures	18
Section E - Daily Procedures	47
Section F - Marketing	19
<b>Total Number of Pages</b>	<b>257</b>

#### Franchisor's Training Program

As of our last fiscal year end, our training program consisted of the following:

#### **TRAINING PROGRAM**

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Getting Started with Qargo Culture, History, and Basic Setup (Employee Handbook, Orientation Materials, etc.)	8	0	Miami FL, New York NY, Los Angeles CA, Chicago, IL, Philadelphia, PA or Your Location
Operations Basics	1	4	Your Location
Pricing and Menu	2	0	Your Location
New Customer Interactions: Wowing the Customer and Creating a Great Experience	2	4	Your Location

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Customer Interactions: Managing Relationships and Keeping People as Returning Customers	1	6	Your Location
FAQ's	2	0	Your Location
Customer Satisfaction	1	2	Your Location
Opening the Location	1	3	Your Location
Closing the Location	1	3	Your Location
Deep Clean and Maintenance	1	3	Your Location
Equipment Maintenance	1	2	Your Location
Weekly Duties	1	3	Your Location
Marketing Essentials / Content Creation	2	0	Your Location
Offline Marketing / Customer Journey	2	2	Your Location
Onboarding Graduation	1	3	Your Location
Onboarding Graduation	1	0	Your Location
<b>TOTALS:</b>	28	35	

Training will be primarily under the direction of Diego Alejandro Rivero Diaz and Nicolas Chavarro. Diego Alejandro Rivero Diaz has served as our director of Operations since January 2022. Nicolas Chavarro has served as our Operations Manager since April 2024.

The initial training program will be conducted on an as needed basis, approximately 2 months before the opening of your Outlet, and will be held at our location and yours. The training materials

include the Operations Manual and related written materials. Phase 1 instruction will pertain to administrative, operational and sales/marketing matters. It will also include a substantial amount of on-the-job training related to brewing, food preparation, health and safety, inventory control and point-of-sale training. A portion of Phase 1 training will be held at a designated Lavazza training center. Phase 2 instruction is provided at the franchisee's location when the franchisee commences operation of their Qargo Coffee location and will focus on assisting the franchisee with mastering operations skills. Our corporate trainers have a combined 10 years of industry experience. We do not charge for initial training; however, you must pay for all travel costs and living expenses for any attendees. Both you and your designated manager are required to attend and satisfactorily complete the initial training program. (Franchise Agreement, §8.3). Additional training programs may be required but are not currently scheduled. (Franchise Agreement, §8.4)

## **Item 12: Territory**

### **Franchise Agreement**

If you have already selected a specific location for your business, we will approve that location and include its information in the franchise agreement. If we have not already approved a specific location for your Outlet, you shall select and submit possible sites within the Designated Area for our approval. There is no minimum size for a Territory and the size of your Territory will vary depending on the population and business counts. You are not granted the right to open additional franchise outlets in this Agreement. Additional franchise outlets will be governed by additional franchise agreements.

You may relocate your Outlet only with our prior written approval and only within the Territory. Approval will not be unreasonably withheld provided that the proposed new location meets our then-current criteria for a Qargo Coffee Business.

You will not receive an exclusive franchise territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. But you will receive an Area of Primary Responsibility, the Territory, to be mutually agreed upon by Franchisor and Franchisee, around your franchised business or development area protecting you from other businesses operating under the same brand within the Territory. You will be required to maintain and to market within the Area of Primary Responsibility. You shall not directly market to or solicit customers located within the Territory of another franchisee or Affiliate but may otherwise solicit customers located outside of your Territory.

The Franchise Agreement grants you only the right to operate your Qargo Coffee Outlet, and does not grant you any right to engage into other business opportunities for the sale and distribution of "Qargo Coffee" products or services through any other channel of distribution.

Neither we nor our Affiliate currently operate or have plans to operate a business under a different trademark that sells goods or services as its primary business that are the same or similar to those you sell.

We reserve the right, in our sole discretion, to:

1. establish, own or operate, and license others to establish, own or operate, Qargo Coffee Businesses outside of the Territory;
2. establish, own or operate, and license others to establish, own or operate, Qargo Coffee Businesses within Non-Traditional Venues located within or outside of the Territory;
3. establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside or outside of

- the Territory;
4. be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Territory;
  5. provide the services and sell the products authorized for Qargo Coffee Businesses using the Marks or other trademarks through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate without providing you any compensation; and
  6. purchase or otherwise acquire controlling ownership of one or more Competitive Businesses some or all of which may be located anywhere, including within the Territory. "Competitive Business" means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) goods or services the same as or similar to those provided by us or in which trade secrets or other confidential information could be used to our disadvantage.

#### Area Developer Agreement

During the term of the Development Agreement, we and our affiliates will not operate, or license others to operate, any new Qargo Coffee locations in your Development Area, provided that you are in compliance with the terms of the Development Agreement and any other agreements with us and our affiliates and you are current on all obligations due to us and our affiliates. However, we may operate, and license others to operate, Qargo Coffee locations in the Development Area that are open and operating or under development when you sign the Development Agreement. We reserve the same rights in your Development Area as we do in your Territory as described above.

#### Rights of First Refusal


We do not grant you any options, rights of first refusal, or similar rights to acquire additional franchises under either the Franchise Agreement or the Development Agreement.

We and our affiliates do not currently have any plans to operate, or offer franchises for, a business under a different trademark that will sell goods or services similar to those that are offered at Qargo Coffee locations.

### **Item 13: Trademarks**

#### Principal Trademark(s)

We have filed a registration with the United States Patent and Trademark Office for the following mark:

Trademark	Application Date	Serial Number
	4/20/2021	97178467

We do not have a federal registration for our principal trademark. Therefore, our trademark does

not have as many legal benefits and rights as a federally registered trademark. If our right to use the trademark is challenged, you may have to change to an alternative trademark, which may increase your expenses.

#### Material Determinations

We know of no currently effective material determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceedings pertaining to any of our Marks. We know of no pending material federal or state court litigation regarding our use or ownership rights in any of the Marks.

#### Trademark Liabilities

We are not obligated to protect your right to use the principal trademark or to protect you against claims of infringement or unfair competition arising out of your use of the Marks. You must immediately notify us when you learn about an infringement of, or challenge to your use of, any Mark, or any claim by any person of any rights in any Marks, and you must not communicate with any person other than us and our counsel regarding any infringements, challenges or claims unless you are legally required to do so, however, you may communicate with your own counsel at your own expense. We are not required to take affirmative action when notified of these uses or claims but will take the action, we think appropriate. We have the option to control the defense and settlement of any proceeding related to your use of the Marks. We will reimburse you for all of your expenses reasonably incurred in any legal proceeding disputing your authorized use of any Mark, but only if you notify us of the proceeding in a timely manner and you have complied with our directions with regard to the proceeding.

If we require you to modify or discontinue using a trademark, you will be solely responsible for all expenses up to the cap for system modifications stated in the Franchise Agreement.

#### Superior Rights and Infringements

We know of no prior superior uses that could materially affect the use of the Marks in any state in which the Outlet is to be located. We know of no infringing uses that could materially affect your use of the principal trademarks in your state. There are no agreements currently in effect that significantly limit our right to use or license the Marks.

### **Item 14: Patents, Copyrights and Proprietary Information**

#### Patents

We do not own rights in, or licenses to, patents or patent applications that are material to the franchise.

#### Copyrights

All of our original works of authorship fixed in a tangible medium of expression, including but not limited to our Operations Manual, are automatically protected under the U.S. Copyright Act. We have not sought a copyright registration for any of these materials. You may use our copyrighted materials during the term of the franchise, in a manner consistent with our ownership rights, solely for the purpose of operating your Outlet. There are no material determinations of the United States

Copyright Office or any court regarding any of our copyrighted materials. We are not obligated to protect the copyright or to defend you against claims arising from your use of the copyrighted items.

### Trade Secrets

We have developed certain trade secrets and other confidential information, including methods of business management, sales and promotion techniques, and know-how, knowledge of, and experience in, operating our franchised business.

## **Item 15: Obligation to Participate in the Actual Operation of the Franchised Business.**

You are required to either personally participate or appoint a Designated Manager to provide personal on-premises supervision of the Outlet. The Designated Manager must successfully complete our training program, any additional trainings we designate, and will be required to sign nondisclosure and noncompetition agreements in a form the same as or similar to the Nondisclosure and Noncompetition agreement attached to the Franchise Agreement. If you are a business entity, we do not require that your Designated Manager own an equity interest in your business entity.

If you are a business entity, each of your owners must personally guarantee, jointly and severally, your obligations under the Franchise Agreement and agree to be personally bound by, and personally liable for the breach of, every provision of the Franchise Agreement. This includes both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities. Spouses of all of your owners are not required to execute a Personal Guaranty.

## **Item 16: Restrictions on What the Franchisee May Sell.**

You are permitted to offer only the products *or* services authorized by us, and you must discontinue offering any products *or* services that we disapprove. You are obligated to sell all of the products *or* services authorized by us. We may periodically change required or authorized services *or* products. There are no limits on our right to do so, except that your required investment to change required or authorized services will not exceed \$30,000 during the initial term of the franchise.

## **Item 17: Renewal, Termination, Transfer and Dispute Resolution.**

### **THE FRANCHISE RELATIONSHIP**

**This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this Disclosure Document.**

Provision	Section in Franchise or Other Agreement	Summary
a. Length of franchise term	4.1	The initial term is 10 years.
b. Renewal or extension of term	4.2	After the initial term you will be required to sign then current Franchise Agreement that may contain materially different terms and conditions than Franchisee's original contract but will be for a term of 5 years.
c. Requirements for franchisee to renew or extend	4.2	You may renew the then-current Franchise Agreement if you: have fully complied with the provisions of the Franchise Agreement; have the right to maintain possession of the approved location or an approved substitute location for the term of the renewal; have made capital expenditures as necessary to maintain uniformity with the System; have satisfied all monetary obligations owed to us; are not in default of any provision of the Franchise Agreement or any other agreement with us; have given timely written notice of your intent to renew; sign a current Franchise Agreement, which may have different terms and conditions than your original Franchise Agreement; comply with current training requirements; and sign a general release in a form the same as or similar to the General Release attached to the Franchise Agreement.
d. Termination by franchisee	15.1	You may terminate the Franchise Agreement if you are in compliance with it, we materially breach it, and we fail to begin to cure our breach within 30 days of receiving your written notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	15.2	See g and h below.
g. "Cause" defined- curable defaults	15.2.2	If a default arises from your failure to comply with a mandatory specification in the Franchise Agreement or Operations Manual, you can avoid termination of the Franchise Agreement if you cure the following defaults: your failure to maintain insurance; your failure to make payments due to us; your failure to comply with any mandatory Specification, standard or operating procedure prescribed in the Operations Manual or

		otherwise prescribed in writing; or any other default not explicitly stated in the Franchise Agreement.
h. "Cause" defined-non-curable defaults	15.2.1	<p>We have the right to terminate the Franchise Agreement without giving you an opportunity to cure if you: fail to timely select an approved site for or establish, equip and begin operations; fail to have your Designated Manager satisfactorily complete training; make a material misrepresentation or omission in the application for the franchise; after notice to cure, fail to refrain from activities, behavior or conduct likely to adversely affect the reputation of either party or the brand; are convicted of or plead no contest to a felony or other crime or offense likely to affect the reputation of either party or the brand; use the Operations Manual, Training Manuals, trade secrets or other confidential information in an unauthorized manner; if required, fail to have your owners (and members of their immediate families and households), officers, directors, managers, executives and professional staff, and other individuals having access to trade secrets or other confidential information sign nondisclosure and non-competition agreements or, if requested, fail to provide us with copies of all signed nondisclosure and non-competition agreements; abandon the Outlet for 5 or more consecutive days; surrenders or transfers control of the Outlet in an unauthorized manner; fail to maintain the Outlet under the supervision of a Designated Manager following ITS death or disability; submit reports on 2 or more separate occasions understating any amounts due by more than 3%; are adjudicated bankrupt, insolvent or make a general assignment for the benefit of creditors; misuse or make unauthorized use of the Marks; fail on 2 or more occasions within any 12 months to submit reports or records or to pay any fees due to us or any Affiliate; violate on 2 or more occasions any health, safety or other laws or operate the Outlet in a manner creating a health or safety hazard to customers, employees or the public; take any action reserved to us; fail to comply with applicable law after notice; breach the franchise agreement or fail to comply with specifications on 2 or more occasions within any 12 months; or default under any other agreement with us (or an Affiliate) so that they have the right to terminate such agreement.</p>
i. Franchisee's obligations on termination/non-renewal	16.1	<p>If the Franchise Agreement is terminated or not renewed, you must: stop operating the Outlet; stop using any trade secrets, confidential information, the System and the Marks; if requested, assign your interest in the franchise location to us; cancel or assign to us any assumed names; pay all sums owed to us including damages and costs incurred in enforcing the Franchise Agreement; return the Operations Manual, trade secrets and all other</p>

		confidential information; assign your telephone and facsimile numbers to us; comply with the covenants not to compete and any other surviving provisions of the Franchise Agreement.
j. Assignment of contract by franchisor	17.1	There are no restrictions on our right to assign our interest in the Franchise Agreement.
k. "Transfer" by franchisee-definition	17.2	"Transfer" includes, but is not limited to, selling, assigning, conveying, giving away, pledging, mortgaging, or sublicensing. or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the franchise granted hereby, the Approved Location, its assets, or any part or all of the ownership interest in Franchisee.
l. Franchisor's approval of transfer by franchisee	17.2	You may not transfer your interest without our prior written consent.
m. Conditions for franchisor approval of transfer	17.2	We will consent to a transfer if: we have not exercised our right of first refusal; all obligations owed to us are paid; you and the transferee have signed a general release in a form the same as or similar to the General Release attached to the Franchise Agreement; you or the transferee have paid the transfer fee of \$10,000, the prospective transferee meets our business and financial standards; the transferee and all persons owning any interest in the transferee sign the then current Franchise Agreement; you provide a copy of all contracts and agreements related to the transfer; you or the transferee pay the transfer fee; the transferee or the owners of transferee have agreed to be personally bound by all provisions of the Franchise Agreement; you have agreed to guarantee performance by the transferee, if requested by us; the transferee has obtained all necessary consents and approvals of third parties; you or all of your equity owners have signed a noncompetition agreement in a form the same as or similar to the Nondisclosure and Noncompetition attached to the Franchise Agreement; the transferee has agreed that its Designated Manager will complete the initial training program before assuming management of the Outlet; and the transferee has obtained all necessary types of insurance.
n. Franchisor's right of first refusal to acquire franchisee's business	18	We may match an offer for the Outlet or an ownership interest you propose to sell.
o. Franchisor's option to purchase franchisee's franchised business	16.4	Except as described in (n) above, we do not have the right to purchase the Outlet; however, during the 30-day period after the termination or expiration of the Franchise Agreement, we have the right to purchase any assets of

		the Outlet for fair market value.
p. Death or disability of franchisee	17.6	Following the death or incapacity of an owner of the Outlet or the death or incapacity of any holder of a legal or beneficial interest in the Outlet, you or your representative must transfer, subject to the terms of the Franchise Agreement, the individual's interest in the Outlet within 180 days of death or incapacity or we may terminate the Franchise Agreement.
q. Noncompetition covenants during the term of the franchise	7.3	You, your owners (and members of their families and households) and its officers, directors, executives, managers, professional staff and employees are prohibited from: attempting to divert any business or customer of the Outlet to a competitive business or causing injury or prejudice to the Marks or the System; owning or working for a competitive business.
r. Noncompetition covenants after the franchise is terminated or expires	16.2	For 1 year after the termination or expiration of the Franchise Agreement, you, your owners (and members of their families and households) and your officers, directors, executives, managers or professional staff are prohibited from: owning or working for a competitive business operating within 25 miles of the franchise location or within the area of primary responsibility (whichever is greater), or within 25 miles of any other franchisee or affiliate; or soliciting or influencing any of our customers, employees or business associates to compete with us or terminate their relationship with us.
s. Modification of the agreement	9.2 and 21.7	The Franchise Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	21.6	Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and franchise agreement may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we make in this franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Not Applicable	Subject to state law, any litigation must be pursued in courts located in Delaware.
v. Choice of forum	22.2	Subject to state law, any litigation must be pursued in courts located in Delaware.
w. Choice of law	22.1	Subject to state law, Delaware Law applies; except that disputes over the Marks will be governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sec. 1051 et seq.) and disputes over copyrights will be governed by federal copyright laws of the United States.

Provision	Section in Area Developer Agreement	Summary
a. Length of franchise term	4.1	The initial term is 10 years.
b. Renewal or extension of term	Not Applicable	Not Applicable
c. Requirements for franchisee to renew or extend	4.2	If you have met all obligations under the Development Schedule, then we may agree to extend your Developer Agreement.
d. Termination by franchisee	5.1	You may terminate the Franchise Agreement if you are in compliance with it, we materially breach it, and we fail to begin to cure our breach within 30 days of receiving your written notice.
e. Termination by franchisor without cause	Not Applicable	Not Applicable
f. Termination by franchisor with cause	5.1	We can terminate only if you fail to comply with the terms of the Area Developer Agreement.
g. "Cause" defined-curable defaults	5.1	We can terminate only if you fail to comply with the terms of the Area Developer Agreement.
h. "Cause" defined-non-curable defaults	5.1	We can terminate only if you fail to comply with the terms of the Area Developer Agreement.
i. Franchisee's obligations on termination/non-renewal	5.2	Upon termination or expiration of the Area Developer Agreement, Franchisor is then free to open Company-Owned Units or grant franchises to others within Development Area but outside any Exclusive Territories granted to you under Franchise Agreements for Franchised Units you are currently operating or are under construction.
j. Assignment of contract by franchisor	3.1	There are no restrictions on our right to assign our interest in the Area Developer Agreement.
k. "Transfer" by franchisee-definition	3.2	"Transfer" means to sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in the Area Developer Agreement.
l. Franchisor's	3.2	You may not transfer your interest without our prior

approval of transfer by franchisee		written consent.
m. Conditions for franchisor approval of transfer	3.2	If you intend to transfer the Area Developer Agreement as part of your sale of all of the assets comprising your Franchise Businesses under construction or in operation, we will consent to the transfer provided you pay us a transfer fee of \$10,000 for the transfer of Area Development Rights.
n. Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o. Franchisor's option to purchase franchisee's franchised business	Not Applicable	Not Applicable
p. Death or disability of franchisee	Not Applicable	Not Applicable
q. Noncompetition covenants during the term of the franchise	Not Applicable	Not Applicable
r. Noncompetition covenants after the franchise is terminated or expires	Not Applicable	Not Applicable
s. Modification of the agreement	7.1	The Area Developer Agreement can be modified only by written agreement between you and us. We may modify the Operations Manual without your consent if the modification does not materially alter your fundamental rights.
t. Integration/merger clause	7.10	Only the terms of the Area Developer Agreement are binding (subject to state law). Any representations or promises made outside of the disclosure document and franchise agreement may not be enforceable. Nothing in this or in any related agreement, however, is intended to disclaim the representations we make in this franchise disclosure document.
u. Dispute resolution by arbitration or mediation	Not Applicable	Subject to state law, any litigation must be pursued in courts located in Delaware.
v. Choice of forum	Not Applicable	Not Applicable
w. Choice of law	Not Applicable	Not Applicable

## Item 18: Public Figures.

We do not presently use any public figures to promote our franchise.

## Item 19: Financial Performance Representation.

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document. Financial performance information that differs from that included in ITEM 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet Franchisee is considering buying; or (2) a franchisor supplements the information provided in this ITEM 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Qargo Coffee Inc., 701 Brickell Avenue, Suite 1550 Miami, FL 33131, (786) 913-9991, the Federal Trade Commission, and the appropriate state regulatory agencies.

## Item 20: Outlets and Franchise Information.

Table No. 1  
Systemwide Outlet Summary for Years 2021 to 2023

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	2	+2
	2023	2	2	0
Company-Owned	2021	0	0	0
	2022	0	0	0
	2023	0	0	0
Total Outlets	2021	0	0	0
	2022	0	2	+2
	2023	2	2	0

Table No. 2

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)  
For Years 2021 to 2023

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
Total	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchised Outlets for Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations – Other Reasons	Outlets at End of the Year
CO	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
FL	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Total	2021	0	0	0	0	0	0	0
	2022	0	2	0	0	0	0	2
	2023	2	0	0	0	0	0	2

Table No. 4

Status of Company-Owned Outlets for Years 2021 to 2023

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of the Year
All States	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
Total	2021	0	0	0	0	0	0
	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0

Table No. 5

Projected Openings as of December 31, 2023

State	Franchise Agreements Signed But Outlet Not Yet Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	0	5	0
Colorado	1	4	0
Florida	6	15	3
Georgia	0	10	0
Illinois	1	10	0
Indiana	0	3	0
Kentucky	0	3	0
Massachusetts	1	3	0
Michigan	3	7	0
Nebraska	0	3	0
Nevada	3	11	0
New Jersey	0	10	0
North Carolina	1	3	0

Ohio	1	3	0
Pennsylvania	1	3	0
Tennessee	0	6	0
Texas	3	7	0
Utah	0	1	0
Virginia	0	5	0
Washington D.C.	1	5	0
Total	22	117	3

The names, addresses and telephone numbers or available contact information for all current franchisees and franchisees who ceased operations in the last fiscal year, or franchisees who have not communicated with us within ten (10) weeks of the disclosure document issuance date, can be found in Exhibit E to this Disclosure Document.

**If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are currently no trademark-specific franchise associations associated with the franchised system.

## **Item 21: Financial Statements.**

The required financial statements as of December 31, 2023, 2022, and 2021 are attached in Exhibit D to this document. Our fiscal year end is December 31.

## **Item 22: Contracts.**

All proposed agreements regarding the franchise offering are attached:

- Exhibit A Franchise Agreement
- Exhibit A-2 General Release
- Exhibit A-3 Approved Location Addendum
- Exhibit A-4 Nondisclosure and Noncompetition Agreement
- Exhibit A-5 Holders of Legal or Beneficial Interest In Franchisee, Officers and Directors

Exhibit A-6	Multi-State Addenda to Franchise Agreement
Exhibit A-7	Agreement With Landlord
Exhibit A-8	Telephone Numbers & Directory Advertising Assignment
Exhibit A-8	Deposit Agreement
Exhibit A-10	Conversion Addendum
Exhibit B	Area Developer Agreement
Exhibit F	Franchisee Disclosure Questionnaire
Exhibit G	Multi-State Addenda to the Franchise Disclosure Document
Exhibit H	Equipment Loan Agreement

### **Item 23: Receipts.**

Two copies of the receipt for this disclosure document are attached as the last pages. Please sign and return one copy to us and keep the other copy for your records.

**EXHIBIT A TO THE DISCLOSURE DOCUMENT  
FRANCHISE AGREEMENT**

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**Exhibit A to the Disclosure Document  
Exhibit A - Franchise Agreement**

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Exhibits

1. Franchisee Information
2. General Release
3. Approved Location Addendum
4. Nondisclosure And Noncompetition Agreements
5. Holders Of Legal Or Beneficial Interest In Franchisee; Officers; Directors
6. Multi-State Addenda
7. Agreement With Landlord
8. Telephone Numbers & Directory Advertising Assignment
9. Deposit Agreement
10. Conversion Addendum

**EXHIBIT A TO THE DISCLOSURE DOCUMENT  
FRANCHISE AGREEMENT**

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**Qargo Coffee Franchise Agreement**

This Franchise Agreement is by and between Qargo Coffee, Inc., (“we,” “us,” “our,” or “Franchisor”) and the person(s) or entity identified on Exhibit 1 to this Agreement (“you,” “your,” or “Franchisee”) as of the Effective Date (as defined in Section 1 and as indicated on the signature page of this Agreement).

Whereas Franchisor intends to grant to Franchisee the license and Franchisee intends to establish and operate a Qargo Coffee Outlet;

Franchisor and Franchisee, intending to be legally bound, agree as follows:

**§1 Definitions**

Whenever used in this Agreement, the following words and terms have the following meanings:

**“Agreement”** means this agreement entitled “Qargo Coffee Franchise Agreement” including the exhibits.

**“Approved Location”** means the site for the operation of the Outlet selected by Franchisee and approved in writing by Franchisor.

**“Competitive Business”** means any business that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) goods or services the same as or similar to those provided by Qargo Coffee or in which Trade Secrets or other Confidential Information could be used to the disadvantage of Franchisor, any Affiliate or its other franchisees; provided, however, that the term “Competitive Business” shall not apply to any business operated under a Franchise Agreement with Franchisor.

**“Confidential Information”** means information used in or related to Qargo Coffee and not commonly known by or available to the public, including, without limitation, Trade Secrets, the customer list and any other information identified or labeled as confidential when delivered by Franchisor.

**“Designated Manager”** means the individual designated by Franchisee as having primary responsibility for managing the daily affairs of the Outlet.

**“Effective Date”** means the date on which Franchisor and Franchisee fully execute this Agreement, thereby commencing its effectiveness and term.

**“Franchise”** means the right granted to Franchisee by Franchisor to use the System and the Marks.

**“Gross Revenue”** means the aggregate of all revenue collected from all sources in connection with the Outlet, whether for check, cash, credit or otherwise including, without limitation, all proceeds from any business interruption insurance, gift cards, online sales, catering services, and any other revenue sources related to the Outlet, but excluding any revenue Franchisee remits to a customer or property owner or collection agency that Franchisee is contractually obligated to remit, (b) any chargeback fees Franchisee pays to a collection agency, (c) any sales and equivalent taxes that are collected by Franchisee for or on behalf of any

## EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT

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governmental taxing authority and paid thereto, and (d) any rebate received by Franchisee from a manufacturer or supplier.

**“Incapacity”** means the inability of Franchisee, or any holder of a legal or beneficial interest in Franchisee, to operate or oversee the operation of the Outlet on a regular basis by reason of any continuing physical, mental or emotional condition, chemical dependency or other limitation;

**“Marks”** means the trade name or trademark “Qargo Coffee” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as Franchisor may designate to be used in connection with the System.

**“Non-Traditional Location”** means a location located at transportation facilities, including airports and train stations; military bases and government offices and facilities; sports facilities, including stadiums and arenas; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; supermarkets; concessionaire locations (including event specific non-permanent, temporary or moveable stands, kiosks, trailers, tents or similar installations); educational facilities; recreational theme parks; hospitals and health care facilities; fitness businesses; malls; schools and universities; or any similar captive market or any other location to which access to the general public is restricted.

**“Operations Manual”** means the Qargo Coffee Operations Manual, whether in paper or electronic form, and any other items as may be provided, added to, changed, modified or otherwise revised by Franchisor from time to time that contain or describe the standards, methods, procedures and specifications of the System, including other operations, administration and managers’ manuals and all books, computer programs, password-protected portions of an Internet site, pamphlets, memoranda and other publications prepared by, or on behalf of, Franchisor.

**“Outlet”** means the Qargo Coffee business authorized by this Agreement and located at the Approved Location.

**“Standard-Regular Location”** means locations that are endcap, in-line, stand-alone and/or drive-thru locations.

**“System”** means the uniform standards, methods, procedures and specifications developed by Franchisor and as may be added to, changed, modified, withdrawn or otherwise revised by Franchisor for the operation of Qargo Coffee businesses; and

**“Trade Secrets”** means information in any form (including, but not limited to, technical or non-technical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in Qargo Coffee business that are not commonly known by or available to the public and that: (a) derives economic value, actual or potential, from not being generally known to, and not being readily ascertained by proper means by, other persons who can obtain economic value from its disclosure or use; and (b) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **§2 Grant of Franchise and Approved Location**

#### **2.1 Grant**

Franchisor hereby grants to Franchisee, subject to the terms and conditions contained herein, a revocable, non-exclusive, non-transferable, limited license to operate one Outlet using the System. This license is granted solely for the operation of the Outlet at the Approved Location and does not extend to any other location or outlet.

#### **2.2 Trademark License**

Franchisor hereby grants to Franchisee, a revocable, limited license to use the Marks within the Territory to promote and operate its business and otherwise as authorized in this agreement. Franchisee acknowledges that Franchisor has licensed from Affiliate the rights to the Marks in connection with its franchise program. Franchisee agrees not to challenge, directly or indirectly, in any court of law or in any other manner the validity, ownership, or enforceability of the Marks. Franchisee acknowledges that all use of the Marks by Franchisee shall inure to the benefit of Franchisor and its good will associated with the Marks.

#### **2.3 Approved Location**

The street address (or detailed description of the premises) of the Approved Location for the operation of the Outlet is identified in Exhibit 1. The type of location granted to Franchisee, whether a Standard-Regular Location or a Non-Traditional Location, is also identified in Exhibit 1.

#### **2.4 Approved Location Not Determined**

If the Approved Location is determined as of the Effective Date, then this Section shall be inapplicable. If the Approved Location is not determined as of the Effective Date, then the geographic area in which the Approved Location is to be located shall be within the geographic area described below ("Designated Area"). Franchisee shall select and submit possible sites for Franchisor's evaluation in accordance with §5.1. When the Approved Location is determined, its address shall be inserted into §2.3, shall be initialed and dated by Franchisee and Franchisor and the Designated Area shall lapse. The failure to insert such address shall not automatically affect the enforceability of this Agreement. The Designated Area is delineated for the sole purpose of site selection and does not confer any territorial exclusivity or protection. A detailed description of the geographic area or boundaries of the Designated Area is identified in Exhibit 1.

#### **2.5 Territory**

Franchisee will not receive an exclusive territory but an Area of Primary Responsibility to be mutually agreed upon by Franchisor and Franchisee and depicted in the map in §2.8 below ("Territory"). The Territory shall be the only area within which the Franchisee is authorized to operate the Outlet and conduct direct marketing, advertising, and business activities. Franchisee will operate the Outlet within the designated Territory and shall limit all direct marketing, advertising, and business activities as stated in §2.11. As long as this Agreement is in full force and effect and Franchisee is not in default under any of the terms hereof, Franchisor shall not limit or alter the boundaries of Franchisee's Territory. Franchisee's rights in the Territory are subject to Franchisor's rights articulated in §2.10.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **2.6 Approved Relocation**

If Franchisee wishes to relocate to a new Approved Location, Franchisee shall select and submit possible sites for Franchisor's evaluation in accordance with §§2.4 and 5.1. Franchisor shall not unreasonably withhold its approval.

### **2.7 Additional Franchise Outlets**

Franchisee shall not be permitted to open additional outlets within their territory. Additional outlets shall be governed by an additional franchise agreement.

### **2.8 Map or Description of Territory**

The Territory shall be defined by and exist within the zip codes or other physical, political or natural boundaries as identified in Exhibit 1.

### **2.9 Sub-Franchising/Agents**

Franchisee shall not sublicense the use of the System or Marks to any person or entity. Except as permitted in §17, Franchisee shall not grant any person or entity the right to perform any part of Franchisee's rights or obligations licensed hereunder.

### **2.10 Franchisor's Rights**

2.10.1 Franchisee acknowledges that Franchisor expressly retains all rights and discretion with respect to the Marks and System, including the right to:

2.10.1.1 establish, own or operate, and license others to establish, own or operate, Qargo Coffee Businesses outside of the Territory;

2.10.1.2 establish, own or operate, and license others to establish, own or operate other businesses under other systems using other trademarks at locations inside and outside of the Territory;

2.10.1.3 be acquired (regardless of the form of transaction) by any business, even if the other business operates, franchises and/or licenses Competitive Businesses within the Territory;

2.10.1.4 provide the services and sell the products authorized for Qargo Coffee Businesses using the Marks or other trademarks through an alternate channel of distribution on such terms and conditions as Franchisor deems appropriate; and

2.10.1.5 purchase or otherwise acquire the assets or controlling ownership of one or more Competitive Business some or all of which may be located anywhere, including within the Territory.

2.10.2 If Franchisor purchases or acquires a Competitive Business within the Territory, Franchisor may, in its sole discretion:

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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2.10.2.1 offer to sell any such businesses to Franchisee or to Franchisee at the business's fair market value to be operated as a Qargo Coffee; or

2.10.2.2 offer Franchisee the opportunity to operate such business(s) in partnership with Franchisor (or an Affiliate) under the business(s) existing trade name or a different trade name.

### **2.11 Marketing and Solicitation Restrictions**

2.11.1 Except as part of cooperative advertising implemented pursuant to §11.3, Franchisee shall not advertise in any media whose primary circulation is within the area of primary responsibility of another franchisee or Affiliate. Franchisor shall make reasonable efforts to enforce these restrictions with regard to Franchisee and any other Qargo Coffee franchisees. However, should litigation or similar actions be required to enforce these restrictions, Franchisor reserves the right to take such actions as deemed necessary.

2.11.2 Despite the marketing restriction in the previous section, Franchisee shall be permitted to serve any customers regardless of their home or business location at their Approved Location within the Territory.

**2.12 Non-Traditional Venues.** Franchisor and its affiliates will have the exclusive right, unless otherwise specifically delegated in writing, on behalf of themselves and/or through other franchisees utilizing the Marks, to operate Qargo Coffee Businesses at or within Non-Traditional Locations. Any dispute as to whether a particular site is a Non-Traditional Location will be determined by Franchisor in its sole discretion and Franchisor's determination will be final and binding. Franchisor or Franchisor's affiliates', licensees' or designees' operation of a Qargo Coffee Business at or within a Non-Traditional Location within Franchisee's Territory will not constitute a violation of this Agreement. Franchisee acknowledges and agrees that they will not receive any compensation or consideration for revenues earned by others from operating Qargo Coffee Businesses at or within Non-Traditional Locations located within Franchisee's Territory.

## **§3 Fees**

### **3.1 Franchise Fee**

Franchisee shall pay the Franchise Fee of \$50,000 to Franchisor. The Franchise Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Franchise Fee is payment, in part, for expenses incurred by Franchisor in furnishing assistance and services to Franchisee as set forth in this Agreement and for costs incurred by Franchisor, including general sales and marketing expenses, training, legal, accounting and other professional fees.

### **3.2 Marketing/Architectural and Design Development Support Fee**

Franchisee shall pay the Marketing/Architectural and Design Development Support Fee of \$10,000 to Franchisor, concurrently with the execution of this Agreement. The Marketing/Architectural and Design Development Support Fee shall be deemed fully earned upon execution of this Agreement and is nonrefundable. The Franchisor will use the Marketing/Architectural and Design Development Support Fee to off-set the costs and expenses related to providing site and store development support and on site store opening assistance.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **3.3 Weekly Royalty Fee**

On or before Wednesday of each Week, for so long as this Agreement shall be in effect, Franchisor shall be entitled to a fee ("Royalty Fee") equal to 6% of the Gross Revenue for the previous week. The Royalty Fee will be deemed late if not received by the third day of the week in which it becomes due.

### **3.4 Technology Fee**

On or before the 5<sup>th</sup> of each month, Franchisee will be required to pay to Franchisor its then-current technology fee, currently \$150 to \$500 per month for technology support and services. This fee represents ongoing support provided to assist you with required technology services, operations management and digital marketing applications.

### **3.5 Late Fees**

For all Royalty Fees, Marketing Fund Contributions, amounts due for purchases by Franchisee from Franchisor, time is of the essence. Late fees at the rate of 1.5% per month (or the highest rate allowed by the law of the state where Franchisee is located), from the date payment is due to the date payment is received by Franchisor shall be assessed. Franchisee shall pay Franchisor for all costs incurred by Franchisor in the collection of any unpaid and past due Royalty Fees, Marketing Fund Contributions or any other amounts due Franchisor, including reasonable accounting and legal fees. This Section shall not constitute an agreement by Franchisor to accept any payments after the due date or a commitment by Franchisor to extend credit to or otherwise finance Franchisee.

### **3.6 Application of Payments**

Notwithstanding any designation by Franchisee, Franchisor shall have the right to apply any payments by Franchisee to any past due indebtedness of Franchisee for Royalty Fees, Marketing Fund Contributions, purchases from Franchisor or any other amount owed to Franchisor in any proportion or priority.

### **3.7 Manner of Payment**

Franchisor may institute an Automated Clearing House ("ACH") program under which Franchisor automatically deducts fees owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor, from Franchisee's bank account. Franchisee must deposit all revenues from operation of the Outlet into one bank account within three (3) days of receipt, including cash, checks, and credit card receipts. Before opening the Outlet, Franchisee must provide Franchisor with Franchisee's bank name, address and account number, a voided check from the bank account, and sign and give to Franchisor and Franchisee's bank, all documents necessary to effectuate the ACH Program and Franchisor's ability to withdraw funds from such bank account via electronic funds transfer. Franchisee will immediately notify Franchisor of any change in Franchisee's banking relationship, including changes in account numbers. Franchisor will inform Franchisee of the amount to be taken from Franchisee's account at least one (1) day beforehand. Franchisor reserves the right to require Franchisee to pay any fees due under this Agreement by such other means as Franchisor may specify from time to time. If any Gross Revenues Report has not been received within the time period required by this Agreement, then Franchisor may process an electronic funds transfer for the subject month based

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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on the most recent Gross Revenues Report provided by Franchisee to Franchisor, provided, that if a Gross Revenues Report for the subject month is subsequently received and reflects (i) that the actual amount of the fee due was more than the amount of the electronic funds transfer, then Franchisor shall be entitled to withdraw additional funds through an electronic funds transfer from Franchisee's designated bank account for the difference; or (ii) that the actual amount of the fee due was less than the amount of the electronic funds transfer, then Franchisor shall credit the excess amount to the payment of Franchisee's future obligations.

### **§4    Term & Renewal**

#### **4.1    Term**

This Agreement shall be effective and binding for an initial term of ten years from the Effective Date, unless sooner terminated pursuant to §15.

#### **4.2    Successor Franchise**

4.2.1 Franchisee will have the option, at the expiration of the Term of this Agreement, to enter into a new franchise agreement with Franchisor for an additional 5 years, with terms that may be different from this Agreement by requiring, among other things, a different percentage Royalty Fee or Marketing Fund Contribution; provided, however, that Franchisee shall not be required to pay the then-current Franchise Fee. Franchisee's renewal option is subject to the following:

4.2.1.1 Franchisee has, during the entire term of this Agreement, fully complied with all material provisions of this Agreement;

4.2.1.2 Franchisee has access to and the right to remain in possession of the Approved Location, or a suitable substitute location approved by Franchisor, which is in full compliance with Franchisor's then-current specifications and standards;

4.2.1.3 Franchisee has, at its expense, made such capital expenditures as were necessary to maintain uniformity with any Franchisor-required System modifications such that the Outlet reflects Franchisor's then-current standards and specifications;

4.2.1.4 Franchisee has satisfied all monetary obligations owed by Franchisee to Franchisor (or any Affiliate), and has timely met these obligations throughout the term of this Agreement;

4.2.1.5 Franchisee is not in default of any provision of this Agreement or any other agreement between Franchisee and Franchisor;

4.2.1.6 Franchisee has complied with Franchisor's then-current qualifications for a new franchisee and has agreed to comply with any training requirements;

4.2.1.7 Franchisee has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 2, of any and all claims against Franchisor, any Affiliate and against their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), except to the extent

## EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT

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prohibited by the laws of the state where the Outlet is located; and

4.2.1.8 Franchisee pays Franchisor the Successor Franchise Fee of \$10,000 to process the new Franchise Agreement.

### **§5**     **Approved Location**

#### **5.1**     **Selection of Site**

Franchisee shall select their location to lease or purchase for the operation of the Outlet to be approved by Franchisor ("Approved Location"). If an Approved Location for the Outlet has not been determined as of the Effective Date, Franchisee shall promptly select a site and shall notify Franchisor of such selection. Franchisor shall evaluate the site and notify Franchisee of its approval or disapproval of the site within a reasonable time (usually thirty (30) days) of receiving notice of the site from Franchisee. If Franchisor approves of such selection, the site shall be designated as the Approved Location. If Franchisor does not approve of such selection, Franchisee shall select and notify Franchisor of new sites until Franchisor approves a site for the Outlet. Franchisor shall provide Franchisee with general guidelines to assist Franchisee in selecting a site suitable for the Approved Location. Franchisor has the right to approve or disapprove a proposed location based on such factors as it deems appropriate, including, without limitation, the condition of the premises, demographics of the surrounding area, proximity to other Qargo Coffee Outlets, proximity to Competitive Businesses, or the size of the location and lease requirements. Franchisee shall not locate the Outlet on a selected site without the prior written approval of Franchisor. ***Franchisor does not represent that it, or any of its Affiliates, owners, employees or agents, have special expertise in selecting sites. Neither Franchisor's assistance nor approval is intended to indicate or indicates that the Outlet will be profitable or successful at the Approved Location. Franchisee is solely responsible for identifying the Approved Location.***

#### **5.2**     **Failure to Select Site**

Should Franchisee fail to obtain an Approved Location within 6 Months after the Effective Date, Franchisor has the right to terminate this Agreement or extend the period for obtaining an Approved Location at its sole discretion.

#### **5.3**     **Lease of Approved Location**

5.3.1 If Franchisee is to execute a lease for, or a binding agreement to purchase, the Approved Location, Franchisee must obtain Franchisor's approval of the terms. Franchisor shall not unreasonably withhold its approval. Franchisor's review of a lease or purchase agreement, or any advice or recommendation offered by Franchisor, shall not constitute a representation or guarantee that Franchisee will succeed at the Approved Location nor constitute an expression of Franchisor's opinion regarding the terms of such lease or purchase agreement. Franchisee acknowledges and agrees that Franchisee shall solely rely on ***its review of any such lease or purchase agreement***. Franchisor shall be entitled to require that nothing therein contained is contradictory to, or likely to interfere with, Franchisor's rights or Franchisee's duties under this Agreement. Franchisee shall take all actions necessary to maintain the lease, if any, of the Approved Location while this Agreement is in effect. Any default for which the lease may be terminated shall also be deemed a default hereunder and the time to cure the same shall expire when the lease is terminated. Franchisor has the right to require that the lease for the Approved

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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Location be collaterally assigned by Franchisee to Franchisor, pursuant to the terms of its standard collateral assignment of lease form, to secure performance by Franchisee of its obligation under this Agreement. Franchisor's approval of a lease shall be conditioned upon inclusion of terms in the lease acceptable to Franchisor and, at Franchisor's option, the lease shall contain such provisions as Franchisor may reasonably require, including but not limited to:

53.1.1 a provision reserving to Franchisor the right, but not the obligation, at Franchisor's election, to receive an assignment of the leasehold interest without payment of any assignment fee or similar charge and without a requirement for the payment of an additional security deposit or any increase in rent or other fees upon termination or expiration of the Franchise; and that, before the effective date of any assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease; and that Franchisee shall not be entitled to a return of its security deposit;

53.1.2 a provision requiring the lessor to provide Franchisor with a copy of any written notice of deficiency sent by the lessor to Franchisee, and granting to Franchisor the right (but not the obligation) to cure any deficiency under the lease should Franchisee fail to do so within fifteen (15) days after the expiration of the period in which Franchisee may cure the default;

53.1.3 a provision requiring the lessor to provide Franchisor (at the same time lessor provides to Franchisee) a copy of all lease amendments and assignments, and a copy of all letters and notices lessor sends to Franchisee relating to the lease or the leased premises;

53.1.4 a provision permitting Franchisor to enter the leased premises to make any modifications or alterations necessary in Franchisor's sole discretion to protect the System and the Marks without being guilty of trespass, or other tort or other crime;

53.1.5 a provision allowing Franchisee to display the Marks in accordance with the specifications required by the Operations Manual, subject only to the provisions of applicable law;

53.1.6 a provision prohibiting the premises from being used for any purpose other than the operation of the Outlet;

53.1.7 a provision allowing Franchisor, upon expiration and non-renewal or termination of the lease or the Franchise Agreement, to enter the premises and remove any interior and exterior signs containing the Marks and trade fixtures;

53.1.8 a provision stating that upon default of this Agreement, Franchisor or its nominee has the right, but not the obligation, to take possession of the Approved Location and operate the Outlet and notwithstanding Franchisor's (or the nominee's) possession, the lessor agrees that during all times prior to an assignment of the lease to Franchisor (or its designee), Franchisee shall be solely responsible for all obligations, debts and payments under the lease incurred prior to or during such possession and prior to such assignment; and

53.1.9 a provision stating that lessor shall not amend or otherwise modify the lease in any manner that would affect any of the foregoing provisions to be included in the lease set forth above without Franchisor's prior written consent.

### **5.4 Development of Approved Location**

5.4.1 Franchisor shall make available to Franchisee, at no charge to Franchisee, specifications for the development of the Approved Location, including specifications for improvements, supplies and equipment that are necessary for the development and operation of

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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the Outlet. In connection with the development of the Approved Location, Franchisee shall:

54.1.1 obtain all necessary permits and licenses required for operation of the Outlet, and certify in writing that all such permits and certifications have been obtained;

54.1.2 purchase any supplies or inventory necessary for the operation of the Outlet, as specified in the Operations Manual;

54.1.3 purchase and install all equipment, furniture and fixtures, including any software and computer equipment, required by Franchisor for the operation of the Outlet; and

54.1.4 establish broadband or high-speed Internet access and obtain at least one telephone number solely dedicated to the Outlet.

### **5.5 Failure to Develop Approved Location**

Should Franchisee fail to develop the Approved Location within 6 Months after the site approval, Franchisor has the right to terminate this Agreement. If this Agreement is terminated pursuant to this Section, Franchisor shall terminate any future obligations to Franchisee upon Franchisor's receipt of a general release, the same as or similar to the General Release attached as Exhibit 2, releasing any and all claims against Franchisor, any Affiliate and their officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities).

### **5.6 Opening**

5.6.1 Before opening the Outlet and commencing business, Franchisee must:

5.6.1.1 fulfill all of the obligations of Franchisee pursuant to the other provisions of §5;

5.6.1.2 furnish Franchisor with copies of all insurance policies required by this Agreement, or by the lease (if any), or such other evidence of insurance coverage and payment of premiums as Franchisor may request;

5.6.1.3 complete initial training to the satisfaction of Franchisor;

5.6.1.4 hire and train the personnel necessary or required for the operation of the Outlet;

5.6.1.5 if Franchisee is a business entity, cause each of its stock certificates or other ownership interest certificates to be conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that such ownership interest is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

5.6.1.6 obtain Franchisor's permission and approval of an opening date; Franchisor shall not unreasonably withhold consent to open. Permission to open shall be based on Franchisor's determination that Franchisee is ready to open and satisfactorily prepared to operate; and

5.6.1.7 pay in full all amounts due to Franchisor.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **5.7 Failure to Open**

Time is of the essence. Should Franchisee fail to commence operations of the Outlet within 6 Months after the site approval, Franchisor has the right to terminate this Agreement.

### **5.8 Use of Approved Location**

Franchisee shall use the Approved Location exclusively for the operation of a Qargo Coffee Outlet, in full compliance with this Agreement and the Operations Manual, unless provided with express written approval by Franchisor for any other use.

### **5.9 Relocation**

Franchisee shall not relocate the Approved Location without the prior written consent of Franchisor. If the Approved Location is leased, and the lease expires or terminates through no fault of Franchisee or if the Approved Location's premises is destroyed, condemned or otherwise rendered unusable, Franchisee may request the right to relocate the Approved Location either permanently or temporarily as appropriate under the circumstances and Franchisor shall not unreasonably withhold its consent to such relocation. Should Franchisee desire to relocate the Approved Location for any other reason, Franchisee shall request the right and Franchisor may approve or disapprove such request. Any relocation of the Approved Location shall be at Franchisee's sole expense, and shall proceed in accordance with the requirements set forth in §5.1. Franchisor has the right to charge Franchisee for any costs incurred by Franchisor in providing assistance to Franchisee, including, but not limited to, legal and accounting fees. Notwithstanding the foregoing, Franchisor has no obligation to provide relocation assistance. If Franchisor and Franchisee do not agree upon a substitute site within ninety (90) days after the lease expires or is terminated or the Approved Location is rendered unusable, this Agreement shall terminate as provided in §15.2.1.1.

## **§6 Proprietary Marks**

### **6.1 Ownership**

Franchisee's right to use the Marks is granted solely under this Agreement, is non-exclusive, and is restricted to the conduct of business by Franchisee in strict accordance with this Agreement and all applicable standards, specifications, and operating procedures as prescribed by Franchisor from time to time. Any unauthorized use of the Marks by Franchisee is a breach of this Agreement and an infringement of the rights of Franchisor in and to the Marks. Franchisee's use of the Marks, and any goodwill created thereby, shall inure to the benefit of Franchisor. Franchisee shall not at any time acquire an ownership interest in the Marks by virtue of any use it may make of the Marks. This Agreement does not confer any goodwill, title or interest in the Marks to Franchisee. Franchisee shall not, at any time during the term of this Agreement or after its termination or expiration, contest the validity or ownership of any of the Marks or assist any other person in contesting the validity or ownership of any of the Marks.

### **6.2 Limitations on Use**

Franchisee shall not use any Mark or portion of any Mark as part of any business entity name but shall register a trade name (aka assumed name or dba) for Qargo Coffee and link such registration to Franchisee. Franchisee shall not use any Mark in connection with the sale of any

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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unauthorized product or service or in any other manner not expressly authorized in writing by Franchisor. Franchisee shall give such notices of trademark and service mark registrations as Franchisor specifies and obtain such fictitious or assumed name registrations as may be required under applicable law to do business as a Qargo Coffee. Franchisee shall not register or seek to register as a trademark or service mark, either with the United States Patent and Trademark Office or any state or foreign country, any of the Marks or a trademark or service mark that is confusingly similar to any Mark licensed to Franchisee. Franchisee shall include on its letterhead, forms, cards and other such identification, and shall display at the Approved Location, a prominent notice stating that the Outlet is an "Independently Owned and Operated Franchise of Qargo Coffee, Inc."

### **6.3 Notifications**

Franchisee shall immediately notify Franchisor in writing of any third-party use of the Marks they become aware of, any challenge made to their use of any of the Marks, or any published statements that attack the reputation of the brand. Franchisee shall not communicate with any person other than Franchisor and Franchisor's counsel in connection with any such infringement, challenge or claim; provided, however, Franchisee may communicate with Franchisee's counsel at Franchisee's expense. Franchisor has the right to take such action it deems appropriate and the right to exclusively control any litigation or other proceeding arising out of any infringement, challenge, or claim or otherwise relating to any of the Marks. Franchisee shall execute any and all instruments and documents, render such assistance, and do such acts and things as may, in the opinion of Franchisor's counsel, be necessary or advisable to protect and maintain Franchisor's interests in any such litigation or other proceeding or to otherwise protect and maintain Franchisor's interest in the Marks.

### **6.4 Indemnification for Use of Marks**

Franchisor shall reimburse Franchisee for all expenses reasonably incurred by Franchisee in any trademark or similar proceeding disputing Franchisee's authorized use of any Mark, provided that Franchisee has complied with the provisions of §6.3 and has complied with this Agreement and Franchisor's directions in responding to such proceeding. At Franchisor's option, Franchisor or its designee may defend and control the defense of any proceeding arising directly from Franchisee's use of any Mark. This indemnification shall, not include the expense to Franchisee of removing signage or discontinuance of the use of the Marks; not apply to litigation between Franchisor and Franchisee wherein Franchisee's use of the Marks is disputed or challenged by Franchisor; not apply to any separate legal fees or costs incurred by Franchisee in seeking independent counsel separate from the counsel representing Franchisor and Franchisee in the event of litigation disputing Franchisor and Franchisee's use of the Marks.

### **6.5 Discontinuance of Use**

If Franchisor deems it necessary for Franchisee to modify or discontinue use of any of the Marks, and/or use one or more additional or substitute trade names, trademarks, service marks or other commercial symbols, Franchisee shall comply with Franchisor's directions within ten business days after notice to Franchisee by Franchisor and subject to the limitations in §10.2. Franchisor shall not be required to reimburse Franchisee for its expenses in modifying or discontinuing the use of a Mark or any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Franchisee to promote a modified or substitute Mark.

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### **6.6 Right to Inspect**

To preserve the validity and integrity of the Marks licensed hereunder, and to ensure that Franchisee is properly employing the Marks in the operation of the Outlet, Franchisor and its designees have the right to enter and inspect the Approved Location at all reasonable times and, additionally, have the right to observe the manner in which Franchisee renders services and conducts activities and operations, and to inspect facilities, equipment, products, supplies, reports, forms and documents and related data to ensure that Franchisee is operating the Outlet in accordance with the quality control provisions and performance standards established by Franchisor. Franchisor and its agents shall have the right, at any reasonable time, to remove sufficient quantities of products, supplies or other items to test whether such products or items meet Franchisor's then-current standards. Franchisor or its designee has the right to observe Franchisee and its employees during the operation of the Outlet and to interview and survey (whether in person or by mail) customers and employees and to photograph or videotape the operations.

### **6.7 Franchisor's Sole Right to Domain Name**

Franchisee shall not advertise on the Internet using, or establish, create or operate an Internet site or website using a domain name or uniform resource locator containing, the Marks or the words "Qargo Coffee" or any variation thereof without Franchisor's written approval. Franchisor is the sole owner of all rights, title and interest in and to such domain names as Franchisor shall designate in the Operations Manual.

## **§7 Trade Secrets and Other Confidential Information**

### **7.1 Confidentiality of Trade Secrets and Other Confidential Information**

Both parties acknowledge that they shall disclose Confidential Information to each other. Neither party shall acquire any interest in the Confidential Information disclosed, other than the right to use it in the development and operation of the Outlet and in performing their duties, during the term of this Agreement. Both parties acknowledge that the use or duplication of the Confidential Information in any other business venture would constitute unfair competition. Both parties acknowledge that the Confidential Information is proprietary and is disclosed solely on the condition that no one shall: (a) use the Confidential Information in any other business or capacity; (b) violate the absolute confidentiality of the Confidential Information during or after the term of this Agreement; (c) make any unauthorized copies of any portion of the Confidential Information disclosed; and (d) fail to adopt and implement all necessary procedures to prevent unauthorized use or disclosure of the Confidential Information. Both parties shall enforce this Section as to its employees, agents and representatives and shall be liable for any unauthorized disclosure or use of Confidential Information by any of them.

### **7.2 Additional Developments**

All ideas, concepts, techniques or materials concerning the System or developed, in whole or in part, using Trade Secrets or other Confidential Information, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, shall be promptly disclosed to Franchisor and shall be deemed the sole and exclusive property of Franchisor and works made-for-hire for Franchisor, and no compensation shall be due to Franchisee or its owners or employees therefore, and Franchisee agrees to assign to Franchisor all right, title and interest in any intellectual property so developed. Franchisor has the right to

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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incorporate such items into the System for the benefit of all franchisees. To the extent any item does not qualify as a “work made-for-hire” for Franchisor, Franchisee shall assign, and by this Agreement, does assign, ownership of that item, and all related rights to that item, to Franchisor and shall sign any assignment or other document as Franchisor requests to assist Franchisor in obtaining or preserving intellectual property rights in the item. Franchisor shall disclose to Franchisee concepts and developments of other franchisees that are made part of the System. As Franchisor may reasonably request, Franchisee shall take all actions to assist Franchisor’s efforts to obtain or maintain intellectual property rights in any item or process related to the System, whether developed by Franchisee or not.

### **7.3 Exclusive Relationship**

7.3.1 Franchisee acknowledges that Franchisor would be unable to protect the Trade Secrets and other Confidential Information against unauthorized use or disclosure and would be unable to encourage a free exchange of ideas and information among Qargo Coffee franchisees if owners and members of their immediate families or households were permitted to hold an interest in or perform services for any Competitive Business. Therefore, during the term of this Agreement, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee (or any member of their immediate families or households), nor any officer, director, executive, manager or member of the professional staff of Franchisee, either directly or indirectly, for themselves, or through, on behalf of or in conjunction with any person, partnership, corporation, limited liability company or other business entity, shall:

7.3.1.1 divert or attempt to divert any business or customer of the Outlet to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks or the System; or

7.3.1.2 own an interest in, manage, operate, or perform services for any Competitive Business wherever located.

### **7.4 Business Records**

Franchisee acknowledges and agrees that Franchisor owns all Business Records with respect to customers, crafts persons, employees, and other service professionals of, and/or related to, Franchisee’s Business; including, without limitation, all databases (whether in print, electronic or other form) with customer and potential customers, names, addresses, phone numbers, e-mail addresses, and customer purchase records, and all other records contained in the database. Franchisee further acknowledges and agrees that, at all times during and after the termination, expiration or cancellation of this Agreement, Franchisor may access such Business Records, and may utilize, transfer, or analyze such Business Records as Franchisor determines to be in the best interest of the System, in Franchisor’s sole discretion.

### **7.5 Nondisclosure and Noncompetition Agreements with Certain Individuals**

Franchisor has the right to require any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff of Franchisee to execute a nondisclosure and noncompetition agreement, in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Exhibit 4, upon execution of this Agreement or prior to each such person’s affiliation with Franchisee. Upon Franchisor’s request, Franchisee shall

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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provide Franchisor with copies of all nondisclosure and noncompetition agreements signed pursuant to this Section. Such agreements shall remain on file at the offices of Franchisee and are subject to audit or review as otherwise set forth herein.

### **7.6 Reasonableness of Restrictions**

Franchisee acknowledges that the restrictive covenants contained in this Section are essential elements of this Agreement and that without their inclusion, Franchisor would not have entered into this Agreement. Franchisee acknowledges that each of the terms set forth herein, including the restrictive covenants, is fair and reasonable and is reasonably required for the protection of Franchisor, the System and the Marks and Franchisee waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable.

### **7.7 Customer Lists**

Franchisee shall maintain a currently updated customer list including all customer data applicable to the continued service and solicitation of the customers. This customer list shall be treated as Confidential Information and shall not be disclosed, sold, or shared with any third party without the express written consent of the Franchisor.

## **§8 Training and Assistance**

### **8.1 Initial Training**

Franchisor's initial training program is available to one Designated Manager as part of the Franchise Fee. The Designated Manager must attend and successfully complete, to Franchisor's satisfaction, the initial training program sixty days prior to the opening of the Outlet. The Initial Training program will pertain to the operation and administration of the business including, but not limited to, sales and marketing methods; financial controls; maintenance of quality standards; operational procedures; customer service techniques; record keeping; and reporting procedures and other operational issues. Franchisor shall conduct the initial training program at its headquarters, Franchisee's Approved Location or at another designated location. All expenses incurred by Franchisee in attending such program including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee.

### **8.2 New Designated Manager Training**

After beginning operations, should Franchisee name a new Designated Manager, Franchisee must notify Franchisor of the identity of the new Designated Manager and the new Designated Manager must complete the initial training program to Franchisor's satisfaction within thirty days of being named. Franchisee shall pay Franchisor an amount equal to the then-current Ongoing Training Fee for training provided to the new Designated Manager. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the new Designated Manager's attendance at such training.

### **8.3 Opening Assistance**

In conjunction with the beginning of operation, but not to exceed sixty days from the opening of the Outlet, Franchisor shall make available to Franchisee, at Franchisor's expense, a minimum of one of Franchisor's representatives, experienced in the System, for the purpose of familiarizing Franchisee's staff with the System and for the purpose of providing general

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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assistance and guidance in connection with the opening of the Outlet.

### **8.4 Failure to Complete Initial Training Program**

If Franchisor determines that the Designated Manager is unable to satisfactorily complete the training program described above, Franchisor has the right to require Franchisee to replace the Designated Manager with a qualified candidate who must complete the training program to Franchisor's satisfaction. If the Franchisee fails to replace the Designated Manager within a reasonable time frame, as determined by the Franchisor, the Franchisor may then have the right to terminate this Agreement.

### **8.5 Ongoing Training**

From time to time, Franchisor may provide and if it does, has the right to require that the Designated Manager attend ongoing training programs or seminars during the term of this Agreement. Franchisor shall charge a fee of \$600 per day for any mandatory ongoing training. Franchisee shall be responsible for all travel costs, room and board and employees' salaries incurred in connection with the Designated Manager's attendance at such training.

### **8.6 Ongoing Assistance**

Franchisor shall make available to Franchisee, at Franchisor's expense, a minimum of one of Franchisor's representatives, experienced in the System, for the purpose of providing consultation, assistance, guidance, and general assistance in connection with the operation of the Outlet. However, should the Franchisee require additional ongoing assistance beyond the scope of the standard support provided, Franchisor may charge Franchisee a fee of \$600 per day, plus expenses, for this extended support.

### **8.7 Periodic Visits**

Franchisor or Franchisor's representative shall, at the request of Franchisee, travel to the Approved Location for the purposes of providing Ongoing Assistance. All expenses incurred by Franchisor in making the visit including, but not limited to, travel costs, room and board expenses and employees' salaries, shall be the sole responsibility of Franchisee.

## **§9 Operations Manual**

### **9.1 Loan by Franchisor**

While this Agreement is in effect, Franchisor will provide access to the Operations Manual for Franchisee. Franchisee shall operate the Outlet in strict accordance with the provisions set forth in the Operations Manual. The Operations Manual may consist of one or more separate manuals and other materials as designated by Franchisor and may be in written or electronic form. The Operations Manual shall, at all times, remain the sole property of Franchisor and upon expiration or termination of this Agreement, Franchisee shall return all physical copies to Franchisor and delete all digital copies within seven days.

### **9.2 Revisions**

Franchisor has the right to add to or otherwise modify the Operations Manual from time to

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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time to reflect changes in the specifications, standards, operating procedures and rules prescribed by Franchisor; provided, however, that no such addition or modification shall materially alter Franchisee's fundamental status and rights under this Agreement. Franchisor may make such additions or modifications without prior notice to Franchisee. Franchisee shall immediately, upon notice, adopt any such changes and shall ensure that its copy of the Operations Manual is up-to-date at all times. If a dispute as to the contents of the Operations Manual arises, the terms of the master copy of the Operations Manual maintained by Franchisor at Franchisor's headquarters shall be controlling.

### **9.3 Confidentiality**

The Operations Manual contains Trade Secrets and other Confidential Information of Franchisor and its contents shall be kept confidential by Franchisee both during the term of the Franchise and subsequent to the expiration and non-renewal or termination of this Agreement. Franchisee shall at all times ensure that its copy of the Operations Manual is available at the Approved Location in a current and up-to-date manner. If the Operations Manual is in paper form or stored on computer-readable media, Franchisee shall maintain the Operations Manual in a secure manner at the Approved Location; if the Operations Manual is in electronic form, Franchisee shall maintain the Operations Manual in a password-protected file. Franchisee shall only grant authorized personnel, as defined in the Operations Manual, access to the Operations Manual or any key, combination or passwords needed for access to the Operations Manual. Franchisee shall not disclose, duplicate or otherwise use any portion of the Operations Manual in an unauthorized manner.

## **§10 Franchise System**

### **10.1 Uniformity**

Franchisee shall strictly comply, and shall cause its employees to strictly comply, with all requirements, specifications, standards, operating procedures and rules set forth in this Agreement, the Operations Manual or other communications supplied to Franchisee by Franchisor.

### **10.2 Modification of the System**

Franchisor has the right to change or modify the System from time to time including, without limitation, the adoption and use of new or modified Marks or copyrighted materials, and computer hardware, software, equipment, inventory, supplies or sales and marketing techniques. Franchisee shall accept and use any such changes in, or additions to, the System as if they were a part of this Agreement as of the Effective Date. Franchisee shall make such expenditures as such changes, additions or modifications in the System may reasonably require; provided, however, Franchisee shall not be required to implement or conform to any such changes, additions or modifications if the cost to do so would exceed (a) \$1.00 during the first year of the term of this Agreement; (b) \$25,000.00 in the aggregate during the initial term of this Agreement or (c) if Franchisee provides written notice of its intention not to renew the Franchise. Any required expenditure for changes or upgrades to the System shall be in addition to expenditures for repairs and maintenance as required in §13.2. Notwithstanding the foregoing, Franchisee shall be required to make any and all improvements or modifications whenever such are required by law, regulation, agency decision or court order.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **10.3 Variance**

Franchisor has the right to vary standards or specifications for any franchisee based upon that particular franchisee's qualifications, the peculiarities of the particular site or circumstances, the demographics of the trade area, business potential, existing business practices or any other condition which Franchisor deems to be of importance to the successful operation of any particular Outlet. Franchisor shall not be required to disclose or grant to Franchisee a like or similar variance granted to another franchisee.

## **§11 Advertising and Promotional Activities**

### **11.1 Grand Opening Advertising**

Franchisor shall specify the time at which Franchisee shall conduct Grand Opening Advertising. Prior to, and/or during a period of approximately three months following the initial opening of the Outlet, Franchisee shall spend an amount specified by Franchisor on local advertisement and promotion of the initial opening ("Grand Opening Advertising"). Franchisor shall approve a plan for Grand Opening Advertising based upon Franchisor's general assessment of the area surrounding the Approved Location and taking into account other potentially relevant factors, such as prevailing costs of advertising in the area, the time of year of opening and other similar factors in consultation with Franchisee. Prior to their use, all materials to be used in Grand Opening Advertising must be approved by Franchisor through the process set forth in §11.2.1. Grand Opening Advertising expenditures shall be in addition to any Local Advertising expenditures and Marketing Fund Contributions.

### **11.2 Local Advertising**

11.2.1 Franchisee shall continuously promote the Outlet. Every month, Franchisee shall spend 2% of its monthly Gross Revenue on advertising, promotions and public relations within the immediate locality surrounding the Approved Location ("Local Advertising"). Such expenditures shall be made directly by Franchisee, subject to the prior approval and direction of Franchisor. Franchisor shall provide general guidelines to Franchisee for conducting Local Advertising. Within thirty days after the end of each month, Franchisee shall furnish to Franchisor an accurate accounting of the expenditures on Local Advertising for the preceding month.

11.2.2 Franchisee shall submit to Franchisor, for its prior approval, all advertising and promotional materials to be used by Franchisee including, but not limited to, television ads, radio ads, ad copy, coupons, flyers, scripts, direct mail, and all digital and online promotional materials. Franchisor shall use reasonable efforts to provide notice of approval or disapproval within twenty days from the date all requested material is received by Franchisor. If Franchisor does not approve submitted materials by the end of such twenty-day period, such materials shall be deemed to have received the required approval. Franchisee shall not use any marketing or promotional material prior to approval by Franchisor. The submission of advertising materials to Franchisor for approval shall not affect Franchisee's right to determine the prices at which Franchisee sells products or provides services.

### **11.3 Cooperative Advertising**

Franchisor has the right at any time and from time to time to establish, and thereafter modify (1) co-marketing programs in which Franchisor and its franchisees join with suppliers or

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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other third parties to cross-promote goods and services; (2) joint marketing efforts in which multiple Qargo Coffee locations can contribute to a specific marketing and/or advertising campaign or event; and/or (3) local or regional marketing co-operatives (“**Cooperatives**”) that pool funds of Qargo Coffee locations on an ongoing basis to jointly promote the Proprietary Marks and the Qargo Coffee locations of the Cooperative members. Franchisee must participate in each applicable joint marketing program and comply with the rules of the program. The following provisions apply to Cooperatives:

11.3.1 Franchisor has the right to designate any geographic area or set of common characteristics for purposes of establishing a Cooperative. If a Cooperative is applicable to Franchisee’s Qargo Coffee location at the time the Qargo Coffee location opens for business, Franchisee must join the Cooperative. If a Cooperative applicable to the Qargo Coffee location is established during the term of this Agreement, Franchisee must become a member and begin contributing no later than thirty (30) days after Franchisor authorizes the Cooperative to begin operation. Franchisee will not have to contribute to more than one Cooperative for the same Qargo Coffee location at the same time. Franchisor (or Franchisor’s affiliates, as the case may be) will become a member of any Cooperative that is applicable to a Qargo Coffee location owned by Franchisor or Franchisor’s affiliates.

11.3.2 Each Cooperative will be organized for the exclusive purpose of developing, administering and executing advertising programs for the members of the Cooperative. Each Cooperative will adopt a Cooperative agreement governing the organization and operation of the Cooperative, subject to Franchisor’s approval. If the members of the Cooperative do not sign an agreement within a reasonable time, Franchisee agrees to sign Franchisor’s recommended form of Cooperative Agreement. Franchisor reserves the right to change the form of organization, governing documents, and manner of operation of any Cooperative, and Franchisee and the other members agree to implement any such change promptly after notice from Franchisor. No changes in the bylaws or other governing documents of a Cooperative may be made without Franchisor’s prior written consent. No advertising or promotional plans or materials may be used by a Cooperative or furnished to its members without Franchisor’s prior approval. Franchisor and Franchisor’s designated agents will have the right to examine and copy, at Franchisor’s expense, on reasonable notice and during normal business hours, the books, records, and accounts of any Cooperative. Franchisor will also have the right, at any time, to have an independent audit made of the books of any Cooperative.

11.3.3 Franchisee and each other member of the Cooperative must contribute monthly to the Cooperative up to fifty percent (50%) of Franchisee’s Local Advertising requirement (unless a majority of the Cooperative votes to increase that amount), which amount will result in a corresponding reduction in Franchisee’s Local Advertising requirement.

11.3.4 Franchisor may, at its sole discretion, grant to any franchisee an exemption for a period to be determined by the Franchisor from the requirement of membership in a Cooperative and/or from the obligation to contribute (including a reduction, deferral, or waiver of the contribution), upon receipt of a written request from the franchisee stating reasons which Franchisor deems sufficient to support the exemption. Franchisor’s decision concerning any request for exemption will be final. If an exemption is granted to a franchisee, the franchisee will be required to spend on Local Advertising the amount the franchisee otherwise would have been required to contribute to the Cooperative.

### **11.4 System-Wide Marketing Fund**

11.4.1 Franchisor has established and administers a System-wide marketing, advertising and promotion fund to assist in Franchisor’s regional and national advertising (“Marketing Fund”).

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Franchisee shall be required to contribute 2% of Gross Sales Weekly to the Marketing Fund ("Marketing Fund Contribution"). Marketing Fund Contributions shall be made at the time and in the manner provided for Royalty Fees in §3.2. Franchisor shall provide written notice to Franchisee at least thirty days before changing Marketing Fund Contribution requirements. Marketing Fund shall be maintained and administered by Franchisor or its designee as follows:

11.4.1.1 Franchisor shall oversee all marketing programs, with sole control over creative concepts, materials and media used in such programs, and the placement and allocation thereof. Franchisor does not warrant that any particular franchisee will benefit directly or *pro rata* from expenditures by the Marketing Fund.

11.4.1.2 Franchisee's Marketing Fund Contributions may be used to meet the costs of, or to reimburse Franchisor for its costs of, producing, maintaining, administering and directing consumer advertising (including, without limitation, the cost of preparing and conducting television, radio, Internet, magazine, newspaper, and direct mail advertising campaigns and other public relations activities; developing and/or hosting an Internet web page or site and similar activities; employing advertising agencies to assist therein; and providing promotional brochures and other marketing materials to franchisees). All Marketing Fund Contributions shall be maintained in a separate account from the monies of Franchisor and shall not be used to defray any of Franchisor's general operating expenses, except for such reasonable costs and expenses, if any, that Franchisor may incur in activities reasonably related to the administration of the Marketing Fund.

11.4.1.3 Franchisor shall endeavor to spend all Marketing Fund Contributions on marketing programs and promotions during Franchisor's fiscal year within which such contributions are made. If excess amounts remain in any Marketing Fund at the end of such fiscal year, all expenditures in the following fiscal year(s) shall be made first out of such excess amounts, including any interest or other earnings of the Marketing Fund, and next out of prior year contributions and then out of current contributions.

11.4.1.4 Although Franchisor intends the Marketing Fund to be of perpetual duration, Franchisor has the right to terminate the Marketing Fund at any time. The Marketing Fund shall not be terminated, however, until all Marketing Fund Contributions have been expended for advertising and promotional purposes or returned to Franchisee and other franchisees on a *pro rata* basis based on total Marketing Fund Contributions made in the aggregate by each franchisee.

11.4.1.5 Each franchisee and Affiliate shall make Marketing Fund Contributions at the same rate as this Outlet.

11.4.1.6 An accounting of the operation of the Marketing Fund shall be prepared annually and shall be available to Franchisee upon request. Franchisor retains the right to have the Marketing Fund reviewed or audited and reported on, at the expense of the Marketing Fund, by an independent certified public accountant selected by Franchisor.

11.4.1.7 Franchisee acknowledges that the Marketing Fund is not a trust and Franchisor assumes no fiduciary duty in administering the Marketing Fund.

### **11.5 Internet, Website and Social Media Marketing**

Franchisee may not establish a presence on, or market using, the Internet or any form of

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digital or online media, including but not limited to any website or Social Media (Facebook, LinkedIn, Twitter, YouTube, blogs, and other online social networks, wikis, forums, content sharing communities, etc.) without Franchisor's prior written consent. Franchisor has established and maintains the Qargo Coffee Website at the uniform resource locator [www.qargocoffee.com](http://www.qargocoffee.com) that provides information about the System and the products and services that Franchisor and its franchisees provide. Franchisor will include at the Qargo Coffee Website an intranet section or an interior page containing information about your location. Franchisor may require Franchisee to prepare all or a portion of the section or page, at Franchisee's expense. All such information shall be subject to Franchisor's approval prior to posting.

### **§12 Accounting, Records and Reporting Obligations**

#### **12.1 Records**

During the term of this Agreement, Franchisee shall maintain full, complete and accurate books, records and accounts in accordance with the standard accounting system prescribed by Franchisor in the Operations Manual or otherwise in writing. Franchisee shall retain during the term of this Agreement, and for three years thereafter, all books and records related to the operation of the Outlet including, without limitation, purchase orders, invoices, payroll records, sales tax records, state and federal tax returns, bank statements, cancelled checks, deposit receipts, cash receipts and disbursement journals, general ledgers, and any other financial records designated by Franchisor or required by law.

#### **12.2 Gross Revenue Reports**

Franchisee shall maintain an accurate record of the Gross Revenue and shall deliver to Franchisor via facsimile transmission, email, or the intranet, a signed and verified statement of monthly Gross Revenue ("Gross Revenue Report") by the tenth day of each month for the previous month in a form that Franchisor approves or provides in the Operations Manual.

#### **12.3 Financial Statements**

Franchisee shall, at its expense, supply to Franchisor on or before the tenth day of each month following the close of a quarter a balance sheet, income statement and fiscal year-to-date as of the end of the last day of the preceding quarter. Such financial statements shall be prepared in accordance with GAAP, applied on a consistent basis. As required by Franchisor, such financial statements shall be reviewed or audited by a certified public accountant. Franchisee shall submit to Franchisor such other periodic reports in the manner and at the time specified in the Operations Manual or otherwise in writing. Franchisee shall submit to Franchisor copies of all state sales tax returns filed with the appropriate governmental agency. Franchisor shall have the right to use all financial and operational information relating to the Outlet in a financial performance representation for prospective franchisees.

#### **12.4 Computer Equipment**

Franchisee shall purchase, install, and use computer and point-of-sale systems, including both hardware and software, in strict accordance with Franchisor's recommendations and specifications. Franchisor shall be permitted full access to all of Franchisee's computer and point-of-sale data and systems and all related information upon Franchisor's reasonable request.

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### **12.5 Right to Inspect**

Franchisor or its designee has the right, during normal business hours, to examine, copy and audit the books, records and tax returns of Franchisee. If the audit or any other inspection should reveal that any payments to Franchisor have been underpaid, then Franchisee shall immediately pay to Franchisor the amount of the underpayment plus interest from the date such amount was due until paid at the rate of 18% per annum (or the highest rate allowed by the law of the state where Franchisee is located, whichever is lower). If the audit or any other inspection discloses an underpayment of 3% or more of the amount due for any period covered by the audit, Franchisee shall, in addition, reimburse Franchisor for any and all costs and expenses connected with the inspection (including, without limitation, travel expenses and reasonable accounting and attorneys' fees). The foregoing remedies shall be in addition to any other remedies Franchisor may have.

### **12.6 Release of Records**

At Franchisor's request, Franchisee shall authorize and direct any third parties, including accounting and legal professionals, to release to Franchisor all accounting and financial records arising from or relating to the operation of the Outlet including, but not limited to, records evidencing Gross Revenue, profits, losses, income, tax liabilities, tax payments, revenues, expenses, and any correspondence, notes, memoranda, audits, business records, or internal accounts within said third parties' possession, custody or control, and to continue to release such records to Franchisor on a monthly basis for the length of the unexpired term of this Agreement or until such time as Franchisor withdraws its request. Franchisee shall execute all documents necessary to facilitate the release of records referenced herein to Franchisor.

## **§13 Standards of Operation**

### **13.1 Authorized Products, Services and Suppliers**

13.1.1 Franchisee acknowledges that the reputation and goodwill of the System is based in large part on offering high quality services to its customers. Accordingly, Franchisee shall provide for sale at the Outlet all of the coffee and related products and services that Franchisor from time to time includes in the System.

13.1.2 Franchisor shall provide Franchisee, in the Operations Manual or other written or electronic form, with a list of specifications, pricing and a list of Approved Suppliers for the supplies, signs, furniture, fixtures, inventory, equipment and other approved or specified items and services. Franchisor may from time to time issue revisions to such list. Franchisee shall not offer for sale, sell or provide any products or services that Franchisor has not approved. Franchisor may revoke its approval of any item, service or supplier at any time by notifying Franchisee or the supplier. Franchisee shall, at its own expense, promptly cease using, selling or providing any items or services disapproved by Franchisor and shall promptly cease purchasing from suppliers disapproved by Franchisor.

13.1.3 If Franchisee desires to utilize any products or services that Franchisor has not approved (for products and services that require supplier approval), Franchisee shall first send Franchisor sufficient information, specifications and samples for Franchisor to make a determination. Franchisee shall bear all expenses incurred by Franchisor in connection with determining whether it shall approve an item, service or supplier. Franchisor will decide within a reasonable time (usually thirty days) after receiving the required information whether Franchisee

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may purchase or lease such items or services or from such supplier. Approval of a supplier may be conditioned on the supplier's ability to provide sufficient quantity of product; quality of products or services at competitive prices; production and delivery capability; and dependability and general reputation. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier, or to require Franchisor to make available to prospective suppliers, standards and specifications that Franchisor deems confidential.

13.1.4 Franchisor has the right to designate certain products and services, not otherwise authorized for general use as part of the System, to be offered locally or regionally based upon such factors as Franchisor determines including, but not limited to, franchisee qualifications, test marketing and regional or local differences. Franchisor has the right to give its consent to one (1) or more franchisees to provide certain products or services not authorized for general use as part of the System. Such consent will be based upon the factors set forth in §10.3 and shall not create any rights in Franchisee to provide the same products or services.

13.1.5 Franchisor retains the rights to any business for which Franchisee is solicited but for which Franchisee does not provide the requested products or services. Franchisee shall promptly notify Franchisor of any offers or solicitations they receive but are not equipped at that time to handle so that the franchise system may benefit from that business. Time is of the essence and a prompt reply shall be judged by the individual circumstances of each situation.

### **13.2 Appearance and Condition of the Outlet**

Franchisee shall maintain the Approved Location, equipment fixtures, supplies, inventory and signage in "like new" condition, and shall repair or replace such as necessary to comply with the health and safety standards and specifications of Franchisor, Franchisee's lessor and any applicable laws or regulations. The expense of such maintenance shall be borne by Franchisee and shall be in addition to any required System modifications, as described in §10.2.

### **13.3 Ownership and Management**

13.3.1 The Outlet shall, at all times, be under the direct supervision of Franchisee who will appoint a Designated Manager to provide personal "on premises" supervision of the Outlet. If the Designated Manager is not an owner, officer or otherwise covered under the Nondisclosure and Noncompetition Agreement signed by Franchisee, then the Designated Manager will be required to sign the Nondisclosure and Noncompetition Agreement so they may be granted access to all of the relevant information. The Designated Manager is required to devote sufficient efforts to the management of the day-to-day operation of the Outlet, which shall entail not less than thirty-five hours per week, excluding vacation, sick leave and similar absences. Franchisee shall keep Franchisor informed, in writing, at all times of the identity of its Designated Manager. Franchisee and the Designated Manager must not engage in any business or other activities that will conflict with their obligations under this Agreement.

13.3.2 If the Franchisee's owners are no longer able to manage the Franchised Business personally or by means of hiring a Designated Manager, due to death or other incapacitation, Franchisor will have the option to either temporarily take over the management of the Franchised Business until Franchisee is able to transfer the Franchised Business for a fee of \$600 per day, or terminate this Agreement and proceed with the closure of the Outlet.

### **13.4 Days of Operation**

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Franchisee shall keep the Outlet open for business during normal business hours on the days specified in the Operations Manual.

### **13.5 Contributions and Donations**

In order to protect the Marks, Franchisee must obtain Franchisor's prior written consent before making any contributions or donations of items, services or funds to any individual or entity, or provide any type of other benefit to any charitable, religious, political, social, civic or other type of organization (or to any individual on behalf of any organization). Franchisor may withhold any such consent in its sole and absolute discretion.

### **13.6 Licenses and Permits**

Franchisee shall secure and maintain in force all required licenses, permits and certificates necessary for the operation of the Outlet and shall operate the Outlet in full compliance with all applicable laws, ordinances and regulations, and provide Franchisor with copies of all such licenses, permits and certificates within 7 days of obtaining them. Franchisor makes no representation to Franchisee with regard to any legal requirements that Franchisee must satisfy or comply with in connection with the operation of the Outlet. Franchisee shall be solely responsible for investigating and complying with all such laws, ordinances and regulations with regard to the operation of the Outlet.

### **13.7 Notification of Proceedings**

Franchisee shall notify Franchisor in writing of the receipt of a notice of demand or threatened claim of liability of, or damages against or involving, Franchisee not more than seven days after Franchisee's receipt of such notice. Franchisee shall notify Franchisor in writing of the commencement of any action, suit or proceeding involving Franchisee, and of the issuance of any order, writ, injunction, judgment, award or decree in such suit not more than seven days after notice of such commencement or issuance. Franchisee shall deliver to Franchisor not more than seven days after Franchisee's receipt thereof, a copy of any inspection report, warning, certificate or rating by any governmental agency relating to any health or safety law, rule or regulation that reflects Franchisee's failure to meet and maintain the highest applicable rating or Franchisee's noncompliance or less than full compliance with any applicable law, rule or regulation.

### **13.8 Compliance with Good Business Practices**

Franchisee acknowledges that the quality of customer service, and every detail of appearance and demeanor of Franchisee and its employees, is material to this Agreement and the relationship created and licenses granted hereby. Therefore, Franchisee shall endeavor to maintain high standards of quality and service in the operation of the Outlet. Franchisee shall at all times give prompt, courteous and efficient service to its customers. Franchisee shall in all dealings with its customers, vendors and the general public, adhere to the highest standards of honesty, fair dealing and ethical conduct. If Franchisor deems that Franchisee did not fairly handle a customer complaint, Franchisor has the right to intervene and satisfy the customer. Franchisor will take disciplinary action by giving written notice for failing to comply with good business practices. Termination will occur after 3 notices have been issued within 12 months. Franchisee shall reimburse Franchisor for all costs incurred by Franchisor in servicing Franchisee's customer pursuant to this Section within 30 days of receiving an invoice from Franchisor.

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### **13.9 Uniforms**

Franchisee shall abide by any uniform or dress code requirements.

### **13.10 E-Mail**

Franchisee shall, at all times and at Franchisee's expense, maintain an e-mail address and account for communicating with Franchisor. Franchisee may change its e-mail address by giving written notice of such change of address to Franchisor.

### **13.11 Best Efforts**

Franchisee shall use its best efforts to promote and increase the sales and recognition of services offered. Franchisee shall require all of Franchisee's employees, managers, officers, agents and representatives to make a good faith effort to enhance and improve the System and the sales of all products and services provided as part of the System.

### **13.12 Secret Shopper Program**

Franchisor may at any time use a Secret Shopper Program to evaluate Franchisee's facilities and operations. Franchisee will be responsible for the cost of the Secret Shopper Program for two Secret Shoppers per year, unless the Shopper Report is negative as determined solely by the Franchisor. In which case, the Franchisee is responsible for the additional costs of additional Secret Shoppers on an annual basis until a minimum of two consecutive Shopper Reports meet the Franchisor's minimum requirements. Franchisor will provide Franchisee with a bill for the Secret Shopper Program when used and Franchisee will pay such bill within 30 days.

## **§14 Insurance**

### **14.1 Types and Amounts of Coverage**

14.1.1 All policies (except any workers' compensation insurance) shall:

14.1.1.1 expressly name Franchisor as an additional insured or loss payee;

14.1.1.2 contain a waiver of all subrogation rights against Franchisor and its successors and assigns;

14.1.1.3 have a rating of B+ or higher from Moody's or a similar insurance ratings agency.

14.1.2 Within sixty days of the Effective Date, in addition to any other insurance that may be required by applicable law, or by lender or lessor, at Franchisee's sole expense, Franchisee shall procure and maintain in full force and effect during the term of this Agreement:

14.1.2.1 "all risk" property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Outlet. Franchisee's property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost;

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14.1.2.2 workers' compensation insurance that complies with the statutory requirements of the state in which the Outlet is located and employer liability coverage with a minimum limit of \$250,000.00 or, if higher, the statutory minimum limit as required by state law;

14.1.2.3 comprehensive general liability insurance against claims for bodily and personal injury, death and property damage caused by, or occurring in conjunction with, the operation of the Outlet, or Franchisee's conduct of business pursuant to this Agreement, with a minimum liability coverage of \$2,000,000.00 per occurrence or, if higher, the statutory minimum limit required by state law;

14.1.2.4 such insurance as necessary to provide coverage under the indemnity provisions set forth in §20.3.

### **14.2 Future Increases**

Franchisor has the right to reasonably increase the minimum liability protection requirement annually and require different or additional insurance coverage(s) to reflect inflation, changes in standards of liability, future damage awards or other relevant changes in circumstances.

### **14.3 Carrier Standards**

Such policies shall be written by an insurance company licensed in the state in which Franchisee operates and having at least an "A" Rating Classification as indicated in the latest issue of A.M. Best's Key Rating Guide. Although A.M. Best groups "A" and "A-" in the same classification, Franchisor demands an "A" rating.

### **14.4 Evidence of Coverage.**

Franchisee's obligation to obtain and maintain the foregoing policies shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of this obligation relieve it of liability under the indemnity provisions set forth in §20.3. Franchisee shall provide, annually, certificates of insurance showing compliance with the foregoing requirements. Such certificates shall state that said policy or policies shall not be canceled or altered without at least thirty days' prior written notice to Franchisor and shall reflect proof of payment of premiums.

### **14.5 Failure to Maintain Coverage**

Should Franchisee not procure and maintain insurance coverage as required by this Agreement, Franchisor has the right (but not the obligation) to immediately procure such insurance coverage and to charge the premiums to Franchisee, which charges, together with a reasonable fee for expenses incurred by Franchisor in connection with such procurement, shall be payable by Franchisee immediately upon notice.

## **§15 Default and Termination**

### **15.1 Termination by Franchisee**

If Franchisee is in full compliance with all of the terms of this Agreement and Franchisor materially breaches this Agreement and fails to commence reasonable efforts to cure such breach

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within 30 days after receiving written notice identifying the claimed breach, Franchisee may elect to terminate this Agreement unless the breach cannot reasonably be cured within such 30 days. If the breach cannot reasonably be cured in such thirty days, Franchisee may elect to terminate this Agreement only if Franchisor does not promptly undertake and continue efforts to cure such material breach within a reasonable period of time and furnish Franchisee reasonable proof of such efforts.

### **15.2 Termination by Franchisor**

15.2.1 Franchisor has the right to terminate this Agreement, without any opportunity to cure by Franchisee, if Franchisee:

15.2.1.1 fails to timely select an approved site for or establish, equip and commence operations of the Outlet pursuant to §5;

15.2.1.2 fails to have its Designated Manager satisfactorily complete any training program pursuant to §8;

15.2.1.3 makes any material misrepresentation or omission in its application for the Franchise or otherwise to Franchisor in the course of entering into this Agreement;

15.2.1.4 is convicted of or pleads no contest to a felony or other crime or offense that is likely to adversely affect the reputation of Franchisor, Franchisee or brand;

15.2.1.5 after notice to cure, fails to refrain from activities, behavior or conduct likely to adversely affect the reputation of Franchisor, Franchisee or the brand;

15.2.1.6 discloses, duplicates or otherwise uses in an unauthorized manner any portion of the Operations Manual, Trade Secrets or any other Confidential Information;

15.2.1.7 if required by Franchisor, fails to have any holder of a legal or beneficial interest in Franchisee (and any member of their immediate families or households), and any officer, director, executive, manager or member of the professional staff and all employees of Franchisee, execute a nondisclosure and noncompetition agreement, in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Exhibit 4, upon execution of this Agreement or prior to each such person's affiliation with Franchisee or fails to provide Franchisor with copies of all nondisclosure and noncompetition agreements signed pursuant to §7.5 if requested by Franchisor;

15.2.1.8 abandons, fails or refuses to actively operate the Outlet for five or more consecutive days (unless the Outlet has not been operational for a purpose approved by Franchisor), or, if first approved by Franchisor, fails to promptly relocate the Approved Location following the expiration or termination of the lease for the Approved Location, the destruction or condemnation of the Approved Location or any other event rendering the Approved Location unusable;

15.2.1.9 surrenders or transfers control of the operation of the Outlet without Franchisor's approval, makes or attempts to make an unauthorized direct or indirect assignment of the Franchise or an ownership interest in Franchisee, or fails or refuses to assign the Franchise

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or the interest in Franchisee of a deceased or incapacitated owner thereof as herein required;

15.2.1.10 fails to maintain the Outlet under the primary supervision of a Designated Manager during the one hundred eighty days following the death or Incapacity of Franchisee or any holder of a legal or beneficial interest in Franchisee pursuant to §17.6;

15.2.1.11 submits to Franchisor on two or more separate occasions at any time during the term of the Franchise any reports or other data, information or supporting records that understate any Royalty Fee or any other fees owed to Franchisor by more than 3% for any accounting period and Franchisee is unable to demonstrate that such understatements resulted from inadvertent error;

15.2.1.12 is adjudicated as bankrupt, becomes insolvent, commits any affirmative act of insolvency, or files any action or petition of insolvency; if a receiver of its property or any part thereof is appointed by a court; if it makes a general assignment for the benefit of its creditors; if a final judgment remains unsatisfied of record for thirty days or longer (unless supersedeas bond is filed); if execution is levied against Franchisee's business or property; if a suit to foreclose any lien or mortgage against its Approved Location or equipment is instituted against Franchisee and not dismissed within thirty days or is not in the process of being dismissed;

15.2.1.13 misuses or makes an unauthorized use of any of the Marks or commits any other act which can reasonably be expected to impair the goodwill associated with any of the Marks;

15.2.1.14 fails on two or more separate occasions within any period of twelve consecutive months to submit reports or other information or supporting records when due, to pay any Royalty Fee, Marketing Fund Contribution, amounts due for purchases from Franchisor and any Affiliate, or other payment when due to Franchisor or any Affiliate, whether or not such failures to comply are corrected after notice thereof is delivered to Franchisee;

15.2.1.15 violates on two or more occasions any health or safety law, ordinance or regulation, or operates the Outlet in a manner that presents a health or safety hazard to its customers, employees or the public;

15.2.1.16 engages in any activity exclusively reserved to Franchisor;

15.2.1.17 fails to comply with any applicable law or regulation within a reasonable period, not exceeding ten days, after being given notice of noncompliance;

15.2.1.18 breaches this Agreement and/or fails to comply with mandatory specifications, customer service standards or operating procedures prescribed in the Operations Manual on two or more separate occasions within any period of twelve consecutive months, whether or not previous breaches or failures are cured; or

15.2.1.19 defaults under any other agreement between Franchisor (or any Affiliate) and Franchisee, such that Franchisor or its Affiliate, as the case may be, has the right to terminate such agreement or such agreement automatically terminates.

15.2.2 Except as otherwise provided in §15.2.1, Franchisor has the right to terminate this Agreement for the following breaches and defaults by giving notice of such termination stating the nature of the default; provided, however, that Franchisee may avoid termination by curing such

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default or failure (or by providing proof acceptable to Franchisor that Franchisee has made all reasonable efforts to cure such default or failure and shall continue to make all reasonable efforts to cure until a cure is effected if such default or failure cannot reasonably be cured before the effective date of the termination) within the specified period:

15.2.2.1 within five days of receiving notice of Franchisee's failure to pay any amounts due to Franchisor;

15.2.2.2 within ten days of receiving notice of Franchisee's failure to maintain insurance as specified in §14 of this Agreement; or

15.2.2.3 within thirty days of receiving notice of any other default by Franchisee or upon Franchisee's failure to comply with any mandatory specification, standard or operating procedure prescribed in the Operations Manual or otherwise prescribed in writing.

### **15.3 Reinstatement and Extension**

If provisions of this Agreement provide for periods of notice less than those required by applicable law, or provide for termination, cancellation or non-renewal other than in accordance with applicable law, Franchisor may reinstate or extend the term of this Agreement for the purpose of complying with applicable law by submitting a written notice to Franchisee without waiving any of Franchisor's rights under this Agreement.

### **15.4 Right of Franchisor to Discontinue Services to Franchisee**

If Franchisee is in breach of any obligation under this Agreement, and Franchisor delivers to Franchisee a notice of termination pursuant to §15.2, Franchisor has the right to suspend its performance of any of its obligations under this Agreement including, without limitation, the sale or supply of any products or services for which Franchisor is an Approved Supplier to Franchisee, until such time as Franchisee corrects the breach.

### **15.5 Right of Franchisor to Operate The Outlet**

Following the delivery of a notice of termination pursuant to §15.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume the operation of the Outlet until such time as Franchisee corrects the breach. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to \$600.00 per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of Franchisee's operating cash flow. Should Franchisor elect to assume the operation of the Outlet on a temporary basis, Franchisor shall have no responsibility or liability for the obligations, debts or payments under the lease for the Approved Location (if any) or otherwise.

### **15.6 Right of Franchisor to Purchase the Assets**

Following the delivery of a notice of termination pursuant to §15.2, if necessary in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to purchase the assets of the business, including but not limited to the equipment, fixtures, signage, computer and POS system, and inventory at a fair market value to be determined by an independent 3rd party appraiser approved by both Franchisor and Franchisee.

## **§16 Rights and Duties Upon Expiration or Termination**

### **16.1 Actions to be Taken**

16.1.1 Except as otherwise provided herein, upon termination or expiration, this Agreement and all rights granted hereunder to Franchisee shall terminate and Franchisee

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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immediately cease to operate the Outlet and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor;

16.12 cease to use the Trade Secrets, customer list or other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

16.13 upon demand by Franchisor, immediately assign (or, if an assignment is prohibited, sublease for the full remaining term, and on the same terms and conditions as Franchisee's lease) its interest in the lease then in effect for the Approved Location to Franchisor and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty days after termination or expiration of this Agreement, and Franchisor has the right to pay rent and other expenses directly to the party to whom such payment is ultimately due;

16.14 take such action as may be necessary to cancel or assign to Franchisor, at Franchisor's option, any assumed name or equivalent registration filed with state, city or county authorities which contains the name "Qargo Coffee" or any other Mark, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within thirty days after termination or expiration of this Agreement;

16.15 pay all sums owing to Franchisor and any Affiliate. In the event of termination for any default of Franchisee, such sums shall include, but not be limited to, all damages, costs and expenses, including reasonable attorneys' fees with respect to litigation, appellate or bankruptcy proceedings, unpaid Royalty Fees, loss of future Royalty Fee payments incurred by Franchisee as a result of any early termination of this Agreement, and any other amounts due to Franchisor or any Affiliate;

16.16 pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred by Franchisor subsequent to the termination or expiration of the Franchise in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement;

16.17 immediately return to Franchisor the Operations Manual, Trade Secrets and all other Confidential Information including records, files, instructions, brochures, agreements, disclosure statements and any and all other materials provided by Franchisor to Franchisee relating to the operation of the Outlet (all of which are acknowledged to be Franchisor's property);

16.18 assign all telephone listings and numbers for the franchised business to Franchisor, notify the telephone company and all listing agencies of the termination or expiration of Franchisee's right to use any telephone numbers or facsimile numbers associated with the Marks in any regular, classified or other telephone directory listing, authorize transfer of same to or at the direction of Franchisor, and execute such instruments required effectuate such transfer; and

16.19 comply with all other applicable provisions of this Agreement.

### **16.2 Post-Termination Covenant Not to Compete**

16.21 Franchisee acknowledges that the restrictive covenants contained in this Section and in §7.5 are fair and reasonable and are justifiably required for purposes including, but not limited to, the following:

- |             |          |                                                                        |
|-------------|----------|------------------------------------------------------------------------|
| Franchisor; | 16.2.1.1 | to protect the Trade Secrets and other Confidential Information of     |
|             | 16.2.1.2 | to induce Franchisor to grant a Franchise to Franchisee; and           |
|             | 16.2.1.3 | to protect Franchisor against its costs in training Franchisee and its |

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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officers, directors, executives, professional staff and Designated Managers.

1622 Except as otherwise approved in writing by Franchisor, neither Franchisee, nor any holder of a legal or beneficial interest in Franchisee, nor any officer, director, executive, manager or member of the professional staff of Franchisee, shall, for a period of one year after the expiration or termination of this Agreement, regardless of the cause of termination, either directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity:

16.2.2.1 own an interest in, manage, operate or provide the same goods or services to customers through a Competitive Business located or operating (a) within the Territory, or (b) within the territory of any other franchisee or affiliate in existence at the time of termination or expiration; or

16.2.2.2 solicit or otherwise attempt to induce or influence any customer, employee or other business associate of Franchisor to terminate or modify his, her or its business relationship with Franchisor or to compete against Franchisor.

1623 In furtherance of this Section, Franchisor has the right to require certain individuals to execute standard form nondisclosure or noncompetition agreements in a form the same as or similar to the Nondisclosure and Noncompetition Agreement attached as Exhibit 4.

1624 If for whatever reason, either the above area or time frame covered by the Nondisclosure and Noncompetition Agreement is deemed unreasonable by a court of law, then and only in such an event shall such area and/or its time frame be reduced accordingly by the court. The rulings by the court concerning the area or time frame or any other judicial interpretation shall not affect the rest and remainder of such restrictive covenants.

### **16.3 Unfair Competition**

If Franchisee operates any other business, Franchisee shall not use any reproduction, counterfeit, copy or colorable imitation of the Marks, either in connection with such other business or the promotion thereof, that is likely to cause confusion, mistake or deception, or that is likely to dilute Franchisor's rights in the Marks. Franchisee shall not utilize any designation of origin, description or representation that suggests or represents an association or connection with Franchisor. If Franchisor elects not to receive an assignment or sublease of the Approved Location, Franchisee shall make such modifications or alterations to the Approved Location (including changing telephone and facsimile numbers) immediately upon termination or expiration of this Agreement as may be necessary to prevent any association between Franchisor or the System and any business subsequently operated by Franchisee or others at the Approved Location. Franchisee shall make such specific additional changes to the Approved Location as Franchisor may reasonably request for that purpose including, without limitation, removal of all physical and structural features identifying or distinctive to the System. If Franchisee fails or refuses to comply with the requirements of this Section, Franchisor has the right to enter upon the Approved Location for the purpose of making or causing to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee shall pay upon demand.

### **16.4 Franchisor's Option to Purchase Certain Business Assets**

Franchisor has the Right of first refusal under §18 of this Agreement (but not the

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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obligation), for a period of thirty days after termination or expiration of this Agreement, to purchase any or all assets of the Outlet including leasehold improvements, equipment, supplies and other inventory. The purchase price shall be equal to the assets' fair market value, as determined by an independent appraiser. If Franchisor elects to exercise this option to purchase, it has the right to set off all amounts due from Franchisee under this Agreement, if any, against the purchase price.

### **16.5 Survival of Certain Provisions**

All obligations of Franchisor and Franchisee, which expressly or by their nature survive the expiration or termination of this Agreement, shall continue in full force and effect subsequent to and notwithstanding their expiration or termination and until satisfied or by their nature expire.

### **§17 Transferability of Interest**

#### **17.1 Transfer by Franchisor**

This Agreement and all rights and duties hereunder are fully transferable in whole or in part by Franchisor and such rights will inure to the benefit of any person or entity to whom transferred; provided, however, that with respect to any assignment resulting in the subsequent performance by the assignee of the functions of Franchisor, the assignee shall assume the obligations of Franchisor hereunder and Franchisor shall thereafter have no liability for the performance of any obligations contained in this Agreement.

#### **17.2 Transfer by Franchisee to a Third Party**

17.2.1 The rights and duties of Franchisee as set forth in this Agreement, and the Franchise herein granted, are personal to Franchisee (or its owners), and Franchisor has entered into this Agreement in reliance upon Franchisee's personal or collective skill and financial ability. Accordingly, neither Franchisee nor any holder of a legal or beneficial interest in Franchisee may sell, assign, convey, give away, pledge, mortgage, sublicense or otherwise transfer, whether by operation of law or otherwise, any interest in this Agreement, the Franchise granted hereby, the Approved Location used in operating the Outlet, its assets or any part or all of the ownership interest in Franchisee without the prior written approval of Franchisor. Any purported transfer without such approval shall be voidable and shall constitute a material breach of this Agreement. If Franchisee is in compliance with this Agreement, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

17.2.1.1 Franchisee has complied with the requirements set forth in §18;

17.2.1.2 all obligations owed to Franchisor, and all other outstanding obligations relating to the Outlet, are fully paid and satisfied;

17.2.1.3 Franchisee (and any transferring owners, if Franchisee is a business entity) has executed a general release, in a form the same as or similar to the General Release attached as Exhibit 2, of any and all claims against Franchisor, including its officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), including, without limitation, claims arising under federal, state or local laws, rules or ordinances, and any other matters incident to the termination of this Agreement or to the transfer of Franchisee's interest herein or to the transfer of Franchisee's ownership of all or any part of the Franchise; provided, however, that if a general release is

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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prohibited, Franchisee shall give the maximum release allowed by law;

17.2.1.4 the prospective transferee has provided evidence satisfactory to Franchisor that it meets Franchisor's management, business and financial standards, and otherwise possesses the character and capabilities, including but not limited to, a satisfactory business reputation and credit rating, as Franchisor may require to demonstrate ability to conduct the business;

17.2.1.5 the transferee and, if Franchisor requires, all persons owning any interest in the transferee, have executed the then-current franchise agreement for new franchisees, which may be substantially different from this Agreement, including different Royalty Fee and Marketing Fund Contribution rates and other material provisions, and the franchise agreement then executed shall be for the term specified in such agreement;

17.2.1.6 Franchisee has provided Franchisor with a complete copy of all contracts and agreements and related documentation between Franchisee and the prospective transferee relating to the intended sale or transfer of the Franchise;

17.2.1.7 Franchisee, or the transferee, has paid to Franchisor a non-refundable transfer fee equal to ten thousand dollars (\$10,000);

17.2.1.8 If the transferee is not a current franchisee or Franchisor then Franchisee, or the transferee, has paid to Franchisor its then current "Under New Management" Advertising Fee;

17.2.1.9 Franchisee has agreed in writing to be bound to the obligations of the new franchise agreement and to unconditionally guarantee the full performance thereof by the transferee, if required by Franchisor;

17.2.1.10 the transferee has obtained all necessary consents and approvals by third parties (such as the lessor of the Approved Location) and has complied with or satisfied all applicable federal, state and local laws, rules, ordinances and requirements applicable to the transfer;

17.2.1.11 Franchisee has, and if Franchisee is an entity, all of the holders of a legal and beneficial interest in Franchisee have executed and delivered to Franchisor a nondisclosure and noncompetition agreement in a form satisfactory to Franchisor and in substance the same as the nondisclosure and noncompetition covenants contained in §§7.5 and 16.2;

17.2.1.12 the transferee agrees that its Designated Manager shall complete, to Franchisor's satisfaction, a training program in substance similar to the initial training described in §8.1 prior to assuming the management of the day-to-day operation of the Outlet; and

17.2.1.13 the transferee has obtained all necessary types of insurance as described in §14.1.

### **17.3 Transfer to a Controlled Entity**

17.3.1 If Franchisee wishes to transfer this Agreement or any interest herein to a

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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corporation, limited liability company or other legal entity which shall be entirely owned by Franchisee ("Controlled Entity"), which Controlled Entity is being formed for the financial planning, tax or other convenience of Franchisee, Franchisor's consent to such transfer shall be conditioned upon the satisfaction of the following requirements:

17.3.1.1 the Controlled Entity intends to use the same Designated Manager;

17.3.1.2 the Controlled Entity is newly organized and its charter provides that its activities are confined exclusively to the operation of the Outlet;

17.3.1.3 Franchisee or all holders of a legal or beneficial interest in Franchisee own all of the equity and voting power of the outstanding stock or other capital interest in the Controlled Entity;

17.3.1.4 all obligations of Franchisee to Franchisor or any Affiliate are fully paid and satisfied; provided, however, that neither Franchisee nor the Controlled Entity shall be required to pay a transfer fee as required pursuant to §17.2.1.7;

17.3.1.5 the Controlled Entity has entered into a written agreement with Franchisor expressly assuming the obligations of this Agreement and all other agreements relating to the operation of the Outlet. If the consent of any other party to any such other agreement is required, Franchisee has obtained such written consent and provided the same to Franchisor prior to consent by Franchisor;

17.3.1.6 all holders of a legal or beneficial interest in the Controlled Entity have entered into an agreement with Franchisor jointly and severally guaranteeing the full payment of the Controlled Entity's obligations to Franchisor and the performance by the Controlled Entity of all the obligations of this Agreement;

17.3.1.7 each stock certificate or other ownership interest certificate of the Controlled Entity has conspicuously endorsed upon the face thereof a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon transfers and assignments by this Agreement;

17.3.1.8 copies of the Controlled Entity's articles of incorporation or organization, bylaws, operating agreement, federal tax identification number and other governing regulations or documents, including resolutions of the board of directors authorizing entry into this Agreement, have been promptly furnished to Franchisor. Any amendment to any such documents shall also be furnished to Franchisor immediately upon adoption; and

17.3.1.9 Franchisee, or the transferee, has paid to Franchisor a transfer fee in the amount of \$10,000.

17.32 The term of the transferred franchise shall be the unexpired term of this Agreement.

17.33 Franchisor's consent to a transfer of any interest in this Agreement, or of any ownership interest in the Outlet, shall not constitute a waiver of any claims Franchisor may have against the transferor or the transferee, nor shall it be deemed a waiver of Franchisor's right to demand strict compliance with the terms of this Agreement.

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### **17.4 Franchisor's Disclosure to Transferee**

Franchisor has the right, without liability of any kind or nature whatsoever to Franchisee, to make available for inspection by any intended transferee of Franchisee all or any part of Franchisor's records relating to this Agreement, the Outlet or to the history of the relationship of the parties hereto. Franchisee hereby specifically consents to such disclosure by Franchisor and shall release and hold Franchisor harmless from and against any claim, loss or injury resulting from an inspection of Franchisor's records relating to the Outlet by an intended transferee identified by Franchisee.

### **17.5 For-Sale Advertising**

Franchisee shall not, without prior written consent of Franchisor, place in, on or upon the location of the Outlet, or in any communication media, any form of advertising relating to the sale of the Outlet or the rights granted hereunder.

### **17.6 Transfer by Death or Incapacity**

17.6.1 Upon the death or Incapacity of Franchisee (if Franchisee is an individual) or any holder of a legal or beneficial interest in Franchisee (if Franchisee is a business entity), the appropriate representative of such person (whether administrator, personal representative or trustee) shall, within a reasonable time not exceeding one hundred eighty days following such event, transfer such individual's interest in the Outlet or in Franchisee to a third party approved by Franchisor. Such transfers, including transfers by will or inheritance, shall be subject to the conditions for assignments and transfers contained in this Agreement, unless prohibited by the laws of the state wherein Franchisee resided, with such choice of law provision being applicable only for this Section. During such one hundred eighty-day period, the Outlet must remain at all times under the primary management of a Designated Manager who otherwise meets Franchisor's management qualifications.

17.6.2 Following such a death or Incapacity of such person as described in this Section, if necessary, in Franchisor's discretion, Franchisor shall have the right, but not the obligation, to assume operation of the Outlet until the deceased or incapacitated owner's interest is transferred to a third party approved by Franchisor. Franchisor may charge a management fee as stated in the Operations Manual from time to time, currently equal to \$600.00 per day, and Franchisor shall be entitled to reimbursement of any expenses Franchisor incurs that are not paid out of the operating cash flow of the Outlet.

## **§18 Right of First Refusal**

### **18.1 Submission of Offer**

If Franchisee, or any of its owners, proposes to sell or otherwise transfer (including a transfer by death or Incapacity pursuant to §17.6) the Outlet (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder, Franchisee shall obtain and deliver a *bona fide*, executed written offer or proposal to purchase, along with all pertinent documents including any contract or due diligence materials, to Franchisor, except with regards to a sale or transfer to a family member. The offer must apply only to an approved sale of the assets or interests listed above and may not include any other property or rights of Franchisee or any of its owners.

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### **18.2 Franchisor's Right to Purchase**

Franchisor shall, for thirty days from the date of delivery of all such documents, have the right, exercisable by written notice to Franchisee, to purchase the offered assets or interest for the price and on the same terms and conditions contained in such offer communicated to Franchisee. Franchisor has the right to substitute cash for the fair market value of any form of payment proposed in such offer. Franchisor's credit shall be deemed at least equal to the credit of any proposed buyer. After providing notice to Franchisee of Franchisor's intent to exercise this right of first refusal, Franchisor shall have up to sixty days to close the purchase. Franchisor shall be entitled to receive from Franchisee all customary representations and warranties given by Franchisee as the seller of the assets or such ownership interest or, at Franchisor's election, such representations and warranties contained in the proposal.

### **18.3 Non-Exercise of Right of First Refusal**

If Franchisor does not exercise its right of first refusal within thirty days from the date of delivery of all such documents, the offer or proposal may be accepted by Franchisee or any of its owners, subject to Franchisor's prior written approval as required by §17.2. Should the sale fail to close within one hundred eighty days after the offer is delivered to Franchisor, Franchisor's right of first refusal shall renew and be implemented in accordance with this Section.

### **18.4 Sales or Transfers to Family Excepted**

If Franchisee, or any of its owners, proposes to sell or otherwise transfer the Outlet (or any of its assets outside of the normal course of business), any ownership interest in Franchisee or any ownership interest in the Franchise granted hereunder to a member of Franchisee's (or its owners') family, then the terms and conditions of this Section shall be inapplicable. Nothing in this Section shall be construed to relieve Franchisee from full compliance with the terms and conditions of §17.3 prior to a sale or transfer to family pursuant to this Section.

## **§19 Beneficial Owners of Franchisee**

Franchisee represents, and Franchisor enters into this Agreement in reliance upon such representation, that the individuals identified in Exhibit 5 are the sole holders of a legal or beneficial interest (in the stated percentages) of Franchisee.

## **§20 Relationship and Indemnification**

### **20.1 Relationship**

This Agreement is purely a contractual relationship between the parties and does not appoint or make Franchisee an agent, legal representative, joint venturer, partner or employee of Franchisor for any purpose whatsoever. Franchisee may not represent or imply to third parties that Franchisee is an agent of Franchisor, and Franchisee is in no way authorized to make any contract, agreement, warranty or representation on behalf of Franchisor, or to create any obligation, express or implied, on Franchisor's behalf. During the term of this Agreement, and any extension or renewal hereof, Franchisee shall hold itself out to the public only as a franchisee and an owner of the Outlet operating the Outlet pursuant to a franchise agreement with Franchisor. Franchisee shall take such affirmative action as may be necessary to do so including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Approved Location and on all forms, stationery or other written materials, the content of which Franchisor has the right to

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specify. Under no circumstances shall Franchisor be liable for any act, omission, contract, debt, nor any other obligation of Franchisee. Franchisor shall in no way be responsible for any injuries to persons or property resulting from the operation of the Outlet. Any third party contractors and vendors retained by Franchisee to convert or construct the premises are independent contractors of Franchisee alone.

### **20.2 Standard of Care**

This Agreement does not establish a fiduciary relationship between the parties. Unless otherwise specifically provided in this Agreement with respect to certain issues, whenever this Agreement requires Franchisee to obtain Franchisor's written consent or permits Franchisee to take any action or refrain from taking any action, Franchisor is free to act in its own self-interest without any obligation to act reasonably, to consider the impact on Franchisee or to act subject to any other standard of care limiting Franchisor's right, except as may be provided by statute or regulation.

### **20.3 Indemnification**

To the fullest extent permitted by law, Franchisee shall, at Franchisee's sole cost and expense, hold harmless and indemnify Franchisor, any Affiliate, all holders of a legal or beneficial interest in Franchisor and all officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnitees") from and against all losses, damages, fines, costs, expenses or liability (including reasonable attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, which arises from or is based upon (a) any personal injury, bodily injury or property damage whatsoever occurring in or at the Approved Location; (b) any bodily injury to an employee of Franchisee arising out of and in the course of employment of the employee; (c) Franchisee's ownership or operation of the Outlet; (d) Franchisee's breach of the lease for the Approved Location; (e) Franchisee's violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (f) Franchisee's breach of any representation, warranty, covenant, or provision of this Agreement or any other agreement between Franchisee and Franchisor (or an Affiliate); (g) Franchisee's defamation of Franchisor or the System; (h) Franchisee's acts, errors or omissions committed or incurred in connection with the operation of the Outlet including any negligent or intentional acts; or (i) Franchisee's infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or other Confidential Information. The obligations of this Section shall expressly survive the termination of this Agreement.

### **20.4 Right to Retain Counsel**

Franchisee shall give Franchisor immediate notice of any action, suit, demand, claim, investigation or proceeding that may give rise to a claim for indemnification by a Franchisor. Franchisor has the right to retain counsel of its own choosing in connection with any such action, suit, demand, claim, investigation or proceeding. In order to protect persons, property, Franchisor's reputation or the goodwill of others, Franchisor has the right to, at any time without notice, take such remedial or corrective actions as it deems expedient with respect to any action, suit, demand, claim, investigation or proceeding if, in Franchisor's sole judgment, there are grounds to believe any of the acts or circumstances listed above have occurred. If Franchisor's exercise of its rights under this Section to take corrective or remedial action, causes any of Franchisee's insurers to refuse to pay a third-party claim, all cause of action and legal remedies Franchisee might have against such insurer shall automatically be assigned to Franchisor without the need for any further action on either party's part. Under no circumstances shall Franchisor be

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required or obligated to seek coverage from third parties or otherwise mitigate losses in order to maintain a claim against Franchisee. The failure to pursue such remedy or mitigate such loss shall in no way reduce the amounts recoverable by Franchisor from Franchisee.

### **§21 General Conditions and Provisions**

#### **21.1 No Waiver**

No failure of Franchisor to exercise any power reserved to it hereunder, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom nor practice of the parties in variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with the terms of this Agreement. Waiver by Franchisor of any particular default by Franchisee shall not be binding unless in writing and executed by Franchisor and shall not affect nor impair Franchisor's right with respect to any subsequent default of the same or of a different nature. Subsequent acceptance by Franchisor of any payment(s) due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants or conditions of this Agreement.

#### **21.2 Injunctive Relief**

As any breach by Franchisee of any of the restrictions contained in §§6.2, 7.1 and 16.2 would result in irreparable injury to Franchisor, and as the damages arising out of any such breach would be difficult to ascertain, in addition to all other remedies provided by law or in equity, Franchisor shall be entitled to seek injunctive relief (whether a restraining order, a preliminary injunction or a permanent injunction) against any such breach, whether actual or contemplated, without the necessity of posting security or bond and Franchisee shall be responsible for Franchisor's reasonable attorneys' fees incurred in pursuing the same. Franchisor's right to seek injunctive relief will not affect the parties' waiver of jury trial. Franchisor's rights herein shall include pursuing injunctive relief through arbitration or in a state or federal court.

#### **21.3 Notices**

All notices required or permitted under this Agreement shall be in writing and shall be deemed received: (a) at the time delivered by hand to the recipient party (or to an officer, director or partner of the recipient party); (b) on the next business day after transmission by facsimile or other reasonably reliable electronic communication system; (c) two business days after being sent via guaranteed overnight delivery by a commercial courier service; or (d) five business days after being sent by Registered Mail, return receipt requested. Either party may change its address by a written notice sent in accordance with this Section. All notices, payments and reports required by this Agreement shall be sent to Franchisor at the following address:

Qargo Coffee, Inc.  
701 Brickell Avenue, Suite 1550  
Miami, FL 33131  
[info@qargocoffee.com](mailto:info@qargocoffee.com) | (786) 913-9991

#### **21.4 Cost of Enforcement or Defense**

If Franchisor or Franchisee is required to enforce this Agreement in a judicial or arbitration proceeding, the prevailing party shall be entitled to reimbursement of its costs, including

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reasonable accounting and attorneys' fees, in connection with such proceeding.

### **21.5 Approvals**

Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor for such approval and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent or services to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request for approval.

### **21.6 Entire Agreement**

This Agreement and all exhibits to this Agreement constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished to you.

### **21.7 Severability and Modification**

21.7.1 Except as noted below, each paragraph, part, term and provision of this Agreement shall be considered severable. If any paragraph, part, term or provision herein is ruled to be unenforceable, unreasonable or invalid, such ruling shall not impair the operation of or affect the remaining portions, paragraphs, parts, terms and provisions of this Agreement, and the latter shall continue to be given full force and effect and bind the parties; and such unenforceable, unreasonable or invalid paragraphs, parts, terms or provisions shall be deemed not part of this Agreement. If Franchisor determines that a finding of invalidity adversely affects the basic consideration of this Agreement, Franchisor has the right to, at its option, terminate this Agreement.

21.7.2 Notwithstanding the above, each of the covenants contained in §7 and §16 shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of any such covenant is held to be unenforceable, unreasonable or invalid, then it shall be amended to provide for limitations on disclosure of Trade Secrets or other Confidential Information or on competition to the maximum extent provided or permitted by law.

### **21.8 Construction**

All captions herein are intended solely for the convenience of the parties, and none shall be deemed to affect the meaning or construction of any provision hereof.

### **21.9 Force Majeure**

Whenever a period of time is provided in this Agreement for either party to perform any act, except pay monies, neither party shall be liable nor responsible for any delays due to strikes, lockouts, casualties, acts of God, war, terrorism, governmental regulation or control or other causes beyond the reasonable control of the parties, and the time period for the performance of such act shall be extended for the amount of time of the delay. This clause shall not result in an

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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extension of the term of this Agreement.

### **21.10 Timing**

Time is of the essence. Failure to perform any act within the time required or permitted by this Agreement shall be a material breach.

### **21.11 Withholding Payments**

Franchisee shall not, for any reason, withhold payment of any Royalty Fees or other amounts due to Franchisor or to an Affiliate. Franchisee shall not withhold or offset any amounts, damages or other monies allegedly due to Franchisee against any amounts due to Franchisor. No endorsement or statement on any payment for less than the full amount due to Franchisor will be construed as an acknowledgment of payment in full, or an accord and satisfaction, and Franchisor has the right to accept and cash any such payment without prejudice to Franchisor's right to recover the full amount due, or pursue any other remedy provided in this Agreement or by law. Franchisor has the right to apply any payments made by Franchisee against any of Franchisee's past due indebtedness as Franchisor deems appropriate. Franchisor shall set off sums Franchisor owes to Franchisee against any unpaid debts owed by Franchisee to Franchisor.

### **21.12 Further Assurances**

Each party to this Agreement will execute and deliver such further instruments, contracts, forms or other documents, and will perform such further acts, as may be necessary or desirable to perform or complete any term, covenant or obligation contained in this Agreement.

### **21.13 Third-Party Beneficiaries**

Anything to the contrary notwithstanding, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisor or Franchisee, and their respective successors and assigns as may be contemplated by this Agreement, any rights or remedies under this Agreement.

### **21.14 Multiple Originals**

Both parties will execute multiple copies of this Agreement, and each executed copy will be deemed an original.

## **§22 Dispute Resolution**

### **22.1 Choice of Law**

Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Delaware. References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **22.2 Consent to Jurisdiction**

Any action brought by either party shall only be brought in the appropriate state or Federal courts located in or serving Delaware. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by Franchisor where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

### **22.3 Cumulative Rights and Remedies**

No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be in addition to every other right or remedy. Nothing contained herein shall bar Franchisor's right to obtain injunctive relief against threatened conduct that may cause it loss or damages, including obtaining restraining orders and preliminary and permanent injunctions.

### **22.4 Limitation of Damages**

In any claim or action brought by Franchisee against Franchisor concerning this Agreement, Franchisee's contract damages shall not exceed and shall be limited to refund of Franchisee's Franchise Fee and Royalty Fees.

## **§23 Acknowledgements**

### **23.1 Receipt of this Agreement and the Franchise Disclosure Document**

Franchisee represents and acknowledges that it has received, read and understands this Agreement and Franchisor's Franchise Disclosure Document; and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of its own choosing about the potential benefits and risks of entering into this Agreement. Franchisee represents and acknowledges that it has received, at least fourteen calendar-days prior to the date on which this Agreement was executed, the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures.

### **23.2 Independent Counsel**

Franchisee represents that it has been urged to consult with its own advisors with respect to the legal, financial and other aspects of this Agreement, the business franchised hereby and the prospects for that business. Franchisee represents that it has either consulted with such advisors or has deliberately declined to do so.

### **23.3 True and Accurate Information**

Franchisee represents that all information set forth in any and all applications, financial statements and submissions to Franchisor is true, complete and accurate in all respects, and Franchisee acknowledges that Franchisor is relying upon the truthfulness, completeness and accuracy of such information.

## **EXHIBIT A TO THE DISCLOSURE DOCUMENT FRANCHISE AGREEMENT**

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### **23.4 Risk**

Franchisee represents that it has conducted an independent investigation of the business contemplated by this Agreement and acknowledges that, like any other business, an investment in a franchise involves business risks and that the success of the venture is dependent, among other factors, upon the business abilities and efforts of Franchisee. Franchisor makes no representations or warranties, express or implied, beyond what is stated in this Agreement or the Franchise Disclosure Document, as to the potential success of the business venture contemplated hereby.

### **23.5 No Guarantee of Success**

Franchisee represents and acknowledges that it has not received or relied on any guarantee, express or implied, as to the revenues, profits or likelihood of success of the Outlet. Franchisee represents and acknowledges that there have been no representations by Franchisor's officers, directors, employees or agents that are not contained in, or are inconsistent with, the statements made in the Franchise Disclosure Document or this Agreement.

### **23.6 No Violation of Other Agreements**

Franchisee warrants that its execution of this Agreement will not violate any other agreement or commitment to which Franchisee or any holder of a legal or beneficial interest in Franchisee is a party. The Franchisee agrees to indemnify and hold harmless the Franchisor from any and all claims, damages, and expenses, including but not limited to attorney's fees, arising out of or related to any such violation.

### **23.7 Severability**

If a provision of this Agreement is or becomes illegal, invalid or unenforceable in any jurisdiction, that shall not affect: the validity or enforceability in that jurisdiction of any other provision of this Agreement; or the validity or enforceability in other jurisdictions of that or any other provision of this Agreement.

### **23.8 Acknowledgment.**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

Franchisor: Qargo Coffee, Inc.

Signature: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A TO THE DISCLOSURE DOCUMENT  
FRANCHISE AGREEMENT**

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Franchisee:

Signature: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT 1 TO THE FRANCHISE AGREEMENT

Exhibit A-1 FRANCHISEE INFORMATION

FRANCHISE INFORMATION

Franchisee: \_\_\_\_\_

Premises: \_\_\_\_\_

If the Premises has not been accepted by us as of the Effective Date, the **Designated Area** shall be identified as: \_\_\_\_\_

**Location Type (Check One):**

\_\_\_\_ Standard-Regular Location      \_\_\_\_ Non-Traditional Location

**Map or Description of Protected Territory:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**FRANCHISEE:** \_\_\_\_\_

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT 2 TO THE FRANCHISE AGREEMENT

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### Exhibit A-2 GENERAL RELEASE

**This General Release** is made by RELEASOR in consideration of the execution by Qargo Coffee, Inc., A Delaware Corporation ("RELEASEE"), of a Franchise Agreement between RELEASOR and RELEASEE and other good and valuable consideration, the adequacy of which is hereby acknowledged.

Accordingly RELEASOR hereby releases and discharges RELEASEE, RELEASEE'S officers, directors, shareholders, managers, members, partners, owners, employees and agents (in their corporate and individual capacities), and RELEASEE'S successors and assigns, from any and all causes of action, suits, debts, damages, judgments, executions, claims and demands whatsoever, in law or in equity, that RELEASOR and RELEASOR'S heirs, executors, administrators, successors and assigns had, now have or may have, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the date of this RELEASE arising out of or related to the Franchise or the Franchise Agreement, including, without limitation, claims arising under federal, state and local laws, rules and ordinances.

Any action brought by either party regarding this Release, shall only be brought in the appropriate state or federal court located in or serving Delaware. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision.

This General Release shall not be amended or modified unless such amendment or modification is in writing and is signed by RELEASOR and RELEASEE.

This General Release does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

IN WITNESS WHEREOF, RELEASOR has executed this General Release as of the date first above written.

RELEASOR:\_\_\_\_\_

Signature:\_\_\_\_\_

Title:\_\_\_\_\_

Date:\_\_\_\_\_

## EXHIBIT 3 TO THE FRANCHISE AGREEMENT

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### Exhibit A-3 APPROVED LOCATION ADDENDUM

**THIS APPROVED LOCATION ADDENDUM** is signed on \_\_\_\_\_  
\_\_\_\_\_ between Qargo Coffee, Inc. ("we, "us" or "our") and \_\_\_\_\_  
\_\_\_\_\_ ("you" or "your").

#### **BACKGROUND**

- A. The parties have signed a Qargo Coffee Franchise Agreement (the "Agreement") before you selected a location that we had approved for the Franchise Business.
- B. You have now selected a location that we have approved and, under Section 1.2 of the Agreement, the parties are entering into this Addendum.

The parties agree as follows:

#### **TERMS**

1. You agree that you will operate the Franchise Business only at the Premises, as specified in Exhibit 1.
2. Your Limited Protected Territory is the following zip codes or other physical, political or natural boundaries:
3. Upon any inconsistency between the terms of the Franchise Agreement and the terms of this Addendum, the terms of this Addendum supersede and control. In all other respects, the parties ratify and confirm the terms of the Franchise Agreement.

**IN WITNESS WHEREOF**, the parties have signed this Addendum.

Qargo Coffee, Inc.:

\_\_\_\_\_

(You):

\_\_\_\_\_

## EXHIBIT 4 TO THE FRANCHISE AGREEMENT

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### Exhibit A-4 Nondisclosure And Noncompetition Agreement (Manager)

This "Agreement" is by and between Qargo Coffee, Inc., ("Franchisor") and \_\_\_\_\_ ("Manager").

#### WITNESSETH:

WHEREAS, \_\_\_\_\_ ("Franchisee") is a party to a Franchise Agreement with Franchisor;

WHEREAS, Franchisee desires Manager to have access to and review certain Trade Secrets and other Confidential Information, which are more particularly described below;

WHEREAS, Franchisee is required by the Franchise Agreement to have Manager execute this Agreement prior to providing Manager access to said Trade Secrets and other Confidential Information; and

WHEREAS, Manager understands the necessity of not disclosing any such information to any other party or using such information to compete against Franchisor or any of its affiliates or franchisees (i) that offers or provides (or grants franchises or licenses to others to operate a business that offers or provides) products or services the same as or similar to those provided by Franchisee or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisor or any of its affiliates or franchisees (hereinafter, "Competitive Business"); provided, however, that the term Competitive Business shall not apply to any business operated under a Franchise Agreement with Franchisor.

NOW, THEREFORE, in consideration of the mutual promises and undertakings set forth herein, and intending to be legally bound hereby, the parties hereby mutually agree as follows:

#### **1. Trade Secrets and Confidential Information**

Manager understands Franchisor possesses and will possess Trade Secrets and other Confidential Information that are important to its business.

a) For the purposes of this Agreement, a "Trade Secret" is information in any form (including, but not limited to, materials and techniques, technical or nontechnical data, formulas, patterns, compilations, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Franchise that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

b) For the purposes of this Agreement "Confidential Information" means technical and nontechnical information used in or related to the Franchise that is not commonly known by or available to the public, including, without limitation, Trade Secrets and information contained in the Operations Manual and training guides and materials. In addition, any other information

## EXHIBIT 4 TO THE FRANCHISE AGREEMENT

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identified as confidential when delivered by Franchisor or Franchisee shall be deemed Confidential Information. Confidential Information shall not include, however, any information that: (i) is now or subsequently becomes generally available to the public through no fault of Manager; (ii) Manager can demonstrate was rightfully in its possession, without obligation of nondisclosure, prior to disclosure pursuant to this Agreement; (iii) is independently developed without the use of any Confidential Information; or (iv) is rightfully obtained from a third party who has the right, without obligation of nondisclosure, to transfer or disclose such information.

c) Any information expressly designated by Franchisor or Franchisee as “Trade Secrets” or “Confidential Information” shall be deemed such for all purposes of this Agreement, but the absence of designation shall not relieve Manager of his or her obligations hereunder in respect of information otherwise constituting Trade Secrets or Confidential Information. Manager understands Franchisee’s providing of access to the Trade Secrets and other Confidential Information creates a relationship of confidence and trust between Manager and Franchisee with respect to the Trade Secrets and other Confidential Information.

### 2. **Confidentiality/Nondisclosure**

a) Manager shall not communicate or divulge to (or use for the benefit of) any other person, firm, association, or corporation, with the sole exception of Franchisee, now or at any time in the future, any Trade Secrets or other Confidential Information. At all times from the date of this Agreement, Manager must take all steps reasonably necessary and/or requested by Franchisor or Franchisee to ensure that the Confidential Information and Trade Secrets are kept confidential pursuant to the terms of this Agreement. Manager must comply with all applicable policies, procedures and practices that Franchisor has established and may establish from time to time with regard to the Confidential Information and Trade Secrets.

b) Manager’s obligations under paragraph 2(a) of this Agreement shall continue in effect after termination of Manager’s relationship with Franchisee, regardless of the reason or reasons for termination, and whether such termination is voluntary or involuntary, and Franchisee is entitled to communicate Manager’s obligations under this Agreement to any future customer or employer to the extent deemed necessary by Franchisee for protection of its rights hereunder and regardless of whether Manager or any of its affiliates or assigns becomes an investor, partner, joint venturer, broker, distributor or the like in a Competitive Business.

### 3. **Noncompetition**

a) During the term of Manager’s relationship with Franchisee and for a period of one year after the expiration or termination of Manager’s relationship with Franchisee, regardless of the cause of expiration or termination, Manager shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, divert or attempt to divert any business or customer of Franchisee to any Competitive Business, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor’s trademark “Qargo Coffee” and such other trade names, trademarks, service marks, trade dress, designs, graphics, logos, emblems, insignia, fascia, slogans, drawings and other commercial symbols as the Franchisor designates to be used in connection with Qargo Coffee.

b) During the term of Manager’s relationship with Franchisee, Manager shall not,

## EXHIBIT 4 TO THE FRANCHISE AGREEMENT

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directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, work for, render services to, or own or share in the earnings of any Competitive Business anywhere within Franchisee's Territory, without the express written consent of Franchisor, except for any stock ownership in a Competitive Business purchased on the open stock market.

c) For a one year period following the term of Manager's relationship with Franchisee, regardless of the cause of termination, Manager shall not, directly or indirectly, for themselves or through, on behalf of or in conjunction with, any person, persons, partnership, corporation, limited liability company or other business entity, work for, render services to, or own or share in the earnings of any Competitive Business within Franchisee's Territory, or within the territory of any other Qargo Coffee Business without the express written consent of Franchisor, except for any stock ownership in a Competitive Business purchased on the open stock market.

d) During the term of Manager's relationship with Franchisee and for a period of one year thereafter, regardless of the cause of termination, Manager shall not, directly or indirectly, solicit or otherwise attempt to induce or influence any employee or other business associate of Franchisee, Franchisor or any other Qargo Coffee Business to compete against, or terminate or modify his, her or its employment or business relationship with, Franchisee, Franchisor or any other Qargo Coffee Business.

#### **4. Reasonableness of Restrictions**

Manager acknowledges and agrees that each of the terms set forth herein, including the restrictive covenants, are fair and reasonable and are reasonably required for the protection of Franchisor and Franchisor's Trade Secrets and other Confidential Information, the Franchisor's business system, network of franchises and trade and service marks, and Manager waives any right to challenge these restrictions as being overly broad, unreasonable or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then Manager shall submit to the reduction of any such activity, time period or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

#### **5. Relief for Breaches of Confidentiality, Non-solicitation and Noncompetition**

Manager further acknowledges that any violation or threatened violation of the covenants contained in this Agreement will cause immediate and irreparable harm to the Franchisor, and that such harm will be difficult to quantify or remedy fully in damages. Accordingly, Franchisee and Franchisor shall be entitled, as a matter of right, to an injunction from any court of competent jurisdiction restraining any further violation by Manager of this Agreement without any requirement to show any actual damage or to post any bond or other security. Such right to an injunction shall be cumulative and in addition to, and not in limitation of, any other rights and remedies that Franchisee and Franchisor may have at law or in equity.

#### **6. Miscellaneous**

a) This Agreement constitutes the entire Agreement between the parties with respect

## EXHIBIT 4 TO THE FRANCHISE AGREEMENT

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to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between Manager and Franchisor. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.

b) Except to the extent this Agreement or any particular dispute is governed by the U.S. Trademark Act of 1946 or other federal law, this Agreement shall be governed by and construed in accordance with the laws of the State of Delaware (without reference to its conflict of laws principles). References to any law refer also to any successor laws and to any published regulations for such law as in effect at the relevant time. References to a governmental agency also refer to any regulatory body that succeeds the function of such agency.

c) Any action brought by either party, shall only be brought in the appropriate state or federal court located in or serving Delaware. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Franchisor may bring claims for injunctive relief where Franchisee is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments or arbitration awards in any appropriate jurisdiction.

d) Manager agrees if any legal proceedings are brought for the enforcement of this Agreement, in addition to any other relief to which the successful or prevailing party may be entitled, the successful or prevailing party shall be entitled to recover attorneys' fees, investigative fees, administrative fees billed by such party's attorneys, court costs and all expenses, including, without limitation, all fees, taxes, costs and expenses incident to arbitration, appellate, and post-judgment proceedings incurred by the successful or prevailing party in that action or proceeding.

e) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the Manager, as well as their successors and assigns. It shall inure to the benefit of the Franchisor, its subsidiaries, successors, and assigns.

f) The failure of either party to insist upon performance in any one or more instances upon performance of any terms and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant or condition of this Agreement and the obligations of either party with respect thereto shall continue in full force and effect.

g) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

h) In the event that any part of this Agreement shall be held to be unenforceable or invalid, the remaining parts hereof shall nevertheless continue to be valid and enforceable as though the invalid portions were not a part hereof.

i) This Agreement may be modified or amended only by a written instrument duly executed by Manager and Franchisor.

j) The existence of any claim or cause of action Manager might have against Franchisee or Franchisor will not constitute a defense to the enforcement by Franchisee or Franchisor of this Agreement.

k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon Franchisee or Franchisor pursuant to this Agreement is intended to be exclusive of any

## EXHIBIT 4 TO THE FRANCHISE AGREEMENT

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other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.

MANAGER CERTIFIES THAT HE OR SHE HAS READ THIS AGREEMENT CAREFULLY AND UNDERSTANDS AND ACCEPTS THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO SUCH PERSON TO INDUCE THE SIGNING OF THIS AGREEMENT.

**FRANCHISOR:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**MANAGER:**

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT 5 TO THE FRANCHISE AGREEMENT

### Exhibit A-5 Holders Of Legal Or Beneficial Interest In Franchisee, Officers And Directors

#### OWNERSHIP INFORMATION

1. **Form of Ownership.** Franchisee is a (check one):

\_\_\_\_\_ *Sole Proprietorship*  
\_\_\_\_\_ *Partnership*  
\_\_\_\_\_ *Limited Liability Company*  
\_\_\_\_\_ *Corporation*

State of incorporation / organization / residence: \_\_\_\_\_

2. **Sole Proprietor**

Name	Social Security Number

3. **Owners.** If Franchisee is a partnership, limited liability company or corporation:

Name	Shares or Percentage of Ownership

4. **Officers.** If Franchisee is a limited liability company or corporation:

Name	Title

## **EXHIBIT 6 TO THE FRANCHISE AGREEMENT**

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### **Exhibit A-6 Multi-State Addenda**

#### **State Specific Riders to the Franchise and Trademark Agreement**

At this time, Qargo Coffee, Inc. is not subject to any particular state's franchise registration laws.

Qargo Coffee, Inc. will attach additional riders for the Franchise and Trademark Agreement subject to state registration requirements. A particular state's disclosure only applies if you are covered by that state's franchise law.

## EXHIBIT 7 TO THE FRANCHISE AGREEMENT

### Exhibit A-7 Agreement With Landlord

**THIS AGREEMENT** is signed on \_\_\_\_\_ among Qargo Coffee Inc., a S Corp., (the "Franchisor"); \_\_\_\_\_ (the "Landlord") and \_\_\_\_\_ (the "Tenant/Franchisee").

#### **BACKGROUND**

- A. The Tenant/Franchisee is a franchisee of the Franchisor under a Qargo Coffee Franchise Agreement between the Franchisor and the Tenant/Franchisee (the "Franchise Agreement") for the operation of Qargo Coffee franchise (the "Franchise Business").
- B. The Landlord and the Tenant/Franchisee are parties to a Lease Agreement (the "Lease") for the premises located at \_\_\_\_\_ (the "Premises") that the Franchisor has approved on condition that all the parties sign this Agreement.
- C. In order to assure that a franchise business may continue to operate at the Premises, the Landlord grants certain rights to the Franchisor under the Lease to protect the Franchisor's interest under the Franchise Agreement.

#### **TERMS**

- Signage.** The Landlord agrees to the Franchisor's signage requirements for the Tenant/Franchisee, subject to local signage ordinances and approval by local governmental agencies, if necessary.
- Use of Premises.** The Landlord and the Tenant/Franchisee agree that the Tenant/Franchisee may only use the Premises for the operation of the Franchised Business, unless the Franchisor otherwise approves in writing. The Landlord acknowledges that this use does not violate any zoning restrictions, restrictive covenants or existing exclusive uses granted to any other tenant of the Landlord in the building/center or adjacent outparcel owned by the Landlord in which the Premises are located. The Landlord further acknowledges that during the term of the Lease or any extension of the Lease, the Landlord will not lease space within the building/center or outparcel to a business similar to the Franchised Business, or permit an existing tenant to offer products that compete with the Franchised Business.
- Tenant Information; Notices of Default.** The Landlord will send to the Franchisor at the address set forth below by regular U.S. mail copies of all sales reports, financial information, correspondence and other communications sent by the Landlord to the Tenant/Franchisee or sent by the Tenant/Franchisee to the Landlord. The Landlord will overnight to the Franchisor at the address below by USPS, FedEx or UPS copies of all written notices of default sent by the Landlord to the Tenant/Franchisee. Landlord acknowledges that the Franchisor is not responsible for any actions of the Tenant/Franchisee or any of its employees, agents, suppliers or customers.

Qargo Coffee, Inc.  
701 Brickell Avenue, Suite 1550  
Miami, FL 33131

## EXHIBIT 7 TO THE FRANCHISE AGREEMENT

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### 4. **Right to Cure and Take Occupancy.**

a. If the Tenant/Franchisee defaults under the Lease, the Franchisor may (but is under no obligation to), within 30 days after receipt of written notice from the Landlord, cure the default (or a longer period of time if the default is not capable of being cured within 30 days and the Franchisor is diligently proceeding to cure the default). If the Franchisor cures the Tenant/Franchisee's default, the Franchisor has the right to occupy the Premises and operate the Franchised Business. The Tenant/Franchisee is deemed to have assigned the Lease to the Franchisor, but the Tenant/Franchisee and any guarantors are not released from their obligations under the Lease. From and after the deemed assignment, the Franchisor will assume and perform all of the obligations of the Tenant/Franchisee under the Lease until the Franchisor is released in accordance with Subsection 4(b).

b. The Franchisor may assign the Lease to another Qargo Coffee franchisee with the Landlord's written approval of the new tenant/franchisee. The Landlord will not unreasonably withhold, delay or condition its approval of the new tenant/franchisee. Upon the permitted assignment by the Franchisor to the new tenant/franchisee, the Franchisor is released from all further obligations under the Lease.

5. **Franchisor's Rights Upon Termination or Expiration of Franchise Agreement.** The Landlord acknowledges that any landlord's lien or security interest does not include any property of the Tenant/Franchisee that includes any items bearing the Franchisor's trademarks including the signage and proprietary trade dress. If the Franchisor does not take occupancy of the Premises and does not assume the Lease, the Landlord agrees to the Franchisor's rights under the Franchise Agreement, upon reasonable notice to the Landlord, to enter the Premises solely for the purposes of taking all steps necessary to protect its interest under the Franchise Agreement including the removal of all signs and other items bearing the Proprietary Marks of the Franchisor (without damage to the Premises).

6. **Modification of Lease.** The Landlord and the Tenant/Franchisee will not make any material modifications to the Lease without the Franchisor's prior written consent, which consent the Franchisor may grant or withhold in its sole discretion.

7. **Noncompetition.** If the Franchisor does not take over the Lease upon the termination or expiration of the Franchise Agreement and the Tenant/Franchisee remains in possession of the Premises, the Landlord and the Tenant/Franchisee agree that, for a period of 2 years after the expiration or termination of the Franchise Agreement, the Premises will not be used for a Competitive Business.

8. **Landlord's Statutory Lien or Security Interest.** The Landlord subordinates its statutory lien or security interest in the Tenant's property to the security interest of the Franchisor. The Landlord will further cooperate in signing all required documents to recognize the subordination.

9. **Attorneys' Fees.** If a party institutes any action to enforce any provision of this Agreement, the prevailing party is entitled to recover all attorneys' fees and costs incurred in connection with the action from the non-prevailing party.

10. **Governing Law; Venue.** This Agreement is governed by and construed in accordance with the laws of the state in which the Premises are located. Venue will be in the county in which the Premises are located.

## EXHIBIT 7 TO THE FRANCHISE AGREEMENT

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11. **Conflict.** Upon any inconsistency between this Agreement and the terms of the Lease, this Agreement supersedes and controls.

12. **Binding Effect.** This Agreement is binding upon the personal representatives, heirs, successors and assigns of the parties.

**IN WITNESS WHEREOF**, this Agreement has been signed the date and year first above written.

**FRANCHISOR:**        **Qargo Coffee, Inc.**

\_\_\_\_\_  
By:

\_\_\_\_\_  
**LANDLORD:**

\_\_\_\_\_  
By:

\_\_\_\_\_  
Its:

\_\_\_\_\_  
**TENANT/FRANCHISEE:**

\_\_\_\_\_  
By:

\_\_\_\_\_  
Its:

## EXHIBIT 8 TO THE FRANCHISE AGREEMENT

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### Exhibit A-8 Telephone Number And Directory Advertising Assignment Agreement

**THIS ASSIGNMENT AGREEMENT** is signed on \_\_\_\_, between Qargo Coffee, Inc., a Delaware Corporation ("we," "us" or "our") and \_\_\_\_\_ ("you" or "your").

#### **BACKGROUND**

A. The parties have entered into a Qargo Coffee franchise agreement (the "Franchise Agreement").

B. As a condition to signing the Franchise Agreement, we require that you assign to us all of your right, title and interest in the telephone numbers, telephone listings, facsimile numbers, and telephone directory advertisements relating to the Qargo Coffee Franchise (the "Franchise Business") upon the expiration or termination of the Franchise Agreement.

The parties agree as follows:

#### **TERMS**

1. **Assignment.** In order to secure continuity and stability of our operation of the Franchise Business, immediately upon the expiration or termination of the Franchise Agreement, this Agreement constitutes your automatic assignment to us all of your right, title and interest in and to certain telephone numbers, facsimile numbers, email addresses, telephone listings and telephone directory advertisements, whether on the Internet or in print, pursuant to which you operate your Franchise Business in accordance with the terms of the Franchise Agreement without further action on your part.

2. **Assumption.** Immediately upon the expiration or termination of the Franchise Agreement, in consideration of the transfer of telephone service for the telephone numbers, we may assume and pay all future obligations for the telephone numbers, including the payment of all charges for future local and long distance service, telecommunications equipment, toll credit cards, public telephone service and equipment and directory advertising existing.

3. **Your Representation and Warranties.** You represent, warrant and covenant to us that:

(a) As of the effective date of the Assignment, all of your obligations and indebtedness for telephone services, telephone listing services and telephone directory advertisement services must be paid and current.

(b) As of the date of this Agreement, you have full power and legal right to enter into, sign, deliver and perform this Agreement.

(c) This Agreement is your legal, binding obligation and is enforceable in accordance with its terms.

(d) The signing, delivery and performance of this Assignment does not conflict with, violate, breach or constitute a default under any contract, agreement or instrument to which you are a

## EXHIBIT 8 TO THE FRANCHISE AGREEMENT

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party or by which you are bound, and no consent of nor approval by any third party is required.

(e) You have the specific power to assign and transfer your right, title and interest in your telephone numbers, telephone listings and telephone directory advertisements, and you have obtained all necessary consents to this Assignment.

4. **Other Documents.** You agree to sign any other documents required by the telephone service provider and/or publisher required to make the assignment effective.

5. **Miscellaneous.** The validity, construction and performance of this Assignment is governed by the laws of the State of Delaware, where we are incorporated. All agreements, covenants, representations and warranties made in this Agreement survive the signing of this Agreement. All our rights inure to our benefit and to the benefit of our successors and assigns.

**IN WITNESS WHEREOF**, each of the parties has signed this Assignment as of the day and year first written above.

Qargo Coffee, Inc:

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(You):

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## EXHIBIT 9 TO THE FRANCHISE AGREEMENT

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### Exhibit A-9 Deposit Agreement

\_\_\_\_\_, ("you" or "your") have made a formal application for a Qargo Coffee Franchise (the "Franchise Business"). Qargo Coffee, Inc., a Delaware Corporation ("we, "us" or "our") acknowledge receipt of \$50,000 (the "Deposit Fee"), which you are depositing with us as an indication of your *bona fide* intent to enter into a Qargo Coffee Franchise Agreement. You acknowledge that you have received from us a copy of our Franchise Disclosure Document dated \_\_\_\_\_ (the "FDD") that includes as exhibits this Deposit Agreement, the Franchise Agreement and all other exhibits listed in the FDD's Table of Contents. You acknowledge that you have had a copy of the FDD for at least 14 days before you signed this Agreement, or before you paid us the Deposit Fee or any other consideration for a Qargo Coffee Franchise. The dispute resolution provisions of ARTICLE 22 of the Franchise Agreement are incorporated into this Agreement by reference and are a part of this Agreement.

You understand that, in reliance on your signing this Agreement and giving us the Deposit Fee, you will look for locations suitable for a Franchised Business within \_\_\_\_\_

(the "Reserved Area"). We expect that the parties will sign the Franchise Agreement and related documents within the next 30 days. If you desire to cancel this Agreement within the next 30 days, you must give us written notice and we will return the Deposit Fee to you less any out-of-pocket expenses we have incurred. You must also sign the General Release included as Exhibit M. If you do not cancel, you must sign the Franchise Agreement 8 days after you receive the completed Franchise Agreement and related documents. If you timely sign the Franchise Agreement and related documents, we will credit the entire Deposit Fee against the Initial Franchise Fee. If you fail to timely sign the Franchise Agreement and related documents, we will retain the entire Deposit Fee to compensate us for our expenses, and for the time and effort that we expended in reliance upon your Franchise Application and for our lost opportunities.

You agree not to disclose or make use of, directly or indirectly, any trade secrets or confidential information we disclose to you in reliance on this Agreement, including contemplated locations for a Franchise Business, demographic data, methods of financing, sources of supply, merchandising techniques and operating methods. This provision is effective regardless of whether the parties sign a Franchise Agreement. If the parties do not sign a Franchise Agreement and related documents within the specified time, you will immediately return to us copies of any documents, manuals, or other materials, in whatever form, in your possession or in the possession of your advisors, and will verify in writing that you have returned all copies to us.

Qargo Coffee, Inc.:

(Depositor) \_\_\_\_\_:

\_\_\_\_\_

\_\_\_\_\_

## EXHIBIT 10 TO THE FRANCHISE AGREEMENT

### Exhibit A-10 Conversion Addendum

**THIS CONVERSION ADDENDUM** is signed on \_\_\_\_\_ between Qargo Coffee, Inc. ("we, "us" or "our") and \_\_\_\_\_ ("you" or "your").

#### **BACKGROUND**

A. You currently own and operate a \_\_\_\_\_ (the "Operating Outlet") located at \_\_\_\_\_ (the "Premises").

B. We are the franchisor of Qargo Coffee Franchises and you desire to purchase franchise rights from us and convert the Operating Outlet into a Qargo Coffee Franchise (the "Franchise Business").

C. The parties are entering into the Franchise Agreement (the "Agreement") at the same time as this Addendum and agree to amend certain terms of the Agreement to reflect the conversion of the Operating Outlet into a Franchise Business in accordance with the terms of this Conversion Addendum.

The parties agree as follows:

#### **TERMS**

1. Sections 7.7 of the Agreement is stricken and replaced with the following: Franchisee shall provide Franchisor with their current customer list at the time this Agreement is signed, and update it regularly in accordance with Franchisor's requirements. Franchisee shall then maintain a currently updated customer list including all customer data applicable to the continued service and solicitation of the customers and shall treat the customer list as Confidential Information.

2. Section 16.1.2 of the Agreement is stricken and replaced with the following: cease to use the Trade Secrets, customer list (with the exception of the customers on the list at the time the original franchise agreement was signed) or other Confidential Information, the System and the Marks including, without limitation, all signs, slogans, symbols, logos, advertising materials, stationery, forms and any other items which display or are associated with the Marks;

3. Before signing the Agreement and this Addendum, you furnished to us as part of your application for a Franchise Business, information regarding your existing Premises including a copy of the lease, a written description of the location, exterior and interior photographs of the Premises, plans and specifications, and such other information we reasonably require. You also have obtained the written consent of your landlord for the conversion including any required construction, renovation, refurbishing, décor changers, new signage and variance from the use clause of the lease and our Agreement with Landlord.

4. After the parties sign the Agreement and this Addendum, we will furnish you with our requirements for the conversion of the Operating Outlet to a Franchise Business including any required construction, renovation and refurbishing to conform to our Trade Dress of a Franchise Business in accordance with the Agreement. As part of the conversion process, you agree to sell, remove or otherwise dispose of all inventory, materials, furniture, fixtures, signs and equipment

## EXHIBIT 10 TO THE FRANCHISE AGREEMENT

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that do not conform with the Business System, are not approved by us or do not meet our standards and specifications.

5. You will convert all of your books, accounts, ledgers, bookkeeping systems and related records and systems to comply in format and content with our standards and specifications as set forth in the Agreement and the Operation & Policies Manual. You must also modify or replace you existing Computer/POS systems and/or software as required to comply with our specification for Franchise Businesses.

6. You acknowledge that, notwithstanding the fact that you operated a business similar to a Franchise Business, you are subject to all of the terms of the Agreement including the confidentiality and non-competition provisions and our ownership of the Confidential Information.

7. You represent and warrant to us as follows:

(a) You are the sole owner of the Operating Outlet;

(b) You do not operate any other business, other than the Operating Outlet, that is in competition with our business;

(c) You and the Operating Outlet are not subject to any other franchise, license, loan or other agreement that restricts you from entering into the Agreement and this Addendum; and

(d) The assets comprising the Operating Outlet are not subject to any lien, security interest or other encumbrance.

8. In the event of any inconsistency between the terms of the Agreement and the terms of this Addendum, the terms of this Addendum shall prevail and control. In all other respects, the parties ratify and confirm the terms of the Agreement.

**IN WITNESS WHEREOF**, the parties have signed this Addendum.

Qargo Coffee, Inc.:

(You) \_\_\_\_\_:

\_\_\_\_\_

\_\_\_\_\_

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

### Exhibit B – Area Developer Agreement AREA DEVELOPER AGREEMENT

#### Table of Contents

§1	Appointment of the Developer	1
§2	Fees and Payments	2
§3	Transfer	3
§4	Term	3
§5	Default and Termination	3
§6	Definitions	4
§7	General	4

#### Exhibits

- A. Development Area
- B. Development Schedule

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

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### **Qargo Coffee Area Developer Agreement**

This Area Developer Agreement is by and between Qargo Coffee, Inc., a Delaware Corporation, ("Franchisor"), and the person(s) or entity identified on Exhibit A to this Agreement ("Developer") as of the Effective Date (which is the date indicated on the signature page of this Agreement).

The Franchisor has written this Agreement in plain English to make it easy to read and to help you become thoroughly familiar with all of the important rights and obligations that the Agreement covers before you sign it. In this Agreement, the Franchisor is referred to as "we," "us" or "our." The Developer is referred to as "you" or "your";

Whereas Franchisor and Developer will be signing a Franchise Agreement for Developer's first QARGO COFFEE Outlet concurrently with the signing of this Agreement;

Whereas Franchisor intends to sell and Franchisee intends to purchase, own and operate additional QARGO COFFEE Outlets;

Franchisor and Franchisee, intending to be legally bound, agree as follows:

#### **§1 Appointment of the Developer**

##### **1.1 Grant of Area Development Rights**

We hereby grant to you the option and right to purchase, and you undertake the obligation to, construct, open and operate Franchised Businesses within the Development Area described in Section 1.2 and in accordance with the Development Schedule stated in Exhibit A subject to the terms in this Agreement. You may exercise these rights by signing our then current Franchise Agreement either yourself or with a new entity that you form and own at least 51% of the voting rights therein.

##### **1.2 Development Area**

1.2.1 Your Development Area is described in Exhibit A. All Franchise Businesses you construct and open must be within the Development Area.

1.2.2 While this Agreement remains in effect, we will not – except with respect to Qargo Coffee Businesses proposed to be located at or within Non-Traditional Locations within the Development Area – enter into Franchise Agreements for the purpose of operating Franchise Businesses in Traditional Sites with any person or business entity other than you within the Development Area, or establish any Company-Owned Outlets in Traditional Sites within the Development Area, except where it may be necessary to do so to prevent a Competitive Business from being located in the Development Area. Notwithstanding anything to the contrary in this Agreement, Franchisor (and its affiliates) reserve the unrestricted right to pursue, establish, and operate, or franchise or license others to pursue, establish, and operate, Qargo Coffee Businesses to be located at or within Non-Traditional Locations within the Development Area. A "Non-Traditional Location" is defined in this Agreement to include, but not be limited to, a location located at transportation facilities, including airports and train stations; military bases and government offices and facilities; sports facilities, including stadiums and arenas; amusement

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## EXHIBIT B TO THE DISCLOSURE DOCUMENT

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parks, zoos and convention centers; car and truck rest stops and travel centers; supermarkets; concessionaire locations (including event specific non-permanent, temporary or moveable stands, kiosks, trailers, tents or similar installations); educational facilities; recreational theme parks; hospitals and health care facilities; fitness businesses; malls; schools and universities; or any similar captive market or any other location to which access to the general public is restricted. These rights with respect to Non-Traditional Locations are reserved and may be exercised whether or not Developer also could have the opportunity (if approved by Franchisor) to pursue, establish, and operate a Qargo Coffee Business to be located at or within that Non-Traditional Location.

### **1.3 Development Schedule**

You will use your best efforts to comply with the minimum Development Schedule described in Exhibit A. Your compliance will be judged by the current amount of active signed Franchise Agreements at the end of each calendar year. If a Franchise Agreement is terminated, we will deduct that Franchise Business from the number of Operating Franchise Businesses. A Franchise Business remains credited against the Development Schedule if relocated in accordance with its Franchise Agreement. You will maintain sufficient financial resources to construct, open and operate the Franchise Businesses. You will maintain a minimum net worth of \$250,000 during the Term or have a firm commitment from a lender reasonably satisfactory to us for financing the development of the Franchise Businesses. If you fail to achieve the Development Schedule, we reserve the right to terminate this Agreement and retain the entire Development Fee, in addition to any other damages or losses suffered by us due to this failure. If we terminate this Agreement for your failure to meet the Development Schedule, we may immediately grant other individuals and entities the right to develop and open Franchise Businesses in the Development Area, or ourselves open Company-Owned Outlets in the Development Area. You will retain all rights under the Franchise Agreements for the Franchise Businesses you have under lease, construction or in operation, provided you are not otherwise in default under the Franchise Agreements.

### **1.4 Acquisition of a Competitive Business**

If Franchisor acquires a Competitive Business and units of the Competitive Business fall within Developer's Development Area, Franchisor will provide Developer with the option to purchase those units or Franchisor will otherwise close those units within one year of its acquisition.

## **§2 Fees and Payments**

### **2.1 Development Fee**

In consideration of the rights granted to you hereunder, we reserve the right to charge a Development Fee at the same time this Agreement is signed. This is in addition to the Initial Franchise Fee that you pay for your first Franchise Business. The Development Fee is nonrefundable, and we fully earn it upon signing this Agreement. The amount of the Development Fee is recorded on Exhibit A.

## **§3 Transfer**

### **3.1 Transfer by Franchisor**

We have the absolute right to transfer, assign or delegate all or any part of our rights or obligations under this Agreement to any person without your consent.

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## EXHIBIT B TO THE DISCLOSURE DOCUMENT

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### 3.2 Transfer by Developer

The rights and duties in this Agreement are personal to you. We have granted this Agreement in reliance on your business and personal skills, reputation, aptitudes and financial capacity. Accordingly, you agree that you cannot sell, assign, transfer, convey, give or encumber (collectively “transfer”) this Agreement without our written consent (which may be granted or withheld by us in our sole and absolute discretion). The transfer of Area Development Rights under this Agreement must include all signed Franchise Agreements, unless we otherwise agree in writing. You may transfer this Agreement to a business entity owned by you but you continue to remain personally liable for all of your obligations under this Agreement. If you intend to transfer this Agreement as part of your sale of all of the assets comprising your Franchise Businesses under construction or in operation, we will consent to the transfer provided you pay us a transfer fee of \$10,000 for the transfer of Area Development Rights. Any purported transfer by you, by operation of law or otherwise in violation of this Agreement is ineffective and is a material breach of this Agreement giving us the right to terminate this Agreement without affording you an opportunity to cure.

## **§4 Term**

### 4.1 Initial Term

The Initial Term of this Agreement will commence on the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the last day of the calendar month that the final Franchise Business is required to be opened and operating under the Development Schedule.

### 4.2 Continuation of Development

If at the conclusion of the Term or at any point prior that Developer has fully met its obligations under the Development Schedule for this Agreement, the parties may agree to execute another Development Agreement for the further development of the Development Area, a contiguous territory or a new territory, on such terms as the parties agree to at that time.

## **§5 Default and Termination**

### 5.1 Termination

If either party believes the other is in material breach of this Agreement, they shall give the other party written notice detailing the nature of the breach, the steps required to remedy the breach, and a reasonable timeline within which the breach must be remedied. If the party in breach does not cure the breach within 30 days or within a longer reasonable period, if the nature of the breach is such that it cannot be cured within 30 days, then the noticing party will have the right to terminate this Agreement by providing notice of the termination. This Agreement may also be terminated upon mutual written agreement.

### 5.2 Effect of Termination

Upon termination or expiration of this Agreement Franchisor is then free to open Company-Owned Outlets or grant Franchises to others within your former Development Area but outside any Exclusive Territories granted to you under Franchise Agreements for Franchised Outlets you are currently operating or are under construction.

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

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### **§6**     **Definitions**

As used in this Agreement, the following terms have the following meanings:

**"Agreement"** means this [Franchise Trade Name] Development Agreement, as it may be amended, supplemented or otherwise modified by a written agreement the parties sign.

**"Area Development Rights"** means the rights granted to you under Section 1 to construct and operate Franchise Businesses in the Development Area under the terms of this Agreement and the Franchise Agreements.

**"Company-Owned Outlet"** means a Qargo Coffee business operating pursuant to the Business System owned by us or by any affiliate.

**"Franchise Business"** means the Qargo Coffee franchise we authorize you to establish and operate under a Franchise Agreement.

### **§7**     **General**

#### **7.1**     **Amendments**

The parties may only amend, supplement or change the provisions of this Agreement by an Amendment to Area Developer Agreement signed by the parties except: (a) we may change the contents of the Operating Manual; (b) we may modify the Business System; and (c) a court may modify any provision of the Development Agreement in accordance with applicable law. Only our CEO and President have the authority to sign an Amendment to Area Developer Agreement on our behalf.

#### **7.2**     **Binding Effect**

The provisions of this Agreement bind, benefit and are enforceable by the parties and their respective personal representatives, legal representatives, heirs, successors and permitted assigns.

#### **7.3**     **Communications and Notices**

All notices, requests, consents and other written communications required or permitted under this Agreement should be given by e-mail to the e-mail address below or to another e-mail address that one party provides to the other party except for those matters specifically required to be sent USPS, FedEx or UPS addressed to:

Franchisor:  
701 Brickell Avenue, Suite 1550  
Miami, FL 33131 | 786-913-9991  
[info@qargocoffee.com](mailto:info@qargocoffee.com)

## **EXHIBIT B TO THE DISCLOSURE DOCUMENT**

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### **7.4 Headings**

The headings and subheadings in this Agreement are for convenience of reference only, are not to be considered a part of this Agreement and do not limit or otherwise affect in any way the meaning or interpretation of this Agreement.

### **7.5 Severability**

7.5.1 If any provision of this Agreement or any other agreement entered into under this Agreement is contrary to, prohibited by or invalid under applicable law or regulation, that term only will be inapplicable and omitted to the extent so contrary, prohibited or invalid. The parties agree that the remainder of this Agreement continues in full effect so far as possible. If any provision of this Agreement can be construed in more than one way, one that renders the term invalid or otherwise voidable or unenforceable, and another that renders the term valid and enforceable, that provision has the meaning that renders it valid and enforceable.

7.5.2 If a law of any applicable jurisdiction requires us to give a greater notice of the termination of or non-renewal of this Agreement (if permitted) than is required under this Agreement, or requires us to take some other action not required under this Agreement, or if under a law of any applicable jurisdiction, any term of this Agreement or any of our requirements is invalid or unenforceable, the notice and/or other action required by that law will be substituted for the comparable provisions of this Agreement. We have the right, in our sole discretion, to modify any invalid or unenforceable requirement to the extent to make it valid and enforceable. Any modification to this Agreement will be effective only in that jurisdiction, unless we elect to give the modification greater applicability, and this Agreement is enforceable as originally entered into by the parties in all other jurisdictions.

### **7.6 Waivers**

The failure or delay of a party to require performance by another party of any term of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right or remedy under this Agreement. Any waiver by any party of a breach of any term of this Agreement is not a waiver of any continuing or later breach of that term, a waiver of the term itself, or a waiver of any right or remedy under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

### **7.7 Remedies Cumulative**

Except as otherwise stated in this Agreement, no remedy afforded a party in this Agreement is exclusive of any other remedy. Each remedy is cumulative and is in addition to every other remedy, now or later existing, at law, in equity, by statute or otherwise. No single or partial exercise by any party of any right or remedy under this Agreement precludes any other exercise of any other right or remedy.

### **7.8 Effectiveness Counterparts**

This Agreement is not effective or binding and enforceable against us until we accept this Agreement at our home office and our CEO or President signs this Agreement. The parties may sign this Agreement in counterparts, each of which is a duplicate original, but together are the same document. Confirmation of signing by sending a PDF version of the signature page by e-

## **EXHIBIT B TO THE DISCLOSURE DOCUMENT**

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mail binds the party to the confirmation.

### **7.9 Interpretation**

Each of the parties agree that he, she or it had the opportunity to have been represented by its own counsel throughout the negotiations and at the signing of this Agreement and all of the other documents signed incidental to this Agreement. You will not, while this Agreement is effective or after its termination or expiration, claim or assert that any term of this Agreement or any of the other document be construed against us.

### **7.10 Entire Agreement**

This Agreement represents the entire understanding and agreement between the parties on the subject matter of this Agreement, and supersedes all other negotiations, understandings and representations, if any, made between the parties. No representations, inducements, promises or agreements, oral or otherwise, if any, not embodied in this Agreement are of any effect. Nothing in the Agreement disclaims the representations we made in the Franchise Disclosure Document and Exhibits that we furnished to you.

### **7.11 Survival**

All obligations of the parties that expressly or by their nature survive the expiration or termination of this Agreement, continue in full force and effect after its expiration or termination and until they are satisfied or by their nature expire.

### **7.12 Liability of Multiple Developers**

If the Developer consists of more than one person, all persons are jointly and individually liable for your obligations under this Agreement.

### **7.13 Force Majeure**

Neither party is liable for loss or damage or is in breach of this Agreement, if the failure to perform his, her or its obligations is based solely from the following causes beyond his, her or its reasonable control: (a) transportation shortages, inadequate supply of equipment, merchandise, supplies, labor, material, or energy; (b) compliance with any applicable law; (c) war, terrorism, strikes, natural disaster or acts of God; or (d) pandemics or other public health emergencies. Any delay resulting from any of these causes extends performance accordingly or excuses performance as may be reasonable, except that these causes do not excuse payments of amounts owed to us for any reason.

### **7.14 Third Parties**

Nothing in this Agreement, whether express or implied, confers any rights or remedies under or based on this Agreement on any person other than the parties and their respective personal representatives, other legal representatives, heirs, successors and permitted assigns. Nothing in this Agreement relieves or discharges the obligation or liability of any third persons to any party to this Agreement, nor does any provision give any third person any right of subrogation or action over or against any party to this Agreement.

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

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IN WITNESS WHEREOF, the parties hereto, intending to be legally bound hereby have duly executed this Agreement.

Franchisor: Qargo Coffee, Inc.

Signature: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

Developer:

Signature: \_\_\_\_\_

Name Printed: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

### Exhibit A – Development Information

1. **Developer:** \_\_\_\_\_
2. **Development Area:** \_\_\_\_\_
3. **Developer Address:** \_\_\_\_\_
4. **Development Schedule:** You agree to sign Franchise Agreements for and to open \_\_\_\_\_ (\_\_\_) new locations within the Development Area according to the following Schedule:

Opening Deadline	Cumulative Minimum Number of New Locations to Be Open and Operating No Later Than The Location Opening Deadline (In Previous Column)
Six (6) months from the Effective Date of this Agreement	1
Six (6) months from the date the first location commences operations	2
Six (6) months from the date the second location commences operations	3
Six (6) months from the date the third location commences operations	4
Six (6) months from the date the fifth location commences operations	5

5. **Development Fee:**

Location Number	Franchise Fee	Due Upon Signing This Agreement	Payable At Letter of Intent Submission
1			

## EXHIBIT B TO THE DISCLOSURE DOCUMENT

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2			
3			
4			
5			

**DEVELOPER:** \_\_\_\_\_

By: \_\_\_\_\_

Print name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT C TO THE DISCLOSURE DOCUMENT

### Exhibit C – List of State Administrators and Agents for Service of Process

State	State Administrator	Agent for Service of Process
California	Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565	Department of Financial Protection and Innovation One Sansome Street, Suite 600 San Francisco, CA 94104-4428 (415) 972-8565
Connecticut	Connecticut Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CT 06103	Connecticut Banking Commissioner Department of Banking Securities & Business Investments Division 260 Constitution Plaza Hartford, CN 06103
Florida	Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, FL 32399-6500	Division of Consumer Services Attn: Business Opportunities 2005 Apalachee Parkway Tallahassee, FL 32399-6500
Hawaii	Commissioner of Securities Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744	Commissioner of Securities Department of Commerce and Consumer Affairs P.O. Box 40 Honolulu, Hawaii 96810 (808) 586-2744
Illinois	Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465	Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465
Indiana	Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681	Indiana Secretary of State Securities Division Room E-111 302 W. Washington Street Indianapolis, Indiana 46204 (317) 232-6681
Kentucky	Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, KY 40601-8204	Office of the Attorney General Consumer Protection Division Attn: Business Opportunity 1024 Capital Center Drive Frankfort, KY 40601-8204

## EXHIBIT C TO THE DISCLOSURE DOCUMENT

Maine	Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333	Department of Professional and Financial Regulations Bureau of Banking Securities Division 121 Statehouse Station Augusta, Maine 04333
Maryland	Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, MD 21202-2020 (410) 576-6360	Maryland Commissioner of Securities Office of Attorney General 200 St. Paul Place Baltimore, Maryland 21202-2020
Michigan	Michigan Attorney General's Office Consumer Protection Division Attn: Franchise Section 525 W. Ottawa Street Williams Building, 1st Floor Lansing, MI 48933 (517) 373-7117	Michigan Department of Commerce Corporations and Securities Bureau P.O. Box 30054 6546 Mercantile Way Lansing, Michigan 48909
Minnesota	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328	Minnesota Department of Commerce Market Assurance Division 85 7 <sup>th</sup> Place East, Suite 500 St. Paul, Minnesota 55101-2198 (651) 296-6328
Nebraska	Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, NE 68509	Nebraska Department of Banking and Finance Commerce Court 1230 O Street, Suite 400 Lincoln, NE 68509
New York	NYS Department of Law Investor Protection Bureau 28 Liberty St., 21st Floor New York, NY 10005 (212) 416-8236	Secretary of State 99 Washington Ave. Albany, New York 12231
North Carolina	Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, NC 27603-5909	Secretary of State Securities Division 300 North Salisbury Street, Suite 100 Raleigh, NC 27603-5909

## EXHIBIT C TO THE DISCLOSURE DOCUMENT

North Dakota	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Department 414 Bismarck, North Dakota 58505- 0510 (701) 328-4712	North Dakota Securities Department 600 East Boulevard Avenue State Capitol – 5 <sup>th</sup> Floor Department 414 Bismarck, North Dakota 58505-0510 (701) 328-4712
Oregon	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140	Department of Consumer & Business Services Division of Finance and Corporate Securities Labor and Industries Building Salem, Oregon 97310 (503) 378-4140
Rhode Island	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527	Department of Business Regulation Securities Division 1511 Pontiac Avenue John O. Pastore Complex–69-1 Cranston, RI 02920-4407 (401) 462-9527
South Carolina	Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201	Office of the Secretary of State 1205 Pendleton Street Edgar Brown Building, Suite 525 Columbia, South Carolina 29201
South Dakota	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501- 3185 (605) 773-4823	Department of Revenue and Regulation Division of Securities 445 East Capitol Avenue Pierre, SD 57501-3185 (605) 773-4823
Texas	Office of the Secretary of State Statutory Document Section 1019 Brazos Street Austin, Texas 78701	Office of the Secretary of State Statutory Document Section 1019 Brazos Street Austin, Texas 78701
Utah	Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114-6704	Utah Department of Commerce Division of Consumer Protection 160 East Three Hundred South P.O. Box 146704 Salt Lake City, Utah 84114-6704

## EXHIBIT C TO THE DISCLOSURE DOCUMENT

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Virginia	State Corporation Commission 1300 East Main Street 9th Floor Richmond, VA 23219 (804) 371-9051	Clerk State Corporation Commission 1300 East Main Street, 1st Floor Richmond, VA 23219
Washington	Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, WA 98504-1200 (360) 902-8760	Department of Financial Institutions Securities Division 150 Israel Road SW Tumwater, WA 98501 (360) 902-8760
Wisconsin	Division of Securities Department of Financial Institutions Post Office Box 1768 Madison, Wisconsin 53701 (608) 266-2801	Commissioner of Securities 345 West Washington Street, 4 <sup>th</sup> Floor Madison, Wisconsin 53703

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Exhibit D – Financial Statements

Financial Statement

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### **Qargo Coffee, Inc.**

**Audited Financial Statements**

**FOR THE YEAR ENDED DECEMBER 31, 2023, and 2022**

EXHIBIT D TO THE DISCLOSURE DOCUMENT

Qargo Coffee, Inc.

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Statement of Changes in Stockholders’ Equity ..... 5

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## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### **Etiendem CPA**



Etiendem CPA  
Certified Public Accountant  
11357 Nuckols Rd #2113  
Glen Allen, VA 23059

Tel: +1 (804) 807-4602  
Email: [bmbacha@etiendemcpa.com](mailto:bmbacha@etiendemcpa.com)  
Website: [www.etiendemcpa.com](http://www.etiendemcpa.com)

### **INDEPENDENT AUDITORS' REPORT**

To the Management of  
Qargo Coffee, Inc.

#### ***Opinion***

I have audited the accompanying financial statements of Qargo Coffee, Inc. which comprise the balance sheets as of December 31, 2023, and 2022, and the related statements of income, changes in member's equity, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Qargo Coffee, Inc. as of December 31, 2023, and 2022, and the changes in member's equity and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Qargo Coffee, Inc. and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Qargo Coffee, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Qargo Coffee, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Qargo Coffee, Inc.'s ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.



Glen Allen, Virginia  
May 21, 2024

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

**QARGO COFFEE, INC.**  
**Balance sheets**  
**As of December 31, 2023, and 2022**

December 31,	2023	2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 78,108	\$ 36,728
Accounts receivable	1,089,864	304,425
Due from related party	249,586	193,513
Total current assets	1,417,558	534,666
Fixed assets:		
Property and equipment	90,029	4,743
Accumulated depreciation	(16,562)	(907)
	73,467	3,836
Other assets:		
Construction in progress	0	35,822
Total assets	\$ 1,491,025	\$ 574,324
<b>Liabilities and stockholders' equity</b>		
Current Liabilities		
Deferred revenue	\$ 1,616,577	\$ 635,913
Due to related party	0	16,259
Auto loan short term portion	9,157	0
Total current liabilities	1,625,734	652,172
Long term liabilities		
Auto loan	54,771	0
Total liabilities	1,680,505	652,172
Stockholders' equity:		
Common stock and paid-in capital (withdrawal) - shares authorized 1,000,000, outstanding 167,500 and 167,500	17,302	(18,846)
Retained earnings	(206,782)	(59,003)
Total stockholders' equity:	(189,479)	(77,849)
Total liabilities and Equity	\$ 1,491,025	\$ 574,324

The accompanying notes are an integral part of the financial statements.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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**QARGO COFFEE, INC.**  
**Income Statements**  
**For the Years Ended December 31, 2023, and 2022**

<b>Years Ended December 31,</b>	<b>2023</b>	<b>2022</b>
Revenue		
Franchise fee	<b>\$ 389,419</b>	\$ 192,594
Licensing fees	<b>77,191</b>	86,615
Resale supplies	<b>142,217</b>	87,969
Royalty income	<b>31,027</b>	6,942
Ad fund income	<b>13,275</b>	2,777
Development fee	<b>69,225</b>	0
Total revenue	<b>722,353</b>	376,896
Cost of revenue		
Cost of coffee	<b>157,593</b>	35,867
Ad fund expense	<b>67,720</b>	7,293
Total cost of revenue	<b>225,312</b>	43,160
Gross margin	<b>497,041</b>	333,736
General and administrative	<b>241,055</b>	114,756
Occupancy rent	<b>37,995</b>	7,682
Compensation of contractors	<b>143,051</b>	110,293
S&M expenses	<b>20,392</b>	20,162
Professional and legal fee	<b>214,349</b>	55,693
Operating income (loss)	<b>(159,802)</b>	25,149
Other income (loss), net	<b>12,023</b>	(4,327)
Income before income tax	<b>(147,779)</b>	20,822
Provision for income tax	<b>0</b>	0
Net income (loss)	<b><u>\$(147,779)</u></b>	<b><u>\$ 20,822</u></b>

The accompanying notes are an integral part of the financial statements.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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**QARGO COFFEE, INC.**  
**Statement of Changes in Stockholders' Equity**  
**For the Years Ended December 31, 2023, and 2022**

Years Ended December 31	2023	2022
<b>Common stock and paid-in capital (withdrawal)</b>		
Balance, beginning of period	\$ (18,846)	\$ (14,740)
Paid-in capital (withdrawal)	36,148	(4,106)
Balance, end of period	\$ 17,302	\$ (18,846)
<b>Retained earnings</b>		
Balance, beginning of period	\$ (59,003)	\$ (79,825)
Net income	(147,779)	20,822
Balance, end of period	\$ (206,782)	\$ (59,003)

The accompanying notes are an integral part of the financial statements.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

**QARGO COFFEE, INC.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2023, and 2022**

Year Ended December 31,	2023	2022
<b>Operations</b>		
Net income	\$ (147,779)	\$ 20,822
Adjustments to reconcile net income:		
Depreciation	15,655	907
Changes in operating assets and liabilities:		
Accounts receivable	(785,439)	(101,425)
Due from related party	(72,333)	(31,492)
Deferred revenue	980,664	153,542
Net cash provided by (used in) operations	(9,232)	42,354
<b>Financing</b>		
Auto loan	63,928	0
Member's contribution (withdrawal)	36,148	(4,106)
Net cash provided by (used in) financing	100,076	(4,106)
<b>Investing</b>		
Property and equipment	(85,286)	(4,180)
Construction in progress	35,822	(34,739)
Net cash used in investing activities	(49,464)	(38,920)
Net change in cash and cash equivalents	41,380	(671)
Cash and cash equivalents, January 1st	36,728	37,399
Cash and cash equivalents, December 31st	<u>\$ 78,108</u>	<u>\$ 36,728</u>

The accompanying notes are an integral part of the financial statements.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### QARGO COFFEE, INC.

#### Notes to the Financial Statements

For the Years Ended December 31, 2023, and 2022

#### Note 1 - Organization and Business

Qargo Coffee, Inc. is a premium coffee shop chain in the beverages industry since its inception in 2020. It has rapidly expanded its footprint to encompass premier locations nationwide, while boasting a portfolio of over 80 signed license agreements across key regions such as Florida, Colorado, Washington D.C., Nevada, Michigan, Texas, North Carolina, Ohio, Illinois, Massachusetts, Pennsylvania, and New York.

Our commitment to excellence and our statement of Italy's Finest Coffee & Pastries is anchored by three fundamental pillars:

**People:** We are firm believers that American coffee consumers deserve nothing short of exceptional quality and service. Through meticulously crafted experiences, inviting ambiances, premium offerings, and a dedicated team, we ensure each visitor feels not only valued but also empowered with every sip. We also understand that coffee isn't merely a beverage, but it's the vital energy that propels America forward. We endeavor to educate and provide unparalleled quality and pastries, fostering a deep appreciation for the art of coffee consumption.

**Product:** We've partnered with Lavazza Italian Coffee, a distinguished 128-year-old coffee roaster, renowned for its commitment to excellence and a synonym of premium quality in the realm of 5-star hotels and fine dining establishments. Lavazza's top-tier product is a testament to our unwavering dedication to providing our customers with nothing short of the finest. Complementing this partnership, our offering of bakery items, desserts, cakes, and tarts—all sourced from Italy—elevate the Qargo Coffee experience to unprecedented heights, setting a new standard of sophistication.

**Planet:** Central to our ethos is our exclusive collaboration with Lavazza, ensuring that every cup served bears the hallmark of sustainability and environmental stewardship. Our commitment to exclusively featuring Lavazza La Reserva de ¡Tierra!, a Rainforest Alliance Certified blend, underscores our dedication to fostering the well-being of coffee farmers, their communities, and the planet at large. This conscientious approach extends beyond mere corporate responsibility and is a testament to our unwavering commitment to excellence and ethical practices, ensuring that each sip of Qargo Coffee embodies purpose, quality, and integrity.

Within our menu offerings, we curate exclusive experiences tailored to each city, presenting customers with a selection of unique beverages and culinary delights available nowhere else. Elevating Lavazza's premium coffee blends, we craft one-of-a-kind preparations that resonate with our customers and coffee lovers.

In addition to our unparalleled culinary offerings, we pride ourselves on providing an exceptional atmosphere through our distinctive architecture and design. Our spaces are meticulously crafted to offer more than just a place to grab coffee on the go—they serve as havens for work, relaxation, and socializing, where customers can truly savor every moment. Whether seeking a quiet corner to focus, a cozy spot to

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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unwind with friends, or a welcoming environment to connect with loved ones, our establishments are designed to cater to every need and occasion.

### 2. Summary of Significant Accounting Policies

#### Basis of Accounting

The accompanying financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

#### Revenue Recognition

The Company recognizes revenue in accordance with FASB Accounting Standards Codification Topic 606, Revenue from Contracts with Customers (ASC 606). Our revenue recognition process is as follows:

- Step 1: Identify the contract with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to performance obligations.
- Step 5: Recognize revenue when (or as) the Company satisfies the performance obligation.

Invoices are put into the accounting system on the date the agreement is signed and executed. We increase A/R and Deferred Revenue, because we believe the way the contracts are written monies are owed without conditions and therefore, we determine A/R from inception.

The invoices are split between Franchise Fees, Development Fees, and License Fees

- 1. Franchise Fees are recognized as follows:
  - a. Franchise fees are recognized over 10 years. 75% recognized evenly over the first six months starting on date of signed agreement with the remaining 25% recognized evenly over 9.5 years.
  - b. Additional store uses prior mentioned policy commencing on expected target date.
- 2. Development Fees are recognized as follows:
  - 1. We believe Development fees are brought in 6 months prior to the approximate target date of store opening. Built around location selection support.
  - 2. 100% of fee is recognized over 6 months starting on date of signed agreement.
  - 3. Additional store is recognized same as previously stated using 6 months after first store.
- 3. License fees use a similar pattern but over the life of the agreement which is shorter. We use the same 75/25% method as stated above.
  - a. Franchise fees are recognized over 5 years. 75% recognized evenly over the first six months starting on date of signed agreement with the remaining 25% recognized evenly over 4.5 years.
  - b. The additional store uses prior mentioned policy commencing on the expected target date.
- 4. We track deferred revenue separately for all revenue streams.

#### Cash and Cash Equivalents

Cash and cash equivalents consist of cash in bank deposit accounts. The carrying amount approximates fair value due to the nature of the instruments. As of December 31, 2023, and 2022 the Company's cash balances did not exceed Federal Deposit Insurance Corporation limits of \$250,000 per depositor per bank.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Accounts receivable

Accounts receivable represent royalties and fees receivable derived from royalties and fees owed by the franchisees not yet remitted. The Company reviewed all outstanding accounts and determined that no allowance for doubtful accounts was necessary as of December 31, 2023, and 2022.

### Fixed Assets

Fixed assets consist of a vehicle which is depreciated over a 5-year useful life and computer equipment depreciated over a 3-year useful life.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

### **3. Income Taxes**

The Company, with the consent of its stockholders, has been elected to be treated as an S Corporation. In lieu of income taxes at the business level, the members of an S Corporation are taxed based on their proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements. The Company follows the guidance in ASC 740-10 as it relates to uncertain tax positions as of December 31, 2023, and 2022 and has evaluated its tax positions taken for filings with the Internal Revenue Service and the state jurisdiction of Delaware where it operates. The Company has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits in progress.

### **4. Related Parties**

Due from (to) related party	2023	2022
WE Franchise Your Business, LLC	\$ 236,763	\$ 193,513
Other related party	12,823	(16,259)
	<u>\$ 249,586</u>	<u>\$ 177,253</u>

The owner of Qargo Coffee, Inc also owns WE Franchise Your Business LLC. The amount due from WE Franchise Your Business, LLC represents payments for marketing services including social media adverts and lead generation.

The amounts due from (to) the other related party are for ordinary business expenses.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### 4. Loan

Loan	Amount	Interest rate	Matures	Monthly installments	Interest Paid
Auto Loan	\$ 63,928	13.59%	2/1/2029	\$ 1,449	\$ 8,121
Total long-term debt	\$ 63,928			\$ 1,449	\$ 8,121
Less: current maturities of long-term debt	9,157				
Long-term debt, net of current maturities	<u>\$ 54,771</u>				

### 4. Leases

We have operating leases for our corporate office and facilities. Our leases have remaining lease terms of less than 1 year, some of which include options to extend the leases for up to 1 year, and some of which include options to terminate the leases within 1 year.

### 7. Subsequent Events

In preparing these financial statements in accordance with Accounting Standards Codification No. 855 – Subsequent Events, the Company has evaluated events and transactions for potential recognition or disclosure May 21, 2024, the date the financial statements were available to be issued. The Company has no knowledge of significant subsequent events as of this date that would require adjustment to or disclosure in the financial statements.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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A. ANDREW GIANIODIS

CERTIFIED PUBLIC ACCOUNTANT

QARGO COFFEE INC.  
DECEMBER 31, 2022 AND 2021  
FINANCIAL STATEMENTS

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

EXHIBIT D TO THE DISCLOSURE DOCUMENT

QARGO COFFEE INC.

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## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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A. ANDREW GLANIODIS  
CERTIFIED PUBLIC ACCOUNTANT

### INDEPENDENT AUDITORS' REPORT

#### Opinion

We have audited the accompanying financial statements of Qargo Coffee Inc., which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Qargo Coffee Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

279 Niagara Falls Blvd.      Amherst, New York 14226      716 – 510-6068

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Restrictions on Use

The use of this report is restricted to inclusion within the Company's Franchise Disclosure Document (FDD) and is not intended to be, and should not be, used or relied upon by anyone for any other use.



A. Andrew Gianiodis

Certified Public Accountant

April 19, 2023

279 Niagara Falls Blvd. Amherst, New York 14226 716 – 510-6068

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## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Qargo Coffee Inc.

#### Balance Sheet December 31, 2022 and 2021

	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 36,303	\$ 37,399
Prepaid Expenses	-	118,500
Due From Affiliates	-	10,000
TOTAL CURRENT ASSETS	<u>36,303</u>	<u>165,899</u>
OTHER ASSETS	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 36,303</u>	<u>\$ 165,899</u>
LIABILITIES & EQUITY		
CURRENT LIABILITIES		
Deposits	\$ -	\$ 185,000
Due To Owners	29,849	26,575
TOTAL CURRENT LIABILITIES	<u>29,849</u>	<u>211,575</u>
TOTAL LIABILITIES	<u>29,849</u>	<u>211,575</u>
EQUITY	<u>6,454</u>	<u>(45,676)</u>
TOTAL EQUITY	<u>6,454</u>	<u>(45,676)</u>
TOTAL LIABILITIES & EQUITY	<u>\$ 36,303</u>	<u>\$ 165,899</u>

*See accompanying notes*

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## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Qargo Coffee Inc.

#### Statement of Operations

Years ending December 31, 2022 and 2021

	2022	2021
Revenues		
Franchise fees	\$ 301,325	\$ -
Franchising revenue	41,094	195,000
Coffee sales	102,944	94,473
Total revenue	<u>445,363</u>	<u>289,473</u>
Cost of Sales	<u>70,253</u>	<u>148,353</u>
Gross margin	<u>375,110</u>	<u>141,120</u>
Expenses		
Bank fees	1,652	855
Commissions	54,725	17,479
Consulting	10,982	8,900
Marketing	172,132	92,482
Miscellaneous	8,253	5,403
Office supplies	11,176	534
Professional fees	9,000	9,100
Registrations	665	790
Subscriptions	6,328	2,926
Travel	48,067	5,737
Total expenses	<u>322,980</u>	<u>144,206</u>
Operating Income/(Loss)	<u>52,130</u>	<u>(3,086)</u>
Amortization	<u>-</u>	<u>-</u>
Net Income/(Loss)	<u>\$ 52,130</u>	<u>\$ (3,086)</u>

See accompanying notes

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## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Qargo Coffee Inc.

#### Statement of Changes in Equity

Years ending December 31, 2022 and 2021

	Total Equity
Equity at January 1, 2021	\$ 198,475
Distributions	(241,065)
Net Loss	<u>(3,086)</u>
Equity at December 31, 2021	<u>\$ (45,676)</u>
Equity at January 1, 2022	\$ (45,676)
Distributions	-
Net Income	<u>52,130</u>
Equity at December 31, 2022	<u>\$ 6,454</u>

*See accompanying notes*

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## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### Qargo Coffee Inc. Statement of Cash Flows

Years ending December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Net Loss	\$ 52,130	\$ (3,086)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation & amortization	-	-
Changes in assets and liabilities		
Current assets	128,500	(128,500)
Current liabilities	(181,726)	185,000
Net cash provided by operating activities	(1,096)	53,414
Cash flows from investing activities:		
Purchase of Equipment	-	-
Investment in intangibles	-	-
Net cash provided by investing activities	-	-
Cash flows from financing activities:		
Capital infusion	-	-
Distributions	-	(241,065)
Net cash provided by investing activities	-	(241,065)
Net change in cash	(1,096)	(187,651)
Cash - beginning of year	37,399	225,050
Cash - end of period	\$ 36,303	\$ 37,399
Supplemental Disclosures		
Interest Paid	-	-
Income Taxes Paid	-	-

*See accompanying notes*

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# EXHIBIT D TO THE DISCLOSURE DOCUMENT

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## QARGO COFFEE INC. NOTES TO FINANCIAL STATEMENTS

### NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ORGANIZATION AND NATURE OF BUSINESS

Qargo Coffee Inc. (the "Company") was incorporated under the laws of the state of Florida for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their own Qargo Coffee operation, as a franchise.

#### BASIS OF PRESENTATION

The financial statements are presented on the accrual basis of accounting.

#### REVENUE RECOGNITION

The Company accounts for revenue using the accounting method prescribed under Accounting Standards Codification 606 ("ASC") Topic Franchisors.

Deferred revenue consists of fees paid to the Company when a franchise agreement is signed. This revenue is deferred until all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. As of the time of this audit, the Company recognized no franchise fees.

Revenues will be charged on a monthly basis and are recorded as earned.

#### COMPANY INCOME TAXES

The Company, with the consent of its stockholders, has elected to be a limited liability company. In lieu of income taxes at the business level, the members of a limited liability company is taxed based on its proportionate share of the Company's taxable income. Therefore, no provision or liability for income taxes has been included in these financial statements.

### NOTE 2 DISCLOSURE ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company estimates that the fair value of all financial instruments at December 31, 2021 and 2020, as defined in FASB 107, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet. The estimated fair value amounts have been determined by the Company using available market information and appropriate valuation methodologies. Considerable judgment is required in interpreting market data to develop the estimates of fair value, and accordingly, the estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

## EXHIBIT D TO THE DISCLOSURE DOCUMENT

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### QARGO COFFEE INC. NOTES TO FINANCIAL STATEMENTS

#### **NOTE 3      ADOPTION OF NEW ACCOUNTING STANDARD**

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

#### **NOTE 4      RELATED PARTY TRANSACTIONS**

The Company periodically advances funds to its members or related companies. These advances are due upon demand and do not bear interest

#### **NOTE 5      SUBSEQUENT EVENTS**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses and industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Company expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.

## EXHIBIT E TO THE DISCLOSURE DOCUMENT

### Exhibit E – List of Current and Terminated Franchisees

#### List of Current Open Franchisees as of December 31, 2023

Franchise Name	Address	City	State	Zip Code	Telephone #
Narayan Duwal*	2005 17 <sup>th</sup> St.	Denver	CO	80202	720-383-8530
Issam Ozeir	2223 N. Westshore Blvd., Space #FC209	Tampa	FL	33607	813-625-8637

#### List of Current Franchisees Who Have Signed a Franchise Agreement But Have Not Yet Opened as of December 31, 2023

Franchise Name	Address	City or County	State	Zip Code	Telephone #
Wissam Charafeddine*	TBD	Ft. Lauderdale	FL		313-516-9749
John Long*	TBD	Orlando	FL		407-868-6467
Pavan Mantripagada and Issam Ozeir*	TBD	St. Petersburg	FL		813-390-7372 734-644-6660
George Maximos*	TBD	Tallahassee	FL		850-368-2024
Andrew Cichewicz*	TBD	West Palm Beach	FL		561-596-0695
Mahwish Khan*	TBD	Naperville	IL		630-247-5429
Beshoy Henin and Gan Mina*	TBD	Essex County	MA		781-484-8206 617-230-2828
Ahmed Baraghith	TBD	Dearborn	MI		734-686-1192
Fuad Yahya	TBD	Dearborn	MI		313-808-6700
Wissam Charafeddine*	TBD	Detroit	MI		313-516-9749
Raja Mittal*	TBD	Las Vegas	NV		702-545-5777

## EXHIBIT E TO THE DISCLOSURE DOCUMENT

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Andrea Buonocore	TBD	Las Vegas	NV		702-845-1418
Rajnish Rai*	TBD	Reno	NV		775-240-4721
Mihir Patel*	TBD	Mecklenburg County	NC		540-798-0196
Rakesh Patel	TBD	Franklin County	OH		614-370-4036
Kushal Bastakoti*	TBD	Dallas	TX		469-509-8909
Yadir Lozano*	TBD	Hidalgo County	TX		956-784-5680
Mitesh Patel	TBD	San Antonio	TX		832-385-2295
Kali Amir Shelton*	TBD	Washington D.C.			202-285-9444

\*Area Developer

### List of Terminated Franchisees

As of the date of this document, there are no franchisees who have had an outlet terminated, cancelled, transferred, not renewed or otherwise voluntarily or involuntarily ceased to do business under a franchise agreement during the most recently completed fiscal year or who have not communicated with Franchisor within 10 weeks of the disclosure document issuance date.

## EXHIBIT F TO THE DISCLOSURE DOCUMENT

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### Exhibit F – Franchise Disclosure Questionnaire

**DO NOT SIGN THIS FRANCHISE DISCLOSURE QUESTIONNAIRE IF THE FRANCHISE IS TO BE OPERATED IN, OR YOU ARE A RESIDENT OF, CALIFORNIA, HAWAII, ILLINOIS, INDIANA, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, NORTH DAKOTA, RHODE ISLAND, SOUTH DAKOTA, VIRGINIA, WASHINGTON OR WISCONSIN.**

As you know, Qargo Coffee, Inc. and Franchisee are preparing to enter into a Franchise Agreement for the operation of a Franchise. In this Franchisee Disclosure Questionnaire, Qargo Coffee, Inc. will be referred to as “we” or “us.” The purpose of this Questionnaire is to determine whether any statements or promises were made to Franchisee that we did not authorize and that may be untrue, inaccurate or misleading.

Please review each of the following questions carefully and provide honest and complete responses to each question.

1. Have you received and personally reviewed Qargo Coffee, Inc. Franchise Agreement and each exhibit, addendum and schedule attached to it?

Yes \_\_\_\_\_ No \_\_\_\_

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit and schedule attached to it?

Yes \_\_\_\_\_ No \_\_\_\_

If “No”, what parts of the Franchise Agreement do you not understand? (Attach additional pages, if necessary.)

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3. Have you received and personally reviewed Franchisor’s Disclosure Document Franchisor provided to you?

Yes \_\_\_\_\_ No \_\_\_\_

4. Do you understand all of the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_

If “No”, what parts of the Disclosure Document do you not understand? (Attach additional pages, if necessary.)

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## EXHIBIT F TO THE DISCLOSURE DOCUMENT

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5. Have you discussed the benefits and risks of operating the Franchise with an attorney, accountant or other professional advisor and do you understand those risks?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Do you understand that the success or failure of Franchisee's business will depend in large part upon Franchisee's skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Has any employee or other person speaking on Franchisor's behalf made any statement or promises concerning the revenues, profits or operating costs of the Franchise that Franchisor or our franchisees operate?

Yes \_\_\_\_\_ No \_\_\_\_\_

8. Has any employee or other person speaking on Franchisor's behalf made any statement or promise concerning the franchise that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Has any employee or other person speaking on Franchisor's behalf made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchise?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee or other person speaking on Franchisor's behalf made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If you have answered "Yes" to any of questions 7 through 10, please provide a full explanation of your answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered "No" to each of these questions, please leave the following lines blank.

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11. Do you understand that in all dealings with you, Franchisor's officers, directors, employees and agents act only in a representative capacity and not in an individual capacity and these dealings are solely between Franchisee and Franchisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

## EXHIBIT F TO THE DISCLOSURE DOCUMENT

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You understand that your answers are important to Franchisor and that Franchisor will rely on them.

By signing this Franchisee Disclosure Questionnaire, you are representing that you have responded truthfully to the above questions.

Name of Franchisee/Applicant \_\_\_\_\_

Date: \_\_\_\_\_, 20\_\_\_\_\_

Signature \_\_\_\_\_

Name and Title of Person Signing \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### Exhibit G – Multi-State Addenda

#### CALIFORNIA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of California only, this Disclosure Document is amended as follows:

##### Risk Factors

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE OFFERING CIRCULAR.

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

##### Item 3

Neither franchisor nor any person or franchise broker in Item 2 of this disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in that association or exchange.

##### Item 6

With respect to the Late Fee described in Item 6, this Item is amended to disclose that the maximum rate of interest permitted under California law is 10%.

##### Item 17

The following paragraphs are added at the end of Item 17 of the Disclosure Document pursuant to regulations promulgated under the California Franchise Investment Law:

California Law Regarding Termination, Transfer, and Nonrenewal. California Business and Professions Code Sections 20000 through 20043 provide rights to franchisees concerning termination, transfer, or nonrenewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

Termination Upon Bankruptcy. The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et. seq.).

Post-Termination Noncompetition Covenants. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

Applicable Law. The franchise agreement requires application of the laws of the State of **Delaware**. This provision may not be enforceable under California law.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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**Modification.** Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

**General Releases.** You must sign a general release if you renew or transfer your franchise. California Corporations Code §31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§31000 through 31516). Business and Professions Code §20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§20000 through 20043).

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### HAWAII ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Hawaii only, this Disclosure Document is amended as follows:

THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE, OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

Registered agent in the state authorized to receive service of process: Commissioner of Securities  
335 Merchant Street  
Honolulu, Hawaii 96813

Registration of franchises or filings of offering circulars in other states. As of the date of filing of this Addendum in the State of Hawaii:

1. A franchise registration is effective or an offering circular is on file in the following states: \_\_\_\_\_
2. A proposed registration or filing is or will be shortly on file in the following states:  
\_\_\_\_\_
3. No states have refused, by order or otherwise to register these franchises.
4. No states have revoked or suspended the right to offer these franchises.
5. The proposed registration of these franchises has not been withdrawn in any state.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### ILLINOIS ADDENDUM TO DISCLOSURE DOCUMENT

The following is added to Item 5:

Payment of the Initial Franchise (and Development) Fees shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

The following is added to Item 17(f):

The conditions under which you can be terminated and your rights on non-renewal may be affected by Illinois law, 815 ILCS 705/1-44.

The following is added to Item 17(u), (v), and (w):

Illinois law will govern any franchise agreement if (i) an offer to sell or buy a franchise is made in Illinois and accepted within or outside of Illinois, or (ii) an offer to sell or buy a franchise is made outside of Illinois and accepted in Illinois, or (iii) the offeree is domiciled in Illinois, or (iv) the franchised business is or will be located in Illinois.

Any condition of the franchise agreement that designates litigation, jurisdiction or venue in a forum outside of Illinois is void as to any cause of action that otherwise is enforceable in Illinois provided the franchise agreement may provide for arbitration in a forum outside of Illinois.

Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of Illinois law is void.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **EXHIBIT G TO THE DISCLOSURE DOCUMENT**

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### **MARYLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Maryland only, this Disclosure Document is amended as follows:

The following is added to Item 17:

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

The Franchise Agreement provides for termination upon bankruptcy of the franchisee. This provision may not be enforceable under federal bankruptcy law.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### MINNESOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of Minnesota only, this Disclosure Document is amended as follows:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.
- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.
- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name.
- Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).
- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.
- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.
- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, which states "No action may be commenced pursuant to this Section more than three years after the cause of action accrues."

THESE FRANCHISES HAVE BEEN/WILL BE REGISTERED UNDER THE MINNESOTA FRANCHISE ACT. REGISTRATION DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER OF COMMERCE OF MINNESOTA OR A FINDING BY THE COMMISSIONER THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE MINNESOTA FRANCHISE ACT MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WHICH IS SUBJECT TO REGISTRATION WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, AT LEAST 7 DAYS PRIOR TO THE

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST 7 DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION, BY THE FRANCHISEE, WHICHEVER OCCURS FIRST, A COPY OF THIS PUBLIC OFFERING STATEMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE FRANCHISE. THIS PUBLIC OFFERING STATEMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR AN UNDERSTANDING OF ALL RIGHTS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **EXHIBIT G TO THE DISCLOSURE DOCUMENT**

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### **NEW YORK ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of New York only, this Disclosure Document is amended as follows:

#### **ITEM 3: LITIGATION**

None of the Franchisor, its Predecessor, or any person identified in Item 2 or an affiliate offering franchises under the Franchisor's principal trademark:

(A) Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations, nor has any pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

(B) has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise; anti-fraud or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; unfair or deceptive practices; or comparable allegations.

(C) is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

#### **ITEM 4: BANKRUPTCY**

Neither the Franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the disclosure document: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code (or any comparable foreign law); (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within one year after the officer or general partner of the Franchisor held this position in the company or partnership.

#### **ITEM 5: INITIAL FEES**

We use the proceeds from initial fees to defray a portion of our expenses in connection with the sale and establishment of franchises, such as: (1) costs related to developing and improving our services; (2) expenses of preparing and registering this disclosure document; (3) legal fees; (4) accounting fees; (5) costs of obtaining and screening franchisees; and, (6) general administrative and operational expenses.

#### **ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION.**

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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- (d) The franchisee may terminate the agreement on any grounds available by law.
- (j) However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the franchise agreement.
- (w) The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by article 33 of the General Business law of the state of New York.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### NORTH DAKOTA ADDENDUM TO DISCLOSURE DOCUMENT

In the State of North Dakota only, this Disclosure Document is amended as follows:

THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (NDCC SECTION 51-19-09):

1. Restrictive Covenants: Franchise disclosure documents that disclose the existence of covenants restricting competition contrary to NDCC Section 9-08-06, without further disclosing that such covenants will be subject to the statute.
2. Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.
3. Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.
4. Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.
5. Applicable Laws: Franchise agreements that specify that they are to be governed by the laws of a state other than North Dakota.
6. Waiver of Trial by Jury: Requiring North Dakota Franchises to consent to the waiver of a trial by jury.
7. Waiver of Exemplary & Punitive Damages: Requiring North Dakota Franchisees to consent to a waiver of exemplary and punitive damage.
8. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the franchise agreement.
9. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.
10. Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **EXHIBIT G TO THE DISCLOSURE DOCUMENT**

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### **RHODE ISLAND ADDENDUM TO DISCLOSURE DOCUMENT**

In the State of Rhode Island only, this Disclosure Document is amended as follows:

Item 17, summary columns for (v) and (w) are amended to add the following:

Any provision in the franchise agreement restricting jurisdiction or venue to a forum outside Rhode Island or requiring the application of the laws of a state other than Rhode Island is void as to a claim otherwise enforceable under the Rhode Island Franchise Investment Act.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### VIRGINIA ADDENDUM TO DISCLOSURE DOCUMENT

In the Commonwealth of Virginia only, this Disclosure Document is amended as follows:

The following Risk Factor is added to the Special Risks page:

**Estimated Initial Investment.** The franchisee will be required to make an estimated initial investment ranging from \$290,400 to \$596,400. This amount exceeds the franchisor's stockholders equity as of December 31, 2022, which is \$6,454.

The following statements are added to Item 17(h):

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to the franchisee under the franchise, that provision may not be enforceable.

Item 17(t) is amended to read as follows:

Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### ILLINOIS ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s). The "Illinois Act" means the Illinois Franchise Disclosure Act of 1987.

2. **Deferral.** Payment of the Initial Franchise (and Development) Fees shall be deferred until Franchisor has satisfied its pre-opening obligations to Franchisee and Franchisee has commenced business operations. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

3. **Governing Law and Jurisdiction.** Notwithstanding any provision of the Agreement(s) to the contrary, the Agreement is governed by Illinois law. The parties irrevocably submit to the jurisdiction and venue of the federal and state courts in Illinois, except for matters which the Agreement provides will be resolved by arbitration.

4. **Limitation of Claims.** No action can be maintained to enforce any liability created by the Illinois Act unless brought before the expiration of 3 years from the act or transaction constituting the violation upon which it is based, the expiration of 1 year after Franchisee become aware of facts or circumstances reasonably indicating that Franchisee may have a claim for relief in respect to conduct governed by the Illinois Act, or 90 days after delivery to the Franchisee of a written notice disclosing the violation, whichever shall first expire.

5. **Waivers Void.** Notwithstanding any provision of the Agreement(s) to the contrary, any condition, stipulation, or provision purporting to bind Franchisee to waive compliance with any provision of the Illinois Act or any other law of the State of Illinois (including, but is not limited to, statements involving unregistered earnings claims, timely disclosure, warranty, material misrepresentations or limitation of liability) is void. This Section shall not prevent Franchisee from entering into a settlement agreement or executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code.

6. **Franchise Questionnaires and Acknowledgements.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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8. **Effective Date**. This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

**QARGO COFFEE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

# EXHIBIT G TO THE DISCLOSURE DOCUMENT

## INDIANA ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s). The "Indiana Acts" means the Indiana Franchise Act and the Indiana Deceptive Franchise Practices Act.

2. **Certain Provisions Deleted.** Any provision of the Agreement(s) which would have any of the following effects is hereby deleted:

(1) Requiring goods, supplies, inventories, or services to be purchased exclusively from the franchisor or sources designated by the franchisor where such goods, supplies, inventories, or services of comparable quality are available from sources other than those designated by the franchisor. However, the publication by the franchisor of a list of approved suppliers of goods, supplies, inventories, or service or the requirement that such goods, supplies, inventories, or services comply with specifications and standards prescribed by the franchisor does not constitute designation of a source nor does a reasonable right of the franchisor to disapprove a supplier constitute a designation. This subdivision does not apply to the principal goods, supplies, inventories, or services manufactured or trademarked by the franchisor.

(2) Allowing the franchisor to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchisee within the exclusive territory granted the franchisee by the franchise agreement; or, if no exclusive territory is designated, permitting the franchisor to compete unfairly with the franchisee within a reasonable area.

(3) Allowing substantial modification of the franchise agreement by the franchisor without the consent in writing of the franchisee.

(4) Allowing the franchisor to obtain money, goods, services, or any other benefit from any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee.

(5) Requiring the franchisee to prospectively assent to a release, assignment, novation, waiver, or estoppel which purports to relieve any person from liability to be imposed by the Indiana Deceptive Franchise Practices Act or requiring any controversy between the franchisee and the franchisor to be referred to any person, if referral would be binding on the franchisee. This subsection (5) does not apply to arbitration before an independent arbitrator.

(6) Allowing for an increase in prices of goods provided by the franchisor which the franchisee had ordered for private retail consumers prior to the franchisee's receipt of an official price increase notification. A sales contract signed by a private retail consumer shall constitute evidence of each order. Price changes applicable to new models of a product at the time of introduction of such new models shall not be considered a price increase. Price increases caused

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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by conformity to a state or federal law, or the revaluation of the United States dollar in the case of foreign-made goods, are not subject to this subsection (6).

(7) Permitting unilateral termination of the franchise if such termination is without good cause or in bad faith. Good cause within the meaning of this subsection (7) includes any material violation of the franchise agreement.

(8) Permitting the franchisor to fail to renew a franchise without good cause or in bad faith. This chapter shall not prohibit a franchise agreement from providing that the agreement is not renewable upon expiration or that the agreement is renewable if the franchisee meets certain conditions specified in the agreement.

(9) Requiring a franchisee to covenant not to compete with the franchisor for a period longer than three years or in an area greater than the exclusive area granted by the franchise agreement or, in absence of such a provision in the agreement, an area of reasonable size, upon termination of or failure to renew the franchise.

(10) Limiting litigation brought for breach of the agreement in any manner whatsoever.

(11) Requiring the franchisee to participate in any (A) advertising campaign or contest; (B) promotional campaign; (C) promotional materials; or (D) display decorations or materials; at an expense to the franchisee that is indeterminate, determined by a third party, or determined by a formula, unless the franchise agreement specifies the maximum percentage of gross monthly sales or the maximum absolute sum that the franchisee may be required to pay.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. **Effective Date**. This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

**QARGO COFFEE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### MARYLAND ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. Definitions. Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s). The "Maryland Franchise Law" means the Maryland Franchise Registration and Disclosure Law, Business Regulation Article, §14-206, Annotated Code of Maryland.

2. No Waiver of State Law In Sale. Notwithstanding any provision of the Agreement(s) to the contrary, as a condition of the sale of a franchise, Franchisor shall not require a prospective franchisee to agree to a release, assignment, novation, waiver, or estoppel that would relieve Franchisor or any other person from liability under the Maryland Franchise Law.

3. No Release of Liability. Pursuant to COMAR 02-02-08-16L, the general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

4. Statute of Limitations. Any provision of the Agreement(s) which provides for a period of limitations for causes of action shall not apply to causes of action under the Maryland Franchise Law, Business Regulation Article, §14-227, Annotated Code of Maryland. Franchisee must bring an action under such law within three years after the grant of the franchise.

5. Jurisdiction. Notwithstanding any provision of the Agreement(s) to the contrary, Franchisee does not waive its right to file a lawsuit alleging a cause of action arising under the Maryland Franchise Law in any court of competent jurisdiction in the State of Maryland.

6. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

Agreed to by:

FRANCHISEE:

Date: \_\_\_\_\_

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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FRANCHISOR:

**QARGO COFFEE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### MINNESOTA ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. Definitions. Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s). The "Minnesota Act" means Minnesota Statutes, Sections 80C.01 to 80C.22.

2. Amendments. The Agreement(s) is amended to comply with the following:

- Minnesota Statutes, Section 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (1) any of the franchisee's rights as provided for in Minnesota Statutes, Chapter 80C or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

- With respect to franchises governed by Minnesota law, the franchisor will comply with Minnesota Statutes, Section 80C.14, Subd. 3-5, which require (except in certain specified cases) (1) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (2) that consent to the transfer of the franchise will not be unreasonably withheld.

- The franchisor will protect the franchisee's rights to use the trademarks, service marks, trade names, logotypes or other commercial symbols or indemnify the franchisee from any loss, costs or expenses arising out of any claim, suit or demand regarding the use of the name. Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statutes, Section 80C.12, Subd. 1(g).

- Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release.

- The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

- The Limitations of Claims section must comply with Minnesota Statutes, Section 80C.17, Subd. 5, and therefore the applicable provision of the Agreement is amended to state "No action may be commenced pursuant to Minnesota Statutes, Section 80C.17 more than three years after the cause of action accrues."

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. **Effective Date**. This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

**QARGO COFFEE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### NEW YORK ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s).

2. **Waivers Not Required.** Notwithstanding any provision of the Agreement(s) to the contrary, Franchisee is not required to assent to a release, assignment, novation, waiver or estoppel which would relieve Franchisor or any other person from any duty or liability imposed by New York General Business Law, Article 33.

3 **Waivers of New York Law Deleted.** Any condition, stipulation, or provision in the Agreement(s) purporting to bind Franchisee to waive compliance by Franchisor with any provision of New York General Business Law, or any rule promulgated thereunder, is hereby deleted.

4. **Governing Law.** Notwithstanding any provision of the Agreement(s) to the contrary, the New York Franchises Law shall govern any claim arising under that law.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. **Effective Date.** This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

**QARGO COFFEE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### NORTH DAKOTA ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. Definitions. Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s).

2. Amendments. The Agreement(s) (and any Guaranty Agreement) is amended to comply with the following:

(1) Restrictive Covenants: Every contract by which Franchisee, any Guarantor, or any other person is restrained from exercising a lawful profession, trade, or business of any kind subject to NDCC Section 9-08-06.

(2) Situs of Arbitration Proceedings: Franchisee and any Guarantor are not required to agree to the arbitration of disputes at a location that is remote from the site of Franchisee's business.

(3) Restrictions on Forum: Franchisee and any Guarantor are not required to consent to the jurisdiction of courts outside of North Dakota.

(4) Liquidated Damages and Termination Penalties: Franchisee is not required to consent to liquidated damages or termination penalties.

(5) Applicable Laws: The Agreement(s) (and any Guaranty Agreement) is governed by the laws of the State of North Dakota.

(6) Waiver of Trial by Jury: Franchisee and any Guarantor do not waive a trial by jury.

(7) Waiver of Exemplary & Punitive Damages: Franchisee does not waive of exemplary and punitive damages.

(8) General Release: Franchisee and any Guarantor are not required to sign a general release upon renewal of the Agreement.

(9) Limitation of Claims: Franchisee is not required to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

(10) Enforcement of Agreement: The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorney's fees.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) ~~waiving any claims under any applicable state franchise law, including fraud in the~~

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. **Effective Date**. This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR:

**QARGO COFFEE, INC.**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

### RHODE ISLAND ADDENDUM TO FRANCHISE AGREEMENT AND AREA DEVELOPER AGREEMENT

This Addendum amends the Franchise Agreement and/or Area Developer Agreement dated \_\_\_\_\_ (the "Agreement(s)"), between **Qargo Coffee, Inc.**, a **Delaware corporation** ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

1. **Definitions.** Capitalized terms used but not defined in this Addendum have the meanings given in the Agreement(s).

2. **Jurisdiction and Venue.** Any provision of the Agreement(s) restricting jurisdiction or venue to a forum outside the State of Rhode Island or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under Rhode Island Franchise Investment Act.

3. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

4. **Effective Date.** This Addendum is effective as of the Effective Date.

Agreed to by:

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

FRANCHISOR

QARGO COFFEE, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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### WASHINGTON ADDENDUM TO FRANCHISE AGREEMENT AND RELATED AGREEMENTS

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## EXHIBIT G TO THE DISCLOSURE DOCUMENT

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The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_.

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FRANCHISOR

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FRANCHISEE

**This addendum may also be used as a rider to the Franchise Disclosure Document.**

## EXHIBIT H TO THE DISCLOSURE DOCUMENT

### Exhibit H – Equipment Loan Agreement

# EXHIBIT H TO THE DISCLOSURE DOCUMENT



## EQUIPMENT LOAN AGREEMENT-LPCC DIRECT

This Equipment Loan Agreement (this “*Agreement*”), dated as of \_\_\_\_\_, 2023 (the “*Commencement Date*”), made and entered into by and between \_\_\_\_\_, a \_\_\_\_\_ with offices and site located at \_\_\_\_\_

(“*Customer*”) and Lavazza Premium Coffees Corp., a Delaware corporation with offices located at 120 Wall Street 27<sup>th</sup> Floor, New York, NY 10005 (“*Lavazza*”), sets forth the agreement between the parties as follows:

### 1. Loan of Coffee Equipment.

Lavazza will provide to Customer, on loan, the equipment more fully described on Exhibit A attached hereto (the “*Equipment*”) to be installed by the installation date (“*Installation Date*”) at the Customer’s locations specified in Exhibit A opposite such Customer’s name (the “*Locations*”), and Customer accepts such loan in accordance with the terms and conditions of this Agreement.

### 2. Operation of the Equipment.

(a) The Equipment is for the exclusive use of Lavazza’s products listed on Exhibit B attached hereto (the “*Products*”). Customer shall not use the Equipment with coffee or any products obtained from any source other than Lavazza.

(b) The Equipment may be removed from the Locations only upon the prior written consent of Lavazza. Customer shall keep and maintain the Equipment in a good state of repair, normal wear and tear excepted, and shall use the Equipment only for its intended purpose. Customer will comply with Lavazza’s instructions and specifications relating to the use, storage and maintenance of the Equipment. Customer shall allow Lavazza to enter Customer’s premises at all reasonable times to locate and inspect the state and condition of the Equipment. If Customer fails to comply with Lavazza’s instructions and specifications or to keep the Equipment in a good

state of repair, Lavazza will be entitled to charge Customer with such technical service fees as needed to correct such failures.

3. Title and Risk of Loss. Lavazza shall retain all rights of ownership in the Equipment, and Customer shall acquire no right, title, or interest in the Equipment. Customer shall not hold the Equipment out as its own, sell or pledge or encumber the Equipment or take any other action inconsistent with Lavazza’s ownership of the Equipment. Equipment labels indicating Lavazza’s ownership shall not be removed. Customer shall bear all risk of loss, damage, destruction, theft, and condemnation to or of the Equipment from any cause whatsoever (“*Loss*”) until the Equipment has been returned to Lavazza to the destination specified in Section 14.

### 4. Security Interest.

Customer hereby grants to Lavazza a security interest in:

(a) Any Equipment provided on Loan;

(b) Any Lavazza Products supplied to Customer by Lavazza; and

(c) Any and all proceeds of the sale of such Products, including but not limited to accounts receivable (collectively, “*Collateral*”).

(d) Customer hereby authorizes Lavazza to file financing statements in any jurisdiction evidencing Lavazza’s Security Interest in the Collateral.

### 5. Minimum Purchase Requirements.

(e) In exchange for the agreement of Lavazza to loan the equipment to Customer, during the Term (as defined below), Customer agrees to purchase from Lavazza sufficient quantities of

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## EXHIBIT H TO THE DISCLOSURE DOCUMENT

Products to meet the minimum purchase obligation for each Contract Quarter (as defined below) specified in Exhibit C attached hereto (the “Minimum Purchase Requirements”).

(f) If Lavazza determines the Minimum Purchase Requirements are not being met, Lavazza shall have the right, at its sole discretion, to take any of the following actions: (a) withhold any agreed-upon annual deferred discounts or rebates previously granted to Customer until Customer cures such shortfall; (b) extend the Term until such time as the aggregate Minimum Purchase Requirements for the entire Initial Term have been purchased or (c) immediately terminate this Agreement and cause the Customer to return the Equipment to Lavazza pursuant to the provisions of Sections 13 and 14.

(g) If Customer is entering into this Agreement on behalf of, or the parties hereto intend this Agreement to be binding upon, one or more Locations, stores, restaurants, franchisees or accounts related to or affiliated with Customer (each, an “Account”), unless otherwise agreed upon in writing by the parties hereto, the Minimum Purchase Requirements shall apply to such Accounts on an aggregate basis and not individually.

(h) Customer shall pay interest on all late payments under this Agreement at the lesser of the rate of 1.5% per month and the highest rate permissible under applicable law, calculated daily and compounded monthly. Customer shall reimburse Lavazza for all costs incurred in collecting any late payments, including, without limitation, attorneys’ fees. Payment of any late charge does not excuse Customer of any default under this Agreement. Lavazza’s failure or delay in submitting an invoice shall in no way waive or diminish Customer’s obligation to pay all amounts owed hereunder within the dates specified herein.

**6. Pricing.** Customer shall purchase the Products from Lavazza at the prices set forth in Exhibit B attached hereto (“Price”). The Price may be increased by Lavazza at any time by giving Customer a 30 days’ prior written notice. Price payment terms are net thirty 30 days from invoice date. Payment shall be by bank wire transfer or check.

**7. Term.** The term of this Agreement (the “Initial Term”) shall commence on the Commencement Date and shall continue for 4 years after the Commencement Date or 4 years after the last Installation Date, whichever is later, unless terminated earlier pursuant to the terms set forth in the “Termination” section below. This Agreement shall be automatically renewed for successive 1-year terms thereafter (each a “Renewal Term” and, together with the Initial Term, the “Term”) unless written notice of termination is given by either party to the other party at least 90 days prior to the end of the Initial Term or Renewal Term, as the case may be.

**8. Limited Warranty.**

(a) Lavazza warrants that the Equipment shall be free from defects in material and workmanship at the time of Customer’s acceptance of installation. Lavazza will, in its sole discretion, repair or replace any defective Equipment. The limited warranty above does not apply where the Equipment has been subjected to abuse, misuse, neglect, negligence, accident, improper testing, improper installation, improper storage, improper handling, abnormal physical stress, abnormal environmental conditions, or use contrary to any instructions issued by Lavazza, or used with any product other than the Products or that has not been previously approved in writing by Lavazza.

(b) THE WARRANTY CONTAINED HEREIN IS EXPRESSLY GIVEN IN LIEU OF ALL OTHER WARRANTIES, EITHER EXPRESS OR IMPLIED, INCLUDING ANY (I) WARRANTY OF MERCHANTABILITY, (II) WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, (III) WARRANTY AGAINST INTERFERENCE; OR WARRANTY AGAINST INFRINGEMENT OF ANY PATENT, COPYRIGHT, TRADEMARK, TRADE SECRET, OR OTHER PROPRIETARY RIGHTS OF A THIRD PARTY; WHETHER ARISING BY LAW, COURSE OF DEALING, COURSE OF PERFORMANCE, USAGE OF TRADE, OR OTHERWISE.

(c) LAVAZZA SHALL NOT BE LIABLE FOR ANY LOSSES, DAMAGES, INCIDENTAL EXPENSES OR CONSEQUENTIAL DAMAGES CAUSED BY,

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## EXHIBIT H TO THE DISCLOSURE DOCUMENT

OR ARISING IN CONNECTION WITH THE EQUIPMENT.

### **9. Equipment Repair Service; Water-Related Maintenance.**

Lavazza shall provide services as set forth in Exhibit E (the “Services”), as requested by Customer and:

(a) Upon the request of Customer, Lavazza will provide repair and maintenance Services to the Equipment as set forth in Exhibit E.

(b) Customer acknowledges and agrees that (i) the Equipment includes water softener and/or filtration systems, (ii) it is Customer’s responsibility to provide adequately treated water for the Equipment, including the installation, maintenance and replacement of a cartridge water filter and/or softener system pursuant to Lavazza’s instructions; (iii) Customer will pay the applicable amount(s) listed in Exhibit E for the cost of the replacement cartridge system (filter coffee and/or espresso coffee) every 6 months based on water source quality at property versus coffee volume; and (iv) if Customer fails to provide, install and maintain such cartridge system according to Lavazza’s instructions, any Lavazza’s warranties shall be void and Customer shall be responsible for all costs incurred to repair the Equipment, including parts.

**10. Lavazza Trademarks.** During the Term of this Agreement, Lavazza hereby grants to Customer a limited, revocable, non-exclusive, non-transferable right to use the Lavazza trademark LAVAZZA® and such logos, distinctive symbols, trade names, trademarks and slogans as may be authorized by Lavazza in writing (the “Trademarks”) solely in connection with the use of the Equipment at the Locations in accordance with the terms and conditions of this Agreement. Any marketing or other materials bearing the Trademarks shall be subject to the prior written approval of Lavazza. Upon termination of this Agreement for any reason, Customer shall immediately cease use of all such Trademarks and return or destroy all such marketing and other materials. Other than the limited rights granted herein, Lavazza grants no right or license to Customer, by implication, estoppel, or otherwise, to

the Products or any intellectual property rights of Lavazza and its affiliates.

**11. Confidential Information.** All non-public, confidential, or proprietary information of Lavazza and its affiliates, including, but not limited to, specifications, samples, patterns, designs, plans, drawings, documents, data, business operations, customer lists, pricing, discounts, or rebates, disclosed by Lavazza to Customer, whether disclosed orally or disclosed or accessed in written, electronic, or other form or media, and whether or not marked, designated, or otherwise identified as “confidential,” in connection with this Agreement is confidential, solely for the use of performing this Agreement and may not be disclosed or copied unless authorized by Lavazza in writing. Upon Lavazza’s request, Customer shall promptly return all documents and other materials received from Lavazza. Lavazza shall be entitled to injunctive relief for any violation of this Section. This Section shall not apply to information that is: (a) in the public domain; (b) known to Customer at the time of disclosure; or (c) rightfully obtained by Customer on a non-confidential basis from a third party.

**12. Enforcement of Rights.** Customer acknowledges Lavazza’s (and its agents) right to enter upon the Locations at any reasonable time during regular business hours, and upon prior notice, in order to inspect the Equipment, to confirm compliance with this Agreement, and to enforce their rights, including the right to repossess the Equipment, under this Agreement. Customer shall be liable for all costs, including reasonable attorney’s fees, arising from, or in connection with, the enforcement of rights and the collection of amounts due hereunder.

**13. Termination.** This Agreement may be terminated by either party upon 15 days prior written notice to the other party following a material breach by such other party. Notwithstanding the foregoing, Customer’s failure to comply with any provisions contained in [Section 5](#) will result in Lavazza having the option to terminate this Agreement immediately, without notice or right to cure. In the event termination occurs for Customer’s material breach, Customer agrees to purchase the Equipment at the full Equipment Price if terminated during year one (1) of the Term, 80% of the Equipment Price if terminated during year two (2) of the Term, 60% of

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## EXHIBIT H TO THE DISCLOSURE DOCUMENT

the Equipment Price if terminated during year three (3) of the Term, 40% of the Equipment price if terminated during year four (4) of the Term and 20% of the Equipment price if terminated during year five (5) of the Term.

### 14. Return of Equipment.

(a) Customer shall, at its risk and expense, no later than the expiration of the Term (i) de-install, inspect, and properly pack the Equipment; and (ii) return the Equipment, freight prepaid, to Lavazza's facility set out on the first page of this Agreement by delivering the Equipment on board such carrier as Lavazza may specify.

(b) Customer shall cause the Equipment returned for any reason under this Agreement to (i) be free and clear of all liens (other than liens of Lavazza) and rights of third parties; (ii) be in the same condition as when delivered to Customer, ordinary wear and tear excepted; (iii) have all Customer's insignia or markings removed or painted over and the areas where such markings were removed or painted over refurbished as necessary to blend with adjacent areas; and (iv) be in compliance with applicable law.

15. Compliance with Law. Customer shall (a) comply with all applicable laws, regulations, and ordinances and (b) maintain in effect all the licenses, permissions, authorizations, consents, and permits that it needs to carry out its obligations under this Agreement.

16. Indemnification. Customer shall indemnify, defend, and hold harmless Lavazza and its officers, directors, employees, agents, affiliates, successors, and permitted assigns (collectively, "**Indemnified Party**") against any and all losses, damages, liabilities, deficiencies, claims, actions, judgments, settlements, interest, awards, penalties, fines, costs, or, expenses of whatever kind, including reasonable attorneys' fees, fees and the costs of enforcing any right to indemnification under this Agreement, and the cost of pursuing any insurance providers, incurred by Indemnified Party arising out of or resulting from any claim of a third party or Lavazza arising out of or occurring in connection with the Equipment or Customer's negligence, willful misconduct, or breach of this Agreement. Customer shall not enter into any

settlement without Lavazza's or Indemnified Party's prior written consent.

### 17. Governing Law and Jurisdiction.

This Agreement and all matters arising out of or relating to this Agreement are governed by, and construed in accordance with, the laws of the State of New York, without regard to the conflict of laws provisions of such State. Any legal suit, action, or proceeding arising out of or relating to this Agreement must be instituted in the federal courts of the United States of America or the courts of the State of New York, in each case located in the City of New York and County of New York, and each Party irrevocably submits to the exclusive jurisdiction of such courts in any such suit, action, or proceeding. Service of process, summons, notice, or other document by certified mail in accordance with Section 19(d) will be effective service of process for any suit, action, or other proceeding brought in any such court.

### 18. Force Majeure.

a. No Party shall be liable or responsible to the other Party, nor be deemed to have defaulted under or breached this Agreement, for any failure or delay in fulfilling or performing any term of this Agreement, except for any obligations to make payments to the other Party hereunder, when and to the extent such failure or delay is caused by or results from acts beyond the impacted party's ("Impacted Party") control, including, without limitation, the following force majeure events ("Force Majeure Event(s)": (a) acts of God; (b) flood, fire, earthquake, epidemics, or explosion; (c) war, invasion, hostilities (whether war is declared or not), terrorist threats or acts, riot or other civil unrest; (d) government order, law, or actions; (e) embargoes or blockades in effect on or after the date of this Agreement; and (f) national or regional emergency.

b. The Impacted Party shall give written notice within 5 days of the Force Majeure Event to the other Party, stating the period of time the occurrence is expected to continue. The Impacted Party shall use diligent efforts to end the failure or delay and ensure the effects of such Force Majeure Event are minimized. The Impacted Party shall resume the performance of its obligations as soon as reasonably practicable after the removal of the cause. In the event that the Impacted Party's failure or delay remains uncured for a period of 120 days following

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## EXHIBIT H TO THE DISCLOSURE DOCUMENT

written notice given by it under this Section 18, Lavazza may thereafter terminate this Agreement immediately and retrieve its equipment in accordance with Section 14.

c. The Term of the Agreement shall be extended by the number of days equal to the duration of the Force Majeure Event unless earlier terminated pursuant to this section or Section 13.

### **19. Miscellaneous.**

(a) This Agreement is the sole agreement between the parties regarding the subject matter hereof and supersedes all prior agreements or understandings of every kind.

(b) No amendment to or modification of this Agreement is effective unless it is in writing and signed by an authorized representative of each party hereto.

(c) No waiver by any party of any of the provisions of this Agreement shall be effective unless explicitly set forth in writing and signed by the party so waiving. No failure to exercise, or delay in exercising, any rights, remedy, power, or privilege arising from this Agreement shall operate or be construed as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power, or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power, or privilege.

(d) All notices or any communications provided for herein shall be given in writing by overnight courier, by fax or by certified mail, return receipt requested and shall be deemed received and effective when received if sent by courier or by fax or five (5) calendar days after being mailed, if sent by certified mail.

(e) Subject to Customer's reasonable security and confidentiality procedures, Lavazza, or any third party retained by Lavazza, may at any time upon prior reasonable notice to Customer, during normal business hours, audit the books, records and accounts of Customer to the extent that such books, records and accounts pertain to sale of any Equipment and Products hereunder or otherwise relate to the performance of this Agreement by Customer. Customer shall maintain all such books, records and accounts for a period of at least three (3)

years after the date of expiration or termination of this Agreement. Lavazza's right to audit under this Section 18(e) and Lavazza's rights hereunder shall survive the expiration or termination of this Agreement for a period of three (3) years after the date of such expiration or termination.

(f) If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

(g) Customer shall not assign, transfer, delegate, or subcontract any of its rights or obligations under this Agreement without the prior written consent of Lavazza. Lavazza may at any time assign, transfer, or subcontract any or all of its rights or obligations under this Agreement to any affiliate or to any person acquiring all or substantially all of Lavazza's assets without Customer's prior written consent.

(h) This Agreement is binding on and inures to the benefit of the Parties to this Agreement and their respective permitted successors and permitted assigns.

(i) This Agreement may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement. A signed copy of this Agreement delivered by facsimile, email, or other means of electronic transmission is deemed to have the same legal effect as delivery of an original signed copy of this Agreement.

[SIGNATURE PAGE FOLLOWS]

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EXHIBIT H TO THE DISCLOSURE DOCUMENT

IN WITNESS WHEREOF, authorized representatives of the undersigned have executed and delivered this Agreement as of the Commencement Date set forth above.

<b>Customer (Franchisee):</b>	<b>Lavazza Premium Coffees Corp.</b>
By:_____	By:_____
Name:_____	Name:_____
Title:_____	Title:_____
Date:_____	Date:_____

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EXHIBIT H TO THE DISCLOSURE DOCUMENT

EXHIBIT A

LOCATION AND EQUIPMENT LISTING

Equipment	Installation Date	Serial Number	Cost	Qty	Total Cost
BUNN- Dual TF DBC. Dual ThermFresh BrewWise FunLock			\$3,576.50	1	\$3,576.50
BUNN- TF SERVER, 1.5G DSG GEN3 (LAVAZZA)			\$448.50	4	\$3,588.00
BUNN- MHG DBC Multi Hopper Grinder & Storage system			\$2,548.40	1	\$2,548.40
Lavazza Branded Espresso Machine 3 Group Heads			\$12,300.00	1	\$12,300.00
On Demand Espresso Grinder w/Lavazza Hopper			\$1,600.00	2	\$3,200.00
Cornelius Nitro Pro Mini Cold Brew Machine			\$8,626.28	1	\$8,626.28
Sagra DS-150 Drinking Chocolate			\$1,240.00	1	\$1,240.00

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EXHIBIT H TO THE DISCLOSURE DOCUMENT

EXHIBIT B

LIST AND PRICE OF LAVAZZA PRODUCTS

PRICES SUBJECT TO CHANGE WITH 30 DAY WRITTEN NOTICE

Item MPC Code	Pack Size	Filter Coffees	Price Per Case	Cost Per kg	Cost Per LB
3427	6/2.2 lb	Gold Selection Medium Roast	\$ 119.46	\$ 19.91	\$ 9.05
3425	30/2.25 oz	Gold Selection Medium Roast	\$ 39.03	\$ 20.33	\$ 9.24
3454	6/2.2 lb	Gran Riserva Dark Roast	\$ 119.46	\$ 19.91	\$ 9.05
3451	30/2.25 oz	Gran Riserva Dark Roast	\$ 39.03	\$ 20.33	\$ 9.24
3438	12/1.1 lb	Decaf Filter Coffee	\$ 127.71	\$ 21.29	\$ 9.68
3430	30/2.25 oz	Decaf Filter Coffee	\$ 41.66	\$ 21.70	\$ 9.86
2218	6/8 oz.	Reserva di Tierra Colombia Single Origin	\$ 45.31	\$ 33.32	\$ 15.14
5272	6/8 oz.	Reserva di Tierra Brasil Single Origin	\$ 45.31	\$ 33.32	\$ 15.14
3948	12/1.1 lb	Kafa Ethiopian Single Origin (For PourOvers)	\$ 245.78	\$ 40.96	\$ 18.62
Cold Brew and Nitro Infused Cold Brew					
8025	1 Gallon	Tierra Colombia Cold Brew Concentrate	\$ 125.00	NA	NA
Espresso Beans					
2010	6/2.2 lb	Top Class Espresso	\$ 130.55	\$ 21.76	\$ 9.89
4320	6/2.2 lb	Gold Selection Espresso	\$ 156.16	\$ 26.03	\$ 11.83
2202	6/2.2 lb	Reserva di Tierra Intenso Espresso	\$ 166.32	\$ 27.72	\$ 12.60
2221	6/2.2 lb	Reserva di Tierra Alteco Espresso (Organic)	\$ 166.32	\$ 27.72	\$ 12.60
1111	20/8.8 oz	Espresso Dek Bar, Ground Espresso	\$ 138.72	\$ 27.74	\$ 12.61
Espresso Capsules					
260	100 ct	Tierra Selection Single Shot	\$ 63.80		
263	100 ct	Tierra Colombia Single Origin Single Shot	\$ 63.80		
264	100 ct	Tierra Alteco Organic Single Shot	\$ 63.80		
915	100 ct	Kafa Ethiopian Single Single Shot	\$ 69.30		
261	100 ct	Dek - Decaf Espresso Single Shot	\$ 58.30		

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EXHIBIT H TO THE DISCLOSURE DOCUMENT

EXHIBIT C

MINIMUM PURCHASE REQUIREMENTS

COFFEE AND ESPRESSO: 80 LBS PER WEEK  
COLD BREW: 1.5 GAL CONCENTRATE PER WEEK

Monthly Shortfall Fee Table					
		Shortfall			
		20%-30%	30%-40%	40%-50%	Greater than 50%
Capex Value	Till \$ 4,000.00	\$ 25	\$ 30	\$ 35	Pull out the equipment
	\$ 4,000 - \$8,000	\$ 40	\$ 50	\$ 60	Pull out the equipment
	\$ 8,001 - \$ 12,000	\$ 55	\$ 75	\$ 95	Pull out the equipment
	\$ 12,001 - \$ 16,000	\$ 75	\$ 100	\$ 125	Pull out the equipment
	\$ 16,001 - \$20,000	\$ 95	\$ 125	\$ 155	Pull out the equipment
	\$ 20,001- \$ 30,000	\$ 135	\$ 180	\$ 225	Pull out the equipment
	Above \$ 30,000	\$ 275	\$ 370	\$ 465	Pull out the equipment

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EXHIBIT H TO THE DISCLOSURE DOCUMENT

EXHIBIT E

SERVICES

Unless otherwise stated below, the following Services will be provided if Customer’s request is reasonable and reasonably documented. If any request for repair or maintenance Services does not meet the foregoing requirements, Customer will be subject to full payment for the related Services. Repair Service will be available at least 5 days per week and within a reasonable time following the Service request. Service in accordance with this Exhibit E will be available for all Equipment at the Locations listed on Exhibit A. Customer will be charged for repair service and parts necessitated by neglect or improper use of the Equipment.

- Direct contact with Regional Service Manager
- Regular visits from Regional Service Manager
- Preventative maintenance services at 90, 120, 180 days from date of installation
- Customer is entitled to [Number of service calls needs to be added] service calls per year. These do not include service manager well-being check-ins.
- Filter charges will be in invoiced at the costs listed below, unless otherwise agreed upon with account manager

FILTRATION			
18400203	AFH FILTRATION ESPRESSO MED	BWT # 812117 Bestmax Premium (M)	\$ 115.99
18400204	AFH FILTRATION ESPRESSO LARGE	BWT # 812118 Bestmax Premium (XL)	\$ 175.99
18400209	AFH FILTRATION DRIP EQUIPMENT	EV9613-21 MH	\$ 85.99

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## STATE EFFECTIVE DATES

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### State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	
Hawaii	
Illinois	
Indiana	
Maryland	
Michigan	
Minnesota	
New York	
North Dakota	
Rhode Island	
South Dakota	
Virginia	
Washington	
Wisconsin	

Other states may require registration, filing or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

## Item 23 - Receipt

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Qargo Coffee, Inc. offers you a franchise, Qargo Coffee, Inc. must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

**New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.**

If Qargo Coffee, Inc. does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the State Administrator listed in Exhibit C.

The franchisor offering the franchise: Qargo Coffee, Inc., 701 Brickell Avenue, Suite 1550, Miami, FL 33131 and (786) 913-9991.

The following are the names, principal business addresses, and telephone numbers of each franchise seller offering the franchise:

Michelle Young	701 Brickell Avenue, Suite 1550, Miami, FL 33131	(786) 913-9991
Zach Gilliam	701 Brickell Avenue, Suite 1550, Miami, FL 33131	(786) 913-9991

Issuance Date: May 24, 2024

See Exhibit C for our registered agents authorized to receive service of process.

I have received a Franchise Disclosure Document dated May 24, 2024, that included the following exhibits:

- A. Franchise Agreement
- B. Area Developer Agreement
- C. List of State Administrators and Agents for Service of Process
- D. Financial Statements
- E. List of Current and Terminated Franchisees
- F. Franchisee Disclosure Questionnaire
- G. Multi-State Addenda

H. Equipment Loan Agreement

Name: \_\_\_\_\_

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

\_\_\_\_\_  
You should return one copy of the signed receipt either by signing, dating, and mailing it to Qargo Coffee, Inc., 701 Brickell Avenue, Suite 1550, Miami, FL 33131 or by scanning and emailing a copy of the signed receipt to: [info@qargocoffee.com](mailto:info@qargocoffee.com)

You may keep one copy for your records.

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Date: \_\_\_\_\_

Signature: \_\_\_\_\_

\_\_\_\_\_  
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You may keep one copy for your records.