

FRANCHISE DISCLOSURE DOCUMENT



coffee beanery

THE COFFEE BEANERY LTD.

World Headquarters

3429 Pierson Place

Flushing, Michigan 48433

(810) 733-1020

KevinS@beanerysupport.com

Internet <http://www.CoffeeBeanery.com>

The franchisee will offer for retail sale various types of coffee, including espresso based beverages, and other beverages, coffee beans, tea, spices, related products and food items such as salads, sandwiches, baked goods as well as merchandise and coffee accessories, for on or off-site consumption using the Coffee Beanery name and trademarks (each, a “Store”). The different Store models (each, a “Store Model”) are disclosed in the Chart below:

Store Model	Store Description	Total Investment and Amounts Paid to Franchisor or its Affiliates
Traditional Store	A traditional Store that offers espresso based beverages, and other beverages, coffee beans, tea, spices, related products and a more expansive food menu (“Traditional Store Model”), which may or may not include a drive-thru.	The total investment necessary to begin operation of a Traditional Store Model ranges from \$231,700 to \$439,900, which includes \$25,000 to \$33,000 that must be paid to the franchisor or its affiliates.
Co-Branded Store Model	A traditional Store that is operated under the Coffee Beanery marks from the same space or premises as another concept that we approve and authorize (“Co-Branded Store Model”).	The total investment necessary to begin operation of a Co-Branded Store Model ranges from \$143,700 to \$342,900, which includes \$25,000 to \$33,000 that must be paid to the franchisor or its affiliates.
Convenience Store Model	A traditional Store that is operated under the Coffee Beanery marks from the same space or premises as a gas station or convenience store, with or without a drive-through (“Convenience Store Model”).	The total investment necessary to begin operation of a Convenience Store Model ranges from \$152,700 to \$389,900, which includes \$20,000 to \$28,000 that must be paid to the franchisor or its affiliates.
Drop-Down Container Store Model (Store in a Box)	A more compact Store equipped with a drive thru and that does not typically contain indoor seating, and which typically includes a built-in drive-thru that is operated from a non-traditional location that meets the criteria to serve as the premises for the proprietary and pre-fabricated “Drop Down Container” buildout of the Store (which is within a 40-foot container or approximately 450 to 500 square feet in size when serving as the premises).	The total investment necessary to begin operation of a Drop-Down Container Store Model is \$268,700 to \$374,900, which includes \$25,000 to \$33,000 that must be paid to the franchisor or its affiliates.

This disclosure document summarizes certain portions 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, contact our VP and Director of Franchise Development, Kevin Shaw, The Coffee Beanery, Ltd., (810) 733-1020, KevinS@beanerysupport.com.

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

Buying a franchise is a complex investment. The information contained 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-FTC-HELP 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 for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance Date: October 30, 2023.

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
How much can I earn?	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 B.
How much will I need to invest?	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.
Does the franchisor have the financial ability to provide support to my business?	Item 21 or Exhibit C includes financial statements. Review these statements carefully.
Is the franchise system stable, growing, or shrinking?	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
Will my business be the only Coffee Beanery business in my area?	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
Does the franchise have a troubled legal history?	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
What's it like to be a Coffee Beanery franchisee?	Item 20 or Exhibit B lists current and former franchisees. You can contact them to ask about their experiences.
What else should I know?	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 investment 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 you 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 franchisor to register before offering or selling franchises in the state. Registration does not mean that the state recommends that 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 G.

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 or litigation only in Michigan. Out-of-state mediation or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate or litigate with franchisor in Michigan than in your own state.
2. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both you and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.
3. **Sales Performance Required.** You must maintain minimum sales performance levels. Your inability to maintain these levels may result in loss of any territorial rights you are granted, termination of your franchise, and loss of your investment.
4. **Inventory Control.** You must maintain inventory and supply purchases of at least \$5,000 in connection with certain franchised Store models even if you do not need that much. Your inability to make these purchases or to maintain inventory levels at all times may result in termination of your franchise and loss of your investment.
5. **Mandatory Minimum Payments.** You must make mandatory advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

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

(ADDITIONAL COVER PAGE DISCLOSURES FOR MICHIGAN RESIDENTS 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.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

- 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 protection 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:
 - (1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.
 - (2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.
 - (4) 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.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor 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.

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

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
6520 Mercantile Way
Lansing, Michigan 48913
Telephone Number: (517) 373-3800

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ITEM 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Coffee Beanery Ltd. (“we”, “us” “our” or “CBL”) is the franchisor of the franchise program described in this Disclosure Document. Unless otherwise noted, we will refer to a prospective franchisee as “you,” whether you are an individual, a partnership, a corporation or other entity, including the owner or owners of those entities.

The Franchisor

We were incorporated in Michigan on March 22, 1976. We began offering franchises on May 18, 1985 for specialty retail coffee stores or businesses in a variety of forms and locations, including kiosks (a small store without a separately defined leased retail space), counters, malls and neighborhood café locations commencing on different dates over our history. We began operating Coffee Beanery stores, including our first corporate store, at our inception in 1976 and have continuously done so since that date. We began offering franchises for Coffee Beanery stores in May, 1985 and have continuously done so since that date. We have not offered franchises for any other type of business.

Our principal business address is 3429 Pierson Place, Flushing, Michigan 48433. We conduct business under the corporate name “Coffee Beanery” and do not conduct business under any other name.

Our agents for service of process in various states, including those requiring franchise registration are listed in Exhibit G to this Disclosure Document.

Parents, Predecessors and Affiliates

We have no predecessors or affiliates that are required to be disclosed in this Item.

Our parent company is the Shaw Coffee Company, which is a Michigan corporation incorporated on June 29, 1983, and that has the same principal place of business as we do. The Shaw Coffee Company is a holding company and has not conducted daily business activities, offered franchises or conducted any other type of business.

The Franchise Offered

We may, if we deem you are qualified, offer you the right to operate one (1) or more of the following Store Models, which all offer and sell espresso based and other specialty beverages, fresh brewed coffee, coffee beans, bakery items, tea, related products such as mugs and coffee makers (collectively, the “Approved Products”):

The “Traditional Store Model” is a retail coffee store that also offers a more substantial food service menu prepared on site as well as some pre-packaged food items. We began offering franchises for the right to operate a Traditional Store Model in 1995.

The “Co-Branded Store Model” is a traditional Store that is operated under the Coffee Beanery marks in conjunction with other marks and products. We began offering franchises for the right to operate a Co-Branded Store Model in 2003. Co-branded owners will sign, in addition to a Franchise Agreement (as defined below), an Addendum for co-branded owners (“Co-Branded Owners”), which is Attachment D to the Franchise Agreement.

The “Convenience Store Model” is a traditional store that is operated under the Proprietary Marks from the same space or premises as a gas station or convenience store. This model may or may not contain a drive-through.

The “Drop Down Container Store Model” is a Store equipped with a drive thru and that does not typically contain indoor seating, and which typically includes a built-in drive-thru that is operated from a non-traditional location that meets the criteria to serve as the premises for the proprietary and pre-fabricated “Drop Down Container” buildout of the Store (which is within a 40-foot container or approximately 450 to 500 square feet in size when serving as the premises).

We identify the Stores by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin owned by us, which currently includes our primary mark “Coffee Beanery” (collectively, “Proprietary Marks”).

All of the Store Models are operated using our Proprietary Marks and in accordance with our proprietary operating system, which includes our valuable know how, information, trade secrets, methods, confidential operations manual (the “Operations Manual”) and other proprietary manuals we may loan to you (collectively, the “Manuals”), standards and specifications, marketing and sales programs, fixture and furniture selection, a business strategy for getting and keeping customers, a distribution method for products and services, staffing guidelines and other research and development connected with the establishment and operation of a Store (collectively, the “System”), which we may modify from time to time as we deem appropriate in our sole discretion.

The franchise agreement (“Franchise Agreement”), a copy of which is attached to this Disclosure Document as Exhibit A, gives you the right to establish and operate a Store. Most Stores will be located in high traffic areas that provide ample parking, significant foot traffic, and exposure to a public thoroughfare and the location of your Store must be approved by us (“Approved Location”). In order to ensure that you will be able to fully satisfy customer demand, you will be required to maintain a minimum level of inventory based upon your Store Model — as described more fully in Item 6. You will also be required to purchase certain inventory and supplies from us and/or any of our affiliates (if and when established), as more fully discussed in Item 6 under “warehouse purchases.”

Market and Competition

Your Store will offer its products to the general public, and sales are not seasonal, other than any seasonality resulting from the physical and geographical location of your Store. The Store will compete primarily with local, regional, and national restaurants, coffee shops, bakeries, and grocery stores offering specialty coffee, pastries, breakfast items, and related food and beverage items to the public for dine-in, takeout, and catering.

There is a significant amount of competition in the retail specialty coffee business. Examples of the competition you may face include national and regional coffee businesses, mail order, restaurants, grocery stores, bulk food stores and department stores. Your competitive advantage in the marketplace will be based on your adherence to our System standards and specifications, as well as your entrepreneurial and managerial abilities and focus on customer service and marketing efforts in the operation of your Center.

Industry-Specific Laws and Regulations

There are no regulations specific to the operation of a retail specialty coffee store, although you will be required to comply with all local, state and federal laws applicable to businesses in general, including zoning laws, labor laws and the Fair Labor Standards Act, workers’ compensation laws, business licensing laws,

tax regulations, and the Americans with Disabilities Act. There may be other laws applicable to your business and we urge you to make further inquiries about these laws.

If you have food service, you will have to comply with laws and regulations relating to licensing of a restaurant business. You must comply with regulations for food preparation, food service and minimum sanitary conditions for your Store enforced by state and local health departments, the U.S. Food and Drug Administration and the U.S. Department of Agriculture, including those relating to nutritional information for menu items. You must obtain all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food service operations. You will also be required to comply with the Telephone Consumer Protection Act and other regulations relating to unsolicited telephone solicitation and text messages as well as PCI Data Security Standards and other laws and regulations relating to customer privacy.

You must consult with your own attorney to ensure that the laws of the state where your Store is located permits you to provide the Approved Products at and from your Store. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a Store generally.

Please be advised that you must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your Store.

ITEM 2

BUSINESS EXPERIENCE

CEO and President: JoAnne Shaw

JoAnne Shaw has served as an officer and Director of our company since 1976, and as President between 1979 and 2007. She has served as our CEO since 1995. All Ms. Shaw's employment has been in at our primary location in Flushing, Michigan.

COO: Laurie Shaw

Laurie Shaw has been employed by CBL since 2001 and served as Vice President of Marketing, Operations and Training from May 2009 through December 2015. She has served as our COO since January 2016. All Ms. Shaw's employment has been in at our primary location in Flushing, Michigan.

Vice President and Director of Franchise Sales: Kevin Shaw

Kevin Shaw has been employed by CBL since 1985. He became a director of CBL in 1991, served as Executive Vice President from July 2007 through September 2015 and has served as our Vice President and Director of Franchise Sales since October 2015. All Mr. Shaw's employment has been at our primary location in Flushing, Michigan.

Controller: Bret O'Brien

Bret O'Brien was hired to be the controller of CBL in July of 2016. He holds degrees in finance, economics, and business management, as well as a master's in accountancy. Prior to his employment at CBL, he served as an Accounting Manager for Peas and Carrots in Bloomfield Hills, Michigan, a hospitality group that owns private and franchise restaurants, from August 2014 to July 2016.

Director of E-Commerce: Britain Butcher

Britain Butcher has been employed by CBL since September 2009, when she began her career with us as a barista at the Genesee Valley Mall store in Flint, Michigan, a position that she retained until May 2013. In 2013, she was hired as CBL's creative manager at the Corporate Office in Flushing. In 2016, Britain became CBL's Director of Ecommerce and joined the leadership team.

Store Development, R&D and Fundraising: Patti Tushim

Patti Tushim, has been employed by CBL since 2006 when she began her career with us as a barista at the Coffee Beanery in the Genesee Valley Mall store in Flint, Michigan, a role she continued in until 2008. From 2008 to 2009, she worked at our Corporate Office in Flushing, Michigan as the Operations Assistant. From 2009 to 2014, she served as the Marketing Specialist at our Corporate Office in Flushing, Michigan. From June 2014 to October 2018, she served as our Marketing Manager at our Corporate Office in Flushing, Michigan and also helps to oversee the fundraising and gift set departments. From October 2018 to present, she has served as our Store Development Manager, Social Media Manager and R&D Manager.

ITEM 3 **LITIGATION**

Administrative Proceeding before the Illinois Attorney General. The State of Illinois initiated an investigation in April 2007 regarding our franchising program in Illinois as a result of the complaint of Oliver Garner (a former Coffee Beanery franchisee) discussed below. The claims made were the participation of an unlicensed broker, failing to disclose required gift card, background music and Pepsi purchase programs. On January 2, 2008, we agreed to pay a fine of \$2,500 and send to Mr. Garner a notice of violation of the Illinois Franchise Disclosure Act and to comply with the Uniform Franchise Offering Circular ("UFOC") guidelines in the future to resolve the investigation without the necessity for formal findings by the Attorney General.

Administrative Proceeding before the Securities Commissioner of Maryland v. The Coffee Beanery, Ltd. And Kevin Shaw, Order to Show Cause, Case No. 2005-0244. On or about January 19, 2006, the Securities Commissioner for the state of Maryland filed an Order to Show Cause arising from an investigation of the Coffee Beanery's sale of a franchise to Richard Welshans (a former franchisee), as described below. The Order to Show Cause stated that the Securities Commissioner found grounds to allege that Coffee Beanery and Kevin Shaw have violated the disclosure and antifraud provisions of the Maryland Franchise Registration and Disclosure Law. The Coffee Beanery, Ltd. and Kevin Shaw filed an answer to the Order to Show Cause denying its material allegations and asked for an Administrative Hearing on the allegations of the Order to Show Cause. On September 12, 2006, we entered into a Consent Order with the Securities Commissioner under which we agreed to cease offering franchises in Maryland in violation of Maryland law and to offer rescission to Richard Welshans and one other Maryland Coffee Beanery franchisee on the terms described in the Consent Order.

WW, LLC v. The Coffee Beanery, Ltd., JoAnne Shaw, Julius Shaw, Kevin Shaw, Kurt Shaw, Ken Coxen, Walter Pilon and Owen Stern, Case No. 54 114 E 00124 05, previously pending before the American Arbitration Association; WW, LLC, Williams & Welshans v. Coffee Beanery Ltd. United States District Court for the District of Maryland (Case no. 05-cv-03360); Coffee Beanery, Ltd. et al v. WW, LLC, et al, United States District Court, E.D. Michigan (Case no. 06-10408); U.S. Court of Appeals, Sixth Circuit (07-1830); Petition for Writ of Certiorari, United States Supreme Court (08-1396); WW, LLC, Williams & Welshans v. Coffee Beanery Ltd. et al, United States District Court for the District of Maryland (Case no.

1:09-cv-01873-WDQ); WW, LLC, et al v. The Coffee Beanery, Ltd., et al, U.S. Court of Appeals, Fourth Circuit (09-1774).

The owners of WW, LLC, Deborah Williams and Richard Welshans, also made a complaint with the Securities Division of the Office of the Attorney General for the State of Maryland making similar allegations that is described immediately above. On December 15, 2005, WW, LLC, Williams and Welshans filed a lawsuit in the United States District Court in Maryland alleging violations of the Maryland Franchise Act, Detrimental Reliance, Intentional Misrepresentation and Negligent Misrepresentation. The Coffee Beanery Ltd. (“CBL”) filed a motion to stay the Maryland litigation. The Plaintiffs claimed that a CBL officer made an improper earnings claim, that equipment they purchased was defective, that the UFOC was deficient in that it did not separately describe Coffee Beanery locations that sold food prepared on site as a separate offering from Coffee Beanery locations serving food prepared off site, for omitting a franchisee from the franchisee listing and failing to include the gift card and background music programs. The court in Maryland granted CBL’s motion to stay and administratively closed the case on March 23, 2006. CBL also filed a Petition to compel the arbitration in the United States District Court for the Eastern District of Michigan and WW, LLC filed a motion to stay the arbitration in the same matter. On July 18, 2006, the U.S District Court in the Eastern District of Michigan granted CBL’s motion to compel arbitration and denied WW, LLC motion to stay arbitration. On March 28, 2007, the arbitrator found in favor of CBL on all claims made by the claimants and awarded us \$144,366.73 in royalties, attorneys’ fees and expenses. Subsequently, the parties exhausted all available appeals and subsequent actions. On March 23, 2011, the U.S. Court of Appeals reopened the action and remanded the case to the U.S. District Court for the District of Maryland for trial. The second litigation filed by WW, LLC and others (Case No. 1:09-cv-01873-WDQ) was stayed and administratively closed by the U.S. District Court for the District of Maryland on December 2, 2009. The Plaintiffs in Case No. 3360 filed a Second Amended Complaint on March 1, 2012. Therein, Plaintiffs added a claim of a violation of the Racketeer Influenced and Corrupt Organizations Act, also known as “RICO.” Both parties moved for summary judgment on Plaintiff’s claims. By orders dated July 17 and August 28, 2013, the United States District Court for the District of Maryland granted summary judgment to CBL on Plaintiff’s claims for Detrimental Reliance, Intentional Misrepresentation, Negligent Misrepresentation, and violation of the RICO stature and denied it as to the claims under the Maryland Franchise Act. Plaintiffs then entered into a Settlement Agreement and Mutual Release with CBL to resolve the claims brought in the Maryland lawsuit. As part of that settlement, CBL agreed to pay Plaintiffs \$80,000 and Plaintiffs agreed to release CBL and its current and former employees from any additional claims.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

All franchisees pay us a lump sum initial franchise fee at the time of signing their Franchise Agreement, which are summarized in the chart below:

Store Model	Initial Franchise Fee
Traditional Store Model	\$15,000 for initial Store; \$7,500 for each additional Store using this Model

Co-Branded Store Model	\$15,000 for initial Store; \$7,500 for each additional Store using this Model
Convenience Store Model	\$10,000 for initial Store; \$5,000 for each additional Store using this Model
Drop-Down Container Store Model	\$15,000 for initial Store; \$7,500 for each additional Store using this Model

VetFran Program

Coffee Beanery is a member of the International Franchise Association (IFA) and participates in the IFA's VetFran Program, which provides a fifty (50%) percent discount on initial franchise fees to veterans of U. S. Armed Forces who otherwise meet the requirements of the VetFran Program and have been honorably discharged. This discount is for new development only. It does not apply to any other type of initial franchise fee or other payment to us.

Opening Inventory

Prior to opening a Store, you are required to purchase your opening coffee inventory from us, including paper goods and drink ingredients, certain small-wares, and the uniforms you will need for initial operations (if you choose to buy these uniforms from us and not our approved supplier). The amount you must pay to us for the inventory and uniforms described above ranges between \$6,500 and \$13,000, and will likely vary depending upon: (i) the type of Store (Model) you determine to develop and operate under your Franchise Agreement; (ii) the size and location of your Store; and (iii) the time of year your Store opens. This is the amount of inventory you must purchase from us prior to opening.

Initial Launch Marketing Materials Kit

In addition, we require you to pay us the sum of \$3,500 to \$5,000, depending on market size, for certain initial launch marketing materials ("Initial Launch Marketing Materials Kit") that you may use in connection with the promotion of the Store prior to and after the opening of the Store.

Uniformity and Other Required Disclosures

Except as provided in this Item, all payments described above are uniformly imposed and non-refundable upon payment.

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ITEM 6
OTHER FEES

NAME OF FEE ¹	AMOUNT	DUE DATE	REMARKS
ROYALTY FEE	Four percent (4%) of the Net Sales ³ generated by your franchised Store over the preceding reporting period (the “Royalty Fee”).	Payable ¹ via electronic funds transfer (“EFT”) on or before the 10 th of each calendar month. ²	Currently the he royalty due each month (the “Royalty” or “Royalty Fee”) is paid based on the Net Sales of the Store over the prior calendar month.
BRAND BUILDING FUND	As of the Issue Date, the greater of: (i) \$100 per week; or (ii) two percent (2%) of the Net Sales ³ of your franchised Store during the preceding reporting period at issue (your “Fund Contribution”).	Payable ¹ via electronic funds on Net Sales by the 10 th of the following month.	See Item 11 for additional information regarding the Brand Building Fund. As of the Issue Date, we have three (3) legacy franchisees that (a) signed their original Franchise Agreements with us in 2000, 2001 and 2003, respectively, and (b) are located in a captive venue (such as an airport), that we do not require to contribute to the Fund.
TECHNOLOGY FEE	Currently, the Technology Fee amounts to \$100 per month.	Payable ¹ via electronic funds on Net Sales by the 10 th of the following month. ²	The Technology Fee is paid to us and covers the following as of the Issue Date of this Disclosure Document: certain internet-based marketing that we designate, and cloud-based accounting software. We or our Approved Supplier may modify the Technology Fee upon 60 days’ prior written notice via the Manuals or otherwise. We reserve the right to require that you pay third-party suppliers directly for some portion or all of the foregoing services, as we deem appropriate in our discretion. We also reserve the right to modify the services that we provide as part of the Technology Fee.
POS SOFTWARE FEE	Currently, the Required Software fees are as follows:	As arranged with Approved Supplier	In addition to the POS software described in this Chart, we recommend – but do not require – that System franchisees license/use

NAME OF FEE ¹	AMOUNT	DUE DATE	REMARKS
	\$200 per month for point of sale (POS) and, if required, inventory management controls		<p>QuickBooks® Online or comparable software for bookkeeping and reporting purposes. We may require this software, as well as designated other Required Software, in the future via the Manuals or otherwise by written notice.</p> <p>The Required Software fees may be modified by the Approved Supplier at issue upon 60 days' prior written notice via the Manuals or otherwise.</p>
ONGOING INVENTORY PURCHASES AND MINIMUM PURCHASING REQUIREMENTS.	<p>We currently require a minimum inventory of \$5,000 for a Traditional Store Model and our new Drop-Down Store Model.</p> <p>The minimum inventory levels associated with a given Co-Branded Store Model and Convenience Store Model will be based on the type of Store Model operated by you.</p> <p>If you are 15 days past due on any payments, you may be charged interest at the lesser of one and one half percent (1.5%) per month or highest contract rate of interest allowed by law.</p> <p>The amount you spend on these ongoing required purchases will vary depending upon a number of factors, including the size and location of your Store and your Net Sales.</p>	As agreed	<p>You must purchase certain inventory and other items required for franchised Store operations (each, a "Required Item") from our then-current approved supplier, which is currently our affiliate.</p> <p>If you don't maintain sufficient inventory for your Store, we can provide it and charge you for it. Standard warehouse terms as set forth in the Warehouse Agreement attached as Attachment C to the Franchise Agreement.</p>
TRAINING FEE(S)	Currently, our Training Fee is \$350/trainer per day, plus expenses.	Prior to receiving the training at issue	We may require you and your designated manager (if any) to attend: (i) up to seven (7) days of refresher/additional training in a given year ("Additional Training"); and (ii) up to seven (7) days of remedial training that we have the right to require you to attend and complete if you are not operating your Store in compliance with the Franchise

NAME OF FEE ¹	AMOUNT	DUE DATE	REMARKS
			<p>Agreement or our Manuals (“Remedial Training”).</p> <p>We may modify our Training Fee upon 60 days’ prior written notice via the Manuals or otherwise.</p> <p>We will not charge you our then-current Training Fee in connection with any Additional Training that we require, but we reserve the right to charge our then-current Training Fee in connection with any (1) Additional Training that you request, or (2) Remedial Training. You will be responsible for all costs and expenses that you and your trainees incur in connection with attending any Additional Training or Remedial Training.</p> <p>We may also charge you this Training Fee if we are required to provide on-site assistance at your Store at your request (outside of the On-Site Training Program), in which case you will also be responsible for the costs and expenses we incur in connection with providing such on-site assistance.</p>
CONVENTION CONTRIBUTION	Currently, a Convention Contribution of \$400 covers attendance for first 2 individuals	<p>Payable via electronic funds transfer</p> <p>Currently, payment is made at the rate of \$200 per month during the two months preceding the national convention</p>	<p>Paid each year to defray our costs associated with conducting the convention or for regional events for the first two attendees. We can require you to pay the Convention Contribution each year. The fee does not cover all costs to attend. We may change the interval in which you must pay your Convention Contribution.</p> <p>If you wish to send additional attendees, you must pay an additional Convention Contribution per additional attendee.</p>
TRANSFER FEE (IN CONNECTION WITH TRANSFER TO NEW OR	\$7,500	Payable by transferee when you apply for transfer of the Franchise Agreement, the	The transfer fee is non-refundable.

NAME OF FEE ¹	AMOUNT	DUE DATE	REMARKS
EXISTING FRANCHISEE)		franchise, the store or its assets.	
RENEWAL FEE	\$5,000	Payable when we approve renewal of your franchise.	The renewal fee is non-refundable.
REIMBURSEMENT FOR MAINTENANCE OF STORE AND INSURANCE	Charge which will vary depending upon the maintenance required or the cost of insurance where your store is located	When billed	Payable if you do not maintain the condition and appearance of the Store or refurbish in accordance with standards or purchase the required insurance and we do so on your behalf.
COSTS AND ATTORNEYS' FEES	Our actual cost for costs and attorneys fee. The amount will vary under circumstances depending upon the dispute.	As incurred.	You must reimburse us for our attorneys' fees and any court costs that we are forced to incur in connection with enforcing or protecting our rights under your Franchise Agreement.
AUDIT-RELATED COSTS ⁴	Cost of audit, as well as the amount due as a result of the any underreporting, plus interest.	Payable immediately upon receipt of audit report.	Payable if audit reveals that you have underreported the Net Sales of your Store by three percent (3%) or more for any designated reporting period.
INTEREST ⁵	Lesser of one and one half percent (1.5%) per month or highest contract rate of interest allowed by law.	When billed.	Payable on all overdue accounts.
INDEMNIFICATION	Will vary under circumstances depending upon the liability we incur because of your operations.	As incurred.	You have to reimburse us if we are held liable for claims, damages or obligations arising from unauthorized agreements or representations, your operation of the Store and your business and certain taxes.
ADVERTISING & PROMOTIONAL MATERIALS	Varies based on materials being provided as part of a designated promotion or other designated promotional campaign.	When billed.	For system-wide marketing programs, you are required to pay for and use these materials. We may offer other materials, the cost of which is payable if you elect to purchase these from us and we elect to charge for them.
LIQUIDATED DAMAGES	An amount equal to the royalties you paid to us in the 60 month period immediately before we terminate the franchise agreement because of your material breach or if you have not operated the Store for 60 months, the average monthly royalties paid multiplied by 60, or the number of months remaining in the	Upon termination.	Payable only if we terminate the franchise agreement because of your material breach.

NAME OF FEE ¹	AMOUNT	DUE DATE	REMARKS
	term of the franchise agreement if fewer than 60 months.		
POST-TERMINATION AND POST-EXPIRATION EXPENSES	Costs and expenses associated with ceasing operations and de-identifying yourself with the System	When incurred	Upon termination of the Franchise Agreement by us, regardless of the cause, and upon expiration and nonrenewal or transfer of the Franchise Agreement, you must pay all costs and expenses associated with your ceasing operation of the Store and de-identifying yourself with the System.

Explanatory Notes

Generally. Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item.

1. **Royalty Fee and Other Fees.** Your Royalty Fee, as well as any other fees payable to us or our affiliates (if and when established) under the Franchise Agreement, will be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your “EFT Account”). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
2. **Collection Interval.** We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates (if and when established) under the Franchise Agreement upon written notice to you. We will collect your Net Sales report detailing your Net Sales from the immediately preceding calendar month, along with your calculated Royalty Fee, Fund Contribution (if appropriate) and other information that we reasonably require (the “Net Sales Report”) by the 5th day of the following calendar month. We also reserve the right to change the interval at which we collect your Net Sales Report. We may also require you to use a Computer System and/or related software that provide us with automatic access to such Net Sales Reports.
3. **Definition of Net Sales.** “Net Sales” means the total revenue generated by your Franchised Business, including all revenue generated from the sale and provision of any and all gift cards and other Approved Products and Services, catering and any other sales generated at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Store, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Net Sales” does not include (a) sales tax and equivalent taxes that are

collected by the Store for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.

4. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Store during the term of the Franchise Agreement. If we conduct an audit and it reveals that you have underreported your Net Sales by three percent (3%) or more, than we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.
5. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

ITEM 7

ESTIMATED INITIAL INVESTMENT

A. Traditional Store Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE ¹	\$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES ²	\$6,500 - \$13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT, FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT ³	\$168,000 - \$280,000	As arranged between you, us and outside suppliers prior to opening		Approved Supplier(s)
INITIAL LAUNCH MARKETING MATERIALS ⁴	\$3,500 - \$5,000	Cashier's check or money order upon signing lease		Us
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT ⁵	\$9,000 - \$35,000	As specified in lease or sublease		Third-Party Landlord
TRAINING EXPENSES	\$3,000 - \$5,000	Cash or equivalent	As incurred	Third-Party Providers
MISCELLANEOUS OPENING COSTS ⁶	\$3,000 - \$5,000	Cash or equivalent	As incurred	Approved Supplier(s) and/or Other Third-Party Suppliers

ADDITIONAL FUNDS—THREE MONTHS ⁷	\$20,000 - \$50,000	Cash or equivalent	As incurred	Various
COMPUTER AND POS SYSTEM ⁸	\$3,700 - \$9,900	As arranged	As arranged	Approved Supplier
DRIVE-THROUGH RELATED COSTS ⁹	\$0 - \$22,000	As arranged	As arranged	Approved Supplier(s) and Other Third-Party Providers
TOTAL ESTIMATED INITIAL INVESTMENT^{10,11}	\$231,700- \$439,900			

B. Co-Branded Store Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE ¹	\$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES ²	\$6,500 - \$13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT ³	\$80,000 - \$200,000	As arranged between you, us and outside suppliers prior to opening		Approved Suppliers and other Providers
INITIAL LAUNCH MARKETING MATERIALS ⁴	\$3,500 - \$5,000	Cashier's check or money order upon signing lease		Us
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT ⁵	\$9,000 - \$30,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	\$3,000 - \$5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS ⁶	\$3,000	Cash or equivalent	As incurred	Approved Suppliers and other Providers
ADDITIONAL FUNDS—THREE MONTHS ⁷	\$20,000 - \$40,000	Cash or equivalent	As incurred	Approved Suppliers and other Providers; Us; etc.
COMPUTER AND POS SYSTEM ⁸	\$3,700- \$9,900	As arranged	As arranged	Approved Supplier(s)
DRIVE-THROUGH ⁹	\$0 - \$22,000	As arranged	As arranged	Approved Supplier and Other Provider(s)
TOTAL ESTIMATED INITIAL INVESTMENT^{10,11}	\$143,700 - \$342,900			

C. Convenience Store Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE ¹	\$10,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES ²	\$6,500 - \$13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT, FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT ³	\$100,000 - \$250,000	As arranged between you, us and outside suppliers prior to opening		Approved Supplier(s) and Third-Party Providers
INITIAL LAUNCH MARKETING MATERIALS ⁴	\$3,500 - \$5,000	Cashier's check or money order upon signing lease		Us
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT ⁵	\$3,000 - \$20,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	\$3,000 - \$5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS ⁶	\$3,000 - \$5,000	Cash or equivalent	As incurred	Approved Supplier(s) and Third-Party Providers
ADDITIONAL FUNDS—THREE MONTHS ⁷	\$20,000 - \$50,000	Cash or equivalent	As incurred	Approved Suppliers; LL; Other Third-Party Providers; Us
COMPUTER AND POS SYSTEM ⁸	\$3,700 - \$9,900	As arranged	As arranged	Approved Supplier(s)
DRIVE-THROUGH ⁹	\$0 - \$22,000	As arranged	As arranged	Approved Supplier(s) and Third-Party Providers
TOTAL ESTIMATED INITIAL INVESTMENT^{10,11}	\$152,700- \$389,900			

EXPLANATORY NOTES TO CHARTS 7(A) THROUGH 7(C) ABOVE:

Generally. All fees are payable in U.S. dollars and are non-refundable unless you come to a different agreement with a third-party provider.

- Initial Franchise Fee.** Your franchise fee is paid in one lump sum when you sign the Franchise Agreement. The franchise fee is identical regardless of the characteristics of your Store or its

location. For example, your initial franchisee fee is the same whether or not you decide to offer an expanded food service at your location.

2. **Opening Inventory and Uniforms.** This figure represents the amount of coffee products, drink ingredients and other inventory you will need to purchase in order to operate your Store for the initial three (3) months of operation, as well as the costs associated with acquiring the initial set of uniforms your personnel will wear in connection with Store operations. Please note that this range assumes that the opening of your Store does not coincide with the beginning of the Christmas season or other holiday season where additional “gift-related” inventory such as gift baskets may need to be purchased to handle customer demand.
3. **Equipment, Fixtures, Signage and Leasehold Improvements.** This range includes our estimated costs to obtain the typical equipment, fixtures, signage, and leasehold improvements associated with a Store in accordance with our System standards and specifications. The total amount expended on these types of items will likely vary considerably depending upon (a) the type of Store model awarded, (b) the size and location of the Store, (c) the physical characteristics and layout of the Store, and (d) the costs of labor in, and other demographics of, the surrounding area where the Store is located. This range does not account for any type of tenant improvement credit or allowance. Our standard franchise offering expects and assumes that the approved premises of your Store for the three (3) models above will be between 800 and 1,200 square feet, unless we mutually agree with you to allow a different size premises.

If you choose to operate a Traditional Store Model, you will need to purchase the equipment necessary to offer this food service and the costs associated with this equipment will vary considerably depending upon the type of food service you offer. For example, offering expanded food service will require refrigeration facilities and food preparation equipment that is not required for a store that sells only prepackaged food products. We may be an approved supplier for certain equipment and signs on a limited basis. As of the Issue Date of this Disclosure Document, however, you do not need to purchase equipment and signs from us.

4. **Initial Launch Marketing Materials.** You are required to pay us the sum of \$3,500 to \$5,000, depending on the market size, for the Initial Launch Marketing Materials Kit, which may include certain (a) opening materials, (b) PR release proposals, (c) third-party direct mailing materials and/or other materials we designate, in our discretion, for use in connection with the promotion of the Store prior to and after the opening of the Store. Please note that the majority of the Initial Launch Marketing Materials are prepared by third-party suppliers with which we have already established a business relationship.
5. **First Three Months’ Rent and Security Deposit.** The amount of the first month’s rent and security deposit will depend on the size, condition and locations of the premises, and the demand for the premises among prospective lessees. Locations that offer extended food service typically require approximately 100 additional square feet, but this is not always true. Depending on the site and its location, a store that does not offer extended food service may be larger than a store that offers such service. The size of the location may have an effect on the cost of leasehold improvements with a larger location requiring higher expenditures for leasehold improvements. However, this may not always be the case since the cost of leasehold improvements may be incorporated into the rental rate for the location depending upon the lease you negotiate. The lease may impose other charges for percentage rent, real estate taxes, utilities, maintenance, advertising and promotion or other expenses. This range does not assume any free rent.

6. **Miscellaneous Opening Items.** This item covers miscellaneous opening costs and expenses such as installation of telephones, deposits for and temporary utilities, business licenses, legal and accounting expenses, insurance premiums, register cash, initial bank deposits for checking account.
7. **Additional Funds – Three Months.** This range is designed to cover the estimated amount you will expend on other start-up expenses (i.e. Technology Fee) to open and operate your Store for a period of three (3) months. This range does not include any salary, draw or other compensation for you as the “Franchisee” and Store Owner. This range does not include any other payroll because the amount expended on personnel wages will vary greatly depending on: (i) whether you are an owner-operator; (ii) what Store model you are awarded the right to operate; (iii) the size and location of your Store; and (iv) the hours your Store is open and operating. With that said, we estimate that your payroll could be anywhere from \$20,000 to \$30,000, but we are not able to make any representation or guaranty as to this expenditure.

We relied on our over forty (40) years of experience in the retail coffee business to compile these estimates, including over fifteen (15) years in operating locations with extended food service but they are not exact.

In addition, Co-Branded Store operators may incur additional costs relating to the other products or services sold which we are unable to estimate. If you are considering operating a Co-Branded Store, please note that the estimates detailed in Chart 7(E) above are the estimated costs and expenses associated with operating the System franchise operations at your location. In any event, you should carefully review these figures with a business advisor to determine if they are reasonable before making any decision to purchase the franchise.

The costs associated with opening and operating your Store for a period of three (3) months is likely to vary substantially from location to location. You should carefully review these figures and compare them with information you obtain from local sources, and then discuss your findings with a business or legal advisor before you make a decision to purchase a Store. Your costs will depend on factors such as: (i) the type of Store model you are opening; (ii) the location and size of your Store; (iii) the demographics of the area surrounding your Store; (iv) how much you follow our methods and procedures; (v) your management skill, experience and business acumen; (vi) local economic conditions; (vii) the local market for our product; (viii) the prevailing wage rate; (ix) competition; (x) the time of year you open the Store; and (xi) the sales revenue generated by the Store during its initial three (3) months of operation. Like any new business, it should be expected that your Store will not generate positive cash flow for a significant period after your opening. This period may be as long as three (3) years. You should be prepared, therefore, to invest additional sums to support operations during this initial phase.

8. **Computer and POS System.** You must procure and install the POS system from approved suppliers or vendors which we may designate. This cost estimate includes a back office computer and three (3) Terminal Kits. For most stores, a single Terminal Kit will be sufficient. For drive-through concepts, you may need to purchase additional registers (not to exceed 3 in total). Additionally, you may not need to purchase a back office computer if you already have a computer that meets our System standards and that you can dedicate to your Store operations.
9. **Drive-Through.** Depending on your Store Model and contemplated premises, you may have the option to add a drive-through window for your Franchised Business. This estimate consists of the costs for (i) outdoor menu board, (ii) group loop, (iii) communication system, (iv) clearance bars, (v) directional signs, and (vi) speaker post. The cost would be \$0 if you do not operate a Store with a drive-through.

D. Drop Down Container Model Store (Store-in-a-Box Model)

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE	\$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES	\$6,500 - \$13,000	As arranged between you, us and outside suppliers prior to opening		Us
BUILDOUT CONTAINER PACKAGE ¹	\$115,000 - \$130,000	As arranged between you and Approved Supplier prior to delivery of drop-down container		Approved Supplier
EQUIPMENT, FIXTURES AND SIGNAGE ²	\$75,000 - \$85,000	As arranged between you and Approved Supplier		Approved Supplier
DRIVE-THRU EQUIP ³	\$15,000 - \$22,000	As arranged between you and Approved Supplier prior to delivery of drop-down container		Approved Supplier
INITIAL LAUNCH MARKETING MATERIALS	\$3,500 - \$5,000	As arranged between you and Approved Supplier		Us
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT ⁶	\$9,000 - \$35,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	\$3,000 - \$5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS	\$3,000 - \$5,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS—THREE MONTHS ⁵	\$20,000 - \$50,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM	\$3,700 - \$9,900	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT⁶	\$268,700 - \$374,900			

EXPLANTORY NOTES TO CHARTS 7(D) ABOVE:

Generally. All fees are payable in U.S. dollars and are non-refundable unless you come to a different agreement with a third-party provider.

- 1. Buildout Container Package.** This range includes the costs associated with installing the Drop-Down Container and other furniture, fixtures and equipment (“FFE”) and signage at your approved

premises. We recommend you use our Approved Supplier for certain of these services, except where prohibited by applicable licensing laws or other regulations.

2. **Equipment, Fixtures and Signage.** This range includes the costs of acquiring the Drop-Down Container that comprises the majority of your Store's buildout, plus the costs associated with acquiring the other small equipment, fixtures and signage associated with the development of your franchised Drop-Down Container Store Model.
3. **Drive-Thru Equip.** We expect that most Store Models of this kind will include a drive-thru. This is the estimated range associated with the outdoor menu board and other equipment associated with the drive-thru that is fitted to work with this Store Model and its Drop-Down Container buildout. The low end of this range (\$0) would apply if you operate a Store without a drive-thru.
4. **First Three Months' Rent and Security Deposit.** This is the amount associated with the security deposit and other lease-related payments due in connection with the premises of your franchised Store over its first three (3) months of operation. Please note that the site must, among other things, be suitable for the installation of the pre-fabricated buildout shell contained in the Drop-Down Container. The size of the location may have an effect on the cost of leasehold improvements with a larger location requiring higher expenditures for leasehold improvements. However, this may not always be the case since the cost of leasehold improvements may be incorporated into the rental rate for the location depending upon the lease you negotiate. The lease may impose other charges for percentage rent, real estate taxes, utilities, maintenance, advertising and promotion or other expenses. This range does not assume any free rent.
5. **Additional Funds – Three Months.** This range is designed to cover the estimated amount you will expend on other start-up expenses (i.e. Technology Fee) to open and operate your Store for a period of three (3) months. This range does not include any salary, draw or other compensation for you as the "Franchisee" and Store Owner. This range does not include any other payroll because the amount expended on personnel wages will vary greatly depending on: (i) whether you are an owner-operator; (ii) the size and location of your Store; and (iii) the hours your Store is open and operating. The costs associated with opening and operating your Store for a period of three (3) months is likely to vary substantially from location to location. You should carefully review these figures and compare them with information you obtain from local sources, and then discuss your findings with a business or legal advisor before you make a decision to purchase a Store. Your costs will depend on factors such as: (i) the type of Store model you are opening; (ii) the location and size of your Store; (iii) the demographics of the area surrounding your Store; (iv) how much you follow our methods and procedures; (v) your management skill, experience and business acumen; (vi) local economic conditions; (vii) the local market for our product; (viii) the prevailing wage rate; (ix) competition; (x) the time of year you open the Store; and (xi) the sales revenue generated by the Store during its initial three (3) months of operation. Like any new business, it should be expected that your Store will not generate positive cash flow for a significant period after your opening. This period may be as long as three (3) years. You should be prepared, therefore, to invest additional sums to support operations during this initial phase.

We relied heavily on estimates we received from our third-party Approved Supplier(s) for the Drop-Down Container, other buildout and leasehold improvements associated with the development of this Store Model. We also relied on our experience in connection with the pre-opening development of our System franchisees in connection with their development of their respective franchised Stores.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Store in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Store and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products

You may only market, offer, sell and provide the Approved Products at your Store in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Store. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Store other than our Approved Products or use any item in connection with your Store that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers; Alternate Supplier Approval Process

We have the right to require you to purchase any products, services and other items necessary to operate your Store from a supplier that we approve or designate (each, an “Approved Supplier”), which may include us or our affiliate(s) (if and when established). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate. We may develop proprietary products for use in your Store, including private-label products that bear our Proprietary Marks, and require you to purchase these items from us or our affiliate(s) (if and when established).

You must at all times maintain sufficient levels of inventory to adequately meet consumer demand. Specifically, we currently require the following minimum inventory that varies based upon Store Model: (i) \$5,000 for a Traditional Store Model or Drop-Down Store Container Store Model; and (ii) the amount we agree to and determine in writing via the Manuals or otherwise for a Co-Branded and Convenience Store Model will be based on the type of Store Model operated by you. If you don’t maintain sufficient inventory for your Store, we can provide it and charge you for it. We reserve the right to designate us or any of our affiliates (if and when established) as an Approved Supplier with respect to any item you must purchase in connection with your Store in the future.

You must purchase all food and beverage items and other inventory, branded paper goods, equipment, loyalty program, certain furniture and fixtures, signage, small-wares, merchandise, initial launch marketing materials, quarterly marketing campaigns, and the gift card program from us or designated or approved suppliers.

As of the Issuance Date of this Disclosure Document, please be advised that we are currently the only Approved Supplier from which you must purchase: (i) the Initial Launch Marketing Materials Kit; (ii) your opening inventory, including uniforms, as described more fully in Item 5 of this Disclosure Document; (iii) ongoing purchases of certain inventory and supplies, including all coffee products, drink ingredients and branded paper goods, for use in connection with your Store; and (iv) certain of the services that are covered by the Technology Fee. Please note that while we are an Approved Supplier for uniforms and certain other

branded items, we are not currently the only designated supplier for these items as of the Issuance Date of this Disclosure Document and we may designate and/or approve other, third-party Approved Suppliers for these required items.

As of the Issuance Date, we also have an Approved Supplier from which you must: (i) purchase the point-of-sale system (the “POS System”) that must be used in connection with your Store; and (ii) pay an ongoing licensing fee associated with that POS System. We also have an Approved Supplier for the (a) Buildout Container Package for the Drop Down Container Store, and (b) millwork you will be required to use in the build-out of your Store.

Other than us, none of our officers own an interest in any of our Approved Suppliers.

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully below in this Item. We may provide our standards and specifications for our Approved Products directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

You must offer products and services in the manner we prescribe, provide quality customer service, and otherwise operate your Store in a manner which will enhance the image intended by us for the System. We reserve the right to formulate and modify our standards and specifications for operating a Store based upon the collective experience of our principals. Our standards and specifications are described in the Franchise Agreement, the Manuals, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the Store by written notice to you or through changes in the Manuals. You may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your “Required Purchases.” We estimate that your Required Purchases will account for approximately sixty percent to seventy-five percent (60% to 75%) of your total costs incurred in establishing your Store, and approximately thirty percent to fifty percent (30% to 50%) of your ongoing costs to operate the Store after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

According to our consolidated audited financial statements for the fiscal year ending June 30, 2023, we derived \$1,018,257 (or 8.43%) of our total revenue of \$12,073,374 from franchisees’ Required Purchases. Our affiliates (if and when established) reserve the right to derive revenue from franchisee Required Purchases in the future.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Store that are not Approved Products; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Store; or (ii) purchasing from a non-approved supplier. You must reimburse us for the costs we incur in processing the request and testing the item. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within thirty (30) days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the stores in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) (if and when established) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Stores in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates (if and when established) may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.

We reserve the right to create purchasing cooperatives in the future.

Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

If you commit any of the defaults listed below, we have the right to refuse to sell products to you. The defaults giving rise to this remedy include: (1) a payment due to us from you is more than 30 days past due;

(2) Sales Report submission 30 days past due and or eliminating our access to retrieve sales report, (3) Any other default under the Franchise Agreement that has not been cured within 30 days of written Notice. In addition, if you fail to satisfy all the conditions of renewal but continue to operate your Franchised Business after the end of the term of the Franchise Agreement, we have the right to refuse to sell products to you and to cause approved and designated vendors to refuse to sell products to you.

Advertising

You must participate in all advertising and sales promotions we design to promote and enhance the collective success of all System Store operating under the Proprietary Marks. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by us will be final and binding upon you. We may also request that you purchase and/or make copies of (at your expense) and subsequently use certain other advertising or promotional materials that we designate for use in connection with the Store.

You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Store if we have not prepared or approved them during the twelve (12) months prior to the date of your proposed use. We may revoke our approval of any previously-approved advertising materials upon notice to you. We reserve the right to require you to include certain language on all advertising to be used locally by you or to be used by any cooperative, including the phrase “Franchises Available” and references to our telephone number and/or website.

Approved Location and Lease

You must obtain our approval of the proposed location for your Approved Location, as well as the corresponding lease, before you secure such location. You must also obtain our approval of any contract of sale or lease for the Approved Location before you execute the contract or lease, and we may condition our approval of any such lease on you and your landlord’s execution of our prescribed form of Collateral Assignment of Lease and lease addendum. You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Store at the premises. Our approval only means that the site meets our minimum requirements for a Store and does not guarantee any type of success at the Approved Location. We strongly recommend that you employ outside brokers to assist in the site selection process.

Insurance

We currently do not have one or more Approved Suppliers for insurance, but we reserve the right to appoint one or more in the future. You agree to purchase/procure and maintain such insurance covering the operation and location of the Store as we may designate from time to time in the Manual or otherwise in writing. Our present insurance requirements are as follows: (i) general liability insurance in the minimum amount of one million dollars (\$1,000,000) per occurrence (including personal and advertising injury and employee benefits liability insurance of \$1,000,000), two million dollar (\$2,000,000) umbrella general liability insurance in the aggregate, and two million dollars (\$2,000,000) of products/completed operations liability insurance; (ii) property insurance as required by Franchisee’s landlord; (iii) auto insurance for all vehicles used in connection with operating the Store (for delivery or other purposes), which will include liability coverage in the minimum amount of one million dollars (\$1,000,000) per year, or the minimum required by state regulations, whichever is greater; (iv) business income interruption and extra expense insurance covering actual loss for not less than one (1) year of operations; (v) worker’s compensation as

required under applicable laws and regulations and any other insurance required by your lenders or landlord; and (vi) any other coverage that we periodically require to satisfy insurance-related obligations. Our standard franchise offering does not involve the sale of alcoholic beverages and, as such, we have not included the insurance that we be required to offer and sell such beverages at a given Store in this Disclosure Document. Please note that these are only minimum requirements and you should discuss with your attorney and insurance broker whether you should obtain policies with a higher policy amount.

Computer Hardware and Software

You must lease or purchase the computer hardware and software necessary to operate the POS System you must purchase from our Approved Supplier and use in connection with your Store, which is currently the POS System, back-office computer or laptop (collectively, the “Computer System”).

You must pay the monthly and initial fees associated with the POS System and will be responsible for the costs of maintaining the Computer System used in connection with your Store.

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. We may require you to purchase any of these items from one of our Approved Suppliers. Your Computer System must have network access through a wireless provider. We may require you to purchase any of these items from one of our Approved Suppliers.

ITEM 9

FRANCHISEE’S OBLIGATIONS

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

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
a. Site selection and acquisition/lease	Franchise Agreement §§ 1, 5, and Attachment B	Items 7 and 11
b. Pre-opening purchase/leases	Franchise Agreement § 5 and Attachment C	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Franchise Agreement § 6	Items 6, 7, and 11
d. Initial and ongoing training	Franchise Agreement § 5	Item 11
e. Opening	Franchise Agreement §§ 4, 5 6, and 9	Item 11
f. Fees	Franchise Agreement §§ 2, 3	Items 5 and 6
g. Compliance with standards and policies/operating manual	Franchise Agreement §§ 5, 6, 7, and 8	Items 11 and 14

<u>Obligation</u>	<u>Section in Agreement</u>	<u>Item in Disclosure Document</u>
h. Trademarks and proprietary information	Franchise Agreement §§ 7, 8	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement §§ 5, 8	Item 16
j. Warranty and customer service requirements	N/A	N/A
k. Territorial development and sales quotas	N/A	Item 11
l. Ongoing product/services purchases	Franchise Agreement § 5 and Attachment C	Item 8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement §§ 5, 11	Item 11
n. Insurance	Franchise Agreement §§ 5, 6, 10	Item 7
o. Advertising	Franchise Agreement §§ 3, 5, and 9	Items 6 and 11
p. Indemnification	Franchise Agreement § 18	Item 6
q. Owner's participation/management/staffing	Franchise Agreement § 5 and Attachments A and B	Items 11 and 15
r. Records/reports	Franchise Agreement § 11	Item 6
s. Inspections/audits	Franchise Agreement §§ 5, 11	Items 6 and 11
t. Transfer	Franchise Agreement § 12	Items 6 and 17
u. Renewal	Franchise Agreement § 2	Item 17
v. Post-termination obligations	Franchise Agreement §§ 13, 14	Item 17
w. Non-competition covenants	Franchise Agreement § 15 and Attachment A; Confidentiality and Noncompetition Covenant (Exhibit E)	Item 17
x. Dispute resolution	Franchise Agreement § 23	Item 17
y. Guarantee of obligations	Guarantee Agreement (Attachment A)	Item 15
z. Other / Promotion of Coffee Beanery Franchise	Franchise Agreement § 5	Item 11
aa. Liquidated damages	Franchise Agreement §14	N/A

ITEM 10
FINANCING

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

ITEM 11
**FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTERS
SYSTEMS AND TRAINING**

Except as listed below, we need not provide any assistance to you.

A. Pre-Opening Obligations to Franchisees

Before you open your Store, we or our designee will provide the following assistance and services to you:

1. Provide certain site selection assistance for the Approved Location, as further discussed below. (Franchise Agreement, Section 4.1)
2. Loan to you, or provide you with online access to, one (1) copy of our Manual for the duration of the Agreement, and any other manuals that we may develop and issue. At our option, we may provide you with either a paper or electronic version of the Manual and other manuals. The Table of Contents of the Manual is attached as Exhibit D to this Disclosure Document and the Manual is between 312 and 518 pages as of the Issue Date of this Disclosure Document (depending on the Store Model you are awarded the right to operate). (Franchise Agreement, Section 4.2)
3. Assist you or your architect, contractor or designer, in providing specifications for the construction of the interior design and layout of your Store. (Franchise Agreement, Section 4.3)
4. Offer a classroom training program to you covering basic Store operations and management. (Franchise Agreement, Section 4.4)
5. Offer, at your Store's premises, an initial training program to you and those employees you select who will be involved in the daily operation of the Store. (Franchise Agreement, Section 4.5)
6. Provide you with the Initial Launch Marketing Materials Kit and opening stock of inventory, provided you timely pay for such items as required under your Franchise Agreement (Franchise Agreement, Sections 4.6 and 9.5)
7. Provide initial advice and assistance to you in operating and promoting the Store.. (Franchise Agreement, Section 4.8)
8. Furnish to you our authorized vendor guide for ordering branded apparel and approved merchandise. (Franchise Agreement, Section 4.7)

B. Initial Training Program and Details; Other Training and Annual Convention

1. Prior to the opening of your Store, you (or, if a corporation or partnership, a principal of the business acceptable to us) and/or your designated store manager, shall attend and complete to our satisfaction, our franchise operations training program (“Operations Training”), and our initial on-site training program (“On Site Training”). (Franchise Agreement, Section 5.7)

2. Your Operations Training program will last anywhere from seven (7) to ten (10) calendar days (at our discretion) depending upon the location and physical characteristics of Store you will be operating and whether you have decided to offer extended food service. For those locations that do not offer an extended food service menu, training generally lasts up to seven (7) calendar days. If you decide to offer an extended food service menu, training will generally last up to ten (10) calendar days. The number of these training days may be reduced in our discretion if it appears that additional training is unnecessary. This training normally occurs thirty (30) to sixty (60) days prior to the Store opening and must be attended by you (or, if a corporation or partnership, a principal of the business acceptable to us) and/or your designated store manager. Operations Training will be held in Flushing, Michigan and will consist of both classroom and in store training, covering business basics, customer service and Store operations. Operations Training is held in Flushing, Michigan periodically as needed. We will provide training instructors, a training manual, and other materials without charge. You will be responsible for all other expenses incurred during the Operations Training program, such as travel, lodging, and meal costs for both you and your store manager (if applicable). We may adjust or abbreviate the Operations Training program for certain franchisees based upon their past business experience. Some training may be held online.

3. The On Site Training program will be held at your Store at the time it is scheduled to open. The program is provided to you and those employees selected by you who will be involved in the daily operation of the Store. You are required to be fully staffed, personally present and participate at your Store during all On Site Training. Such training will cover, among other things: equipment set up, merchandising set up, daily operational procedures, preventive maintenance of equipment, service fulfillment and local marketing. On Site Training, depending on concept, will last up to seven (7) calendar days, beginning two (2) to three (3) calendar days prior to the Store opening and lasting up to four (4) days after Store opening date (at our discretion). We will provide the trainer, a training manual, and other materials without charge. In the event that you need additional training or you are not prepared for the On Site Training program, after that time you will be required to pay us our then-current Training Fee, which is currently \$350 per day as well as our travel costs incurred, for each day we spend in our attempt to provide On Site Training.

4. Within one hundred and eighty (180) days following the opening of your Store, we may provide, at our discretion, one on-site follow-up training visit. Such training may consist of between one and one and a half (1.5) calendar days. We will provide, without charge, the trainer and other training materials for the follow-up training visit and you must be present during all such training.

5. We may provide certain portions of your Initial Training Program via the internet, webinar, or other learning management system that allows us to track, test, and monitor your progress.

6. Our training, including the approximate duration and the location of training are detailed on the following chart and, except as provided in this Item, this training applies to all Store Models:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Coffee & Product Knowledge	10 hours	5 hours	Training Center (in Flushing, Michigan); Training Store (in Flint, Michigan)
Equipment	2 hours	4 hours	Training Center
Product Preparation	2 hours	20 hours	Training Center, Training Store
Admin.	None	4 hours	Training Store
Food Sanitation	6 hours	1 hour	Training Center
Marketing	5 hours	2 hours	Training Center
Point of sale system	2 hours	5 hours	Training Center, Store
Retailing basics	1 hour	3 hours	Training Store
Guest Service	1 hour	9 hours	Training Center, Training Store
Ordering	1 hour	2 hours	Training Center, Training Store
Accounting and compliance	2 hours	1 hour	Training Center
Shift Management	None	3 hours	Training Store
Human Resources	3 hours	1 hour	Training Center
TOTAL	35	60	

7. We use our operations and other manuals and other materials to conduct our training. All training is conducted and/or supervised by Laurie Shaw, our COO, who has assisted us in all aspects of marketing, and operations since her employment for us began in 2001 and has thirteen (13) years of experience in the subjects she is teaching. We do not currently have a set training schedule, but our Operations Training program will be made available on an as-needed basis subject to the availability of our personnel. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Operations Training program. The Operations Training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. (Franchise Agreement, Section 5.7)

8. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one (1) year in the subject matters that they teach. We will loan you (or otherwise provide you with access to) a copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop.

9. You, or another person that successfully completes our Initial Training Program, will be required to train all other personnel that works at your Store. (Franchise Agreement, Section 5.7). If,

during the term of the Franchise Agreement, you want us to train additional employees at your Store, you must pay us our then-current Training Fee (currently, \$350 per day) plus reimbursing us for the cost of transportation, meals, and lodging costs and expenses incurred by the trainer(s) you are provided. (Franchise Agreement, Section 5.7)

10. If you or other trainee you designate fails to complete the Operations Training program to our satisfaction, you will be in default of the Franchise Agreement and as part of the remedial training, that person may re-attend or you may send a replacement to our next available Operations Training program session, provided there is availability. We may charge our then-current training tuition rate for these individuals to re-attend the Operations Training program as well. In any event, you are solely responsible for all expenses incurred related to your and your employee's attendance at our Operations Training program, including transportation to and from the training site, lodging, meals and employee wages. (Franchise Agreement, Section 5.7).

11. We may, as we deem appropriate in our discretion, provide (and, in certain circumstances) require you to attend Additional Training and/or Remedial Training, as described more fully in Item 6 of this Disclosure Document. We reserve the right to charge our then-current Training Fee in connection with: (i) any Additional Training you request we provide; and (ii) any Remedial Training. (Franchise Agreement, Section 4.11)

12. You, and other employees designated, are also required to attend our Coffee Beanery national convention and or regional training events for franchisees as well as additional training programs that we may reasonably require. You will be required to pay us our then-current Convention Contribution, currently amounting to \$400, for the national convention and/or regional events (paid to us via scheduled EFT prior to the convention), to cover your attendance and that of one additional person.

13. You will be responsible for your expenses incurred in attending the annual national convention as well as additional training programs, including the costs of transportation, lodging, and meals. The convention and all training will be at the time(s) and location(s) we select. (Franchise Agreement, Section 5.9)

C. Site Selection

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing the Approved Location for your Store; and (ii) constructing, equipping, remodeling and/or building out the Store, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Store. (Franchise Agreement, Section 5.10). We do not typically own or lease Approved Locations from which Franchised Businesses operate.

In deciding whether to approve a site, we may also consider, among other things: (i) general location and neighborhood; (ii) proximity of the proposed location to current CBL locations and those of competitors, (iii) traffic patterns; (iv) competition from other businesses selling similar coffee products within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the proposed site; (v) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (vi) the quality of the location proposed, physical characteristics of the buildings.

We must also have the opportunity to review and approve/reject any lease or purchase agreement for a proposed Approved Location before you enter into such an agreement. We may condition our approval on a number of conditions, including: (i) an agreement by you and the landlord to enter into our prescribed form of Collateral Assignment of Lease; and (ii) receiving a written representation from the landlord of that you will have the right to operate the Store, including offering and selling the Approved Products, throughout the term of your Franchise Agreement. Under the Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the lease for the Approved Location (the “Lease”) for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default. (Franchise Agreement, Section 5.10.7; Attachment E to Franchise Agreement).

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within sixty (60) days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 60-day period, the proposed location will be deemed rejected. You acknowledge and agree that you are responsible for location of a site for your Store and any consequences that arise from that selection. We strongly recommend that you employ outside brokers to assist in the site selection process. (Franchise Agreement, Section 4.1). If you and we cannot agree on a site for your Store, then you must timely submit one or more substitute site proposal(s).

You must secure the Approved Location within six (6) months of executing your Franchise Agreement for that Store or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6.10).

Time to Open

The typical time between the execution of a Franchise Agreement and the opening of a Store is one hundred eighty (180) to three hundred sixty (360) days. Factors such as the ability to obtain a lease, construction of required improvements to the site, meeting building code requirements, approvals from building – health – and other local agencies, and obtaining financing affect the time it takes to open a Store. You must open your Store for business no later than one hundred twenty (120) days after the later of the date (a) you secure a lease or otherwise have an Approved Location, or (b) six (6) months from the date your Franchise Agreement is executed. (Franchise Agreement, Section 6.10).

D. Continuing Obligations to Franchisees

After you have opened your Store, we or our designee will provide the following assistance and services to you:

1. Offer a follow-up on-site training visit to you. (Franchise Agreement Section 4.9)
2. Offer, as we deem necessary, Additional Training, required and optional training programs, seminars, and workshops, at the times and locations selected by us. (Franchise Agreement Section 4.9)
3. Provide continuing advice and assistance to you, as we deem appropriate, in operating and promoting Stores. (Franchise Agreement Section 4.8)

4. When and as frequently as we deem advisable, inspect your business premises and evaluate your Store's management and operations, in order to assist you and to maintain the System's standards of quality, appearance, and service. (Franchise Agreement Section 4.10)

5. If and as we deem appropriate, administer the Brand Building Fund. (Franchise Agreement, Section 9.2)

6. We may, but are not required to, provide target prices for products which may be charged based on an analysis of the market. (Franchise Agreement, Section 5.14)

E. Advertising and Marketing

Initial Launch Marketing Materials Kit

In addition, you are required to pay us the sum of \$3,500 to \$5,000 depending on the market size, for the Initial Launch Marketing Materials Kit that you may use in connection with the promotion of the Store prior to and after the opening of the Store. We expect that these activities will include programs such as newspaper inserts, direct mail, web based marketing and other similar promotional programs. These will either be conducted by us or third parties as we determine appropriate for your Store. (Franchise Agreement Section 4.6 and 9.5).

Local Advertising

You must actively and continuously engage in local promotional activities that are designed to increase business for the Store. We will specify in the Manual or otherwise in writing the types of promotional activities needed, as well as the minimum monthly time commitment that must be made to local promotional activities. (Franchise Agreement Section 5.13)

We do not currently have, and have not had in the past, any advertising cooperatives. We do not reserve the right to establish an advertising cooperative under the Franchise Agreement.

All local advertising and promotion by you must be conducted in a dignified manner, and conform to the standards set forth in the Manual or otherwise in writing. You may not use any advertising or promotional plans or materials until we have approved it, following the procedure described in the following paragraph. (Franchise Agreement Section 9.4)

You must submit samples of all advertising and promotional plans and materials to us before their use. You may begin to use the plans or materials seven (7) days after we receive them, unless, before then, we prohibit their use in a written notice furnished to you. We also can prohibit their continued use, effective when you receive our written notice that you must stop using the plans and materials.

We maintain an internet website that lists all of our stores, including all franchise stores, to aid in promotion of the brand. To assure consistency in product offerings and image, you may not operate an independent website.

You will be required to have a Facebook page or any other social media account for your Store which will be set up for you in training and must be formatted to follow our standards. An account representing a Coffee Beanery store must be used only for business purposes and is subject to our standards and requirements relating to use, including our requirement that Coffee Beanery must have access to your social media accounts as an administrator. If you close your Store or your Franchise Agreement is

otherwise terminated or expires, you must also close down any Facebook or other social media accounts that are associated with the store.

The Brand Building Fund (or “Fund”)

We previously established the Brand Building Fund, and have the right, in our discretion, to maintain and administer the Fund.

Your Fund Contribution to the Brand Building Fund is the greater of: (i) \$100 per week; and (ii) two percent (2%) of the Net Sales generated by your franchised Store during the preceding calendar month. As of the Issue Date, the Brand Building Contribution must be contributed to the Fund once per month by the 10th day of the following month. (Franchise Agreement Section 9.1)

Each Store that we or an affiliate (if and when established) operate with an initial opening date after October 1, 2003, will contribute two percent (2%) of its weekly Net Sales to the Brand Building Fund. Those that opened prior to that date make no contributions to the Fund.

As disclosed in Item 6, we also have three (3) legacy franchisees as of the Issue Date that (a) signed their original franchise agreement with us prior to or in 2003, and (b) operate their Franchised Business from a non-traditional, captive venue (such as an airport), that are not required to contribute to the Fund on the basis of their long-standing relationship with us.

The Brand Building Fund, all contributions to the Fund (including amounts that we may receive as a result of rebate or incentive programs with our suppliers except as may be otherwise described in this franchise disclosure document), and any earnings on amounts in the Brand Building Fund, may be used to meet all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations research & development, and/or promotional programs and materials, product placement and any other activities which we believe will benefit the System, including, the costs of preparing and conducting Brand Building campaigns in various media; preparing direct mail advertising; market research; employing advertising and/or public relations agencies to assist in our Brand Building efforts; purchasing promotional items; conducting and administering training for Store promotions; supporting and administering the gift card program, providing promotional and other marketing materials and services to the businesses operating under the System, and point-of-purchase materials. The Brand Building Fund is not a trust fund, and we do not have any fiduciary duty to you with respect to the Fund’s administration, activities, or expenditures. (Franchise Agreement Section 9.2)

We typically disseminate advertising in print and on the internet. We direct all Brand Building and promotional programs. We do not currently have any advertising council (and do not intend on creating one in the future) of franchisees to advise us in the conduct of our advertising program. All creative concepts, materials, and media used in these programs and their placement and allocation are the sole creation of our in-house department or outside advertising agency. We are not obligated to make expenditures from the Brand Building Fund that are equivalent or proportionate to your contribution, or to ensure that you or any other particular franchisee benefits directly or *pro rata* from the advertising or promotion that we conduct under the Fund. (Franchise Agreement Section 9.2)

The Fund Contributions made during our fiscal year ending June 30, 2023 were expended as follows: (i) approximately one percent (1%) was on printing; (ii) 18% on creative development; (iii) 4% on administrative costs; (iv) 16% on operational expenses; and (v) 31% on media placement.

As of the Issue Date, one of the Brand Building Fund programs provides for reimbursement of a portion of certain local advertising expenses incurred by eligible System franchisees based upon that

franchisee's contribution to the Brand Building Fund. For franchisees that demonstrate a consistent local marketing program and presence and have otherwise remained fully compliant with their obligations under their franchise agreements, we may currently determine to provide a thirty percent (30%) reimbursement of preapproved expenditures for local advertising from the Brand Building Fund up to fifty percent (50%) of the contributed funds budgeted for that year for that location, which in no event shall exceed the amount that franchisee contributes to the Brand Building Fund. As of the Issue Date, these funds have been and are issued in the form of a credit to be used in connection with inventory purchases made by our then-current Approved Supplier. We reserve the right to terminate the this program at any time upon prior written notice. Under this current program, this reimbursement is not valid in connection with local advertising expenditures made during the first ninety (90) days of a Store opening.

You must make your Brand Building contribution by electronic funds transfer to the Brand Building Fund. We will not use the Brand Building contribution to defray any of our expenses, except for our reasonable costs and overhead, if any, incurred in activities reasonably related to the administration of the Fund, including, costs of personnel and/or agency for creating and implementing advertising, promotional, and marketing programs. If we do not use all of the fees in the Brand Building Fund in the year in which they received, they will be the first monies expended in the next year. The Brand Building Fund and earnings on the Fund will not otherwise benefit us. (Franchise Agreement Section 9.2.3) We do not use any money from the Brand Building Fund for advertising that is principally a solicitation for the sale of franchises.

We do not (and are not obligated to) obtain an audit of the Brand Building Fund, but we will annually prepare a summary of the operations of the Brand Building Fund as shown on the books of the Fund and if you request it, furnish the statement to you. You are not entitled to audit or review the financial statements of the Fund without our approval. (Franchise Agreement Section 9.2.4)

F. Computer System, including POS System (applicable to all Store Models)

You must, at your expense, purchase or lease, and thereafter maintain, point of sale equipment, computer hardware (including laptops), software, and firmware, required dedicated telephone and power lines, modem(s), printer(s), and other computer-related accessories or peripheral equipment as we specify in the Manual or otherwise in writing. Your computer systems must electronically exchange information, messages, and other data with our computer systems, by such means (including but not limited to the Internet), and using such protocols (e.g., TCP/IP), and do so as we designate or as we may reasonably prescribe in the Manual or otherwise in writing. The data stored includes transactions, items sold, price, cost (if recorded) tender type, tax collected, refunds given, inventory levels of items with stock levels, customer names and transaction history, employee hours and cash drawer usage and other data. We have the unlimited right to retrieve data and information from your computer system (including both POS systems and the back office computer) and use it for any purpose both during and after the term of this Agreement. You must keep your point of sale equipment and computer system in good maintenance and repair and, at your expense, promptly install such additions, changes, modifications, substitutions, and/or replacements to the computer hardware, software, firmware, telephone and power lines, and other computer-related facilities, as we direct. You must not update, modify, enhance, or upgrade any computer hardware or software without our prior written consent. You also may not establish any computer web site including Internet and World Wide Web home pages. We may require you to participate in our website, www.coffeebeanery.com. (Franchise Agreement, Section 11)

In addition, from time to time we may modify the component specifications for the point of sale system and computer system. As part of such point of sale system and computer system, we may require you to obtain specified computer hardware and/or software, including, without limitation, a license to use proprietary software developed by us or others. Modification of such specifications for the components of

the point of sale system may require you to incur costs to purchase, lease and/or license new or modified point of sale or computer hardware and/or software to obtain service and support for the point of sale and computer system during the term of the Franchise Agreement. There are no contractual limits on our right to require you to upgrade or update the cash register and computer system during the term of the Franchise Agreement. (Franchise Agreement, Section 11)

As of the Issuance Date, we require the following computer and point of sale equipment:

POS/Computer Hardware	Software
<p>Server, 2-3 iPads as terminals, EMV Chip Terminal, Thermal Receipt Printer, and Cash Drawer (collectively, a “Terminal Kit”); Possible “bump screen(s”); and</p> <p>Computer or laptop that can run the designated accounting software and otherwise take care of “back office” functions (if not already owned)</p>	<p>Revel POS Software;</p> <p>Central Interface, License Data Store Server and Menu Development; and</p> <p>Current Windows or Apple OS Software, as applicable.</p>

The cost of a single Terminal Kit is approximately \$3,700 to \$4,500, and our Approved Supplier for the POS System currently charges a monthly licensing fee of \$200/month to use the POS System at your Store.). The register must be registered and stay connected to the System-associated email address that you are provided with prior to opening.

For most Stores, a single Terminal Kit – as described above – will be sufficient. For drive-through concepts, you may need to purchase additional iPads (not to exceed 5 in total) and receipt printers which will add to this expense. The range for the components of the POS System is between \$3,700 and \$9,900. .

Additionally, while we do not set specifications for this equipment and any equipment may be used, a store needs a back-office PC or laptop and this system requires dedicated wireless internet connectivity that is password protected with adequate firewalls to ensure credit card information is secure for PCI compliance. Such computers are generally available from multiple sources and vary in price from \$400 to \$1,500 depending upon the system you select. If you already have a computer that meets our System standards and that you can dedicate to your Store operations, then we may permit you to use that existing hardware rather than purchasing a new back-office computer.

We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates for the computer you select and purchase and we do not impose any obligations upon you to upgrade or update this computer. We do not require you to purchase any maintenance, updated, upgrading or support contracts and accordingly, there is no cost associated with these items. You will, however, have the costs associated with operation and maintenance of any personal computer. If you offer Wi-Fi for your guests you will also need to maintain a separate Wi-Fi account to ensure insulation from customer and other private information.

You must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or any required software as we direct from time to time in writing. We estimate that you will spend approximately \$1,500 to \$3,000 annually on maintenance and support contracts for your Computer System, which includes any amounts expended on your required software for point-of-sale (POS) functions.

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the Store to us. We have the right to independently access, monitor, and retrieve any data you input or collect electronically, including access to your Computer System or for any other purpose we deem necessary. (Franchise Agreement, Section 11.8).

Gift Card Program

Please note that we will also require you to participate in a gift card program, under which customers can purchase gift cards from you and purchases are charged against the card as made. Our then-current System standards, policies, procedures and other specifications associated with our System gift card program(s), including any reciprocity policies that you must honor and redeem at your franchised Store, will be set forth in the Manual(s) or otherwise in writing.

Internet Connectivity

You are required to have a high speed internet connection in your location and to pay any costs associated with this utility. Please refer to the subsection entitled “Local Advertising” in this Item 11 with respect to a website for your Store.

ITEM 12

TERRITORY

The Franchise Agreement designates the Approved Location for the Store. If no Approved Location has been selected when you sign the Franchise Agreement, we will describe the Approved Location in a site approval letter sent to you after you locate the Approved Location.

You may not relocate your Store without our written consent, which we will not unreasonably withhold provided your proposed relocation site meets our then-current criteria for an Approved Location. When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate. We do not have a minimum territory that we award in connection with franchised Stores.

You will not receive an exclusive 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. We may establish other franchised or company-owned Stores that may compete with your Store in any area without restriction. We retain all rights other than your right to operate a Store at your Approved Location, including without limitation:

1. to own, acquire, establish and/or operate, and license others to establish and operate, Stores, regardless of their proximity to the Approved Location or their impact on your Store;
2. to own, acquire, establish and/or operate, and license others to establish and operate, businesses using other proprietary marks or other systems, including (i) businesses which provide products and/or services similar to those provided by a Store; and/or (ii) Stores at any location, regardless, in either circumstance, of its proximity to the Approved Location or their impact on your Store;
3. to sell or distribute, at retail or wholesale, directly or indirectly, including internet sales, fund raising sales or mail order sales, or license others to sell or distribute, any products

which bear any proprietary marks, including the Proprietary Marks, regardless of their proximity to the Approved Location or their impact on Store Owner's Store; and

4. to manufacture, sell and distribute coffee and related products in any manner.

Your Franchise Agreement and any other agreements with us do not grant you the right to (a) conduct any of the activities above, or (b) share in the proceeds generated by these activities. Accordingly, we are not required to pay you any compensation for soliciting or accepting orders in proximity to your Approved Location. We will not be required to pay you any compensation for soliciting or accepting order inside your territory. We also reserve the right to market products using the Proprietary Marks through alternative distribution formats, including direct sales and multi-level marketing distributorships and we have done so. For some Approved Products using the Proprietary Marks, these sales formats likely will compete with your Store. Except as described in this paragraph, we have not established or presently intend to establish other franchises or company-owned outlets selling similar products or services under a different trade name or trademark. However, we retain the right to do so and currently monitor and explore opportunities that arise from time to time on this subject.

You may not sell products through the Internet, including any third-party delivery platform, or using any channel of distribution other than your Store without first obtaining our written consent. If you don't maintain sufficient inventory for your Store, we can provide it and charge you for it.

Additional Disclosures

The Franchise Agreement does not provide you with any right or option to open and operate additional Stores. Regardless, each Store you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor any affiliate (if and when established) have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

ITEM 13

TRADEMARKS

We grant you a limited, non-exclusive license to use our primary mark COFFEE BEANERY and certain other Proprietary Marks in connection with the operation of your Store only at your Approved Location, provided you use these Proprietary Marks as outlined in your Franchise Agreement and our Manuals.

We own the following service mark registrations on the principal register of the United States Patent and Trademark Office:

MARKS	REGISTRATION NUMBER	REGISTRATION DATE
"COFFEE BEANERY"	3,182,143	December 12, 2006

MARKS	REGISTRATION NUMBER	REGISTRATION DATE
“BEANERY BLEND” all words, text, drawings and art	1,512,924	November 15, 1988
“HOT SPICED VIENNESE” all words, text, drawings and art	1,553,085	August 22, 1989
“CAFE CARMEL” all words and text	2,042,790	March 11, 1997
“ICED FUDGE RIPPLE” all words, text, drawings and art	1,616,932	March 12, 1990
“THE RIGHT ROAST” all words, text, drawings and art	2,024,672	December 17, 1996
“ESPRESSO PERFECTO”	2,669,628	December 31, 2002
“CB CUP DESIGN”	2,806,359	January 20, 2004
“SINGLICIOUS”	4,426,742	October 29, 2013
“FRAPPALATTE”	4,895,505	February 2, 2016
The trademark in 1982 consisted of a picture of a coffee mill and tree, with the words “THE COFFEE BEANERY”. The trademark registered in 1985 consists of a coffee cup formed by using the letters “C” and “B”, with or without the words “The Coffee Beanery Ltd.” printed below the coffee cup. The trademark registered in August 1990 consists of the words “The Coffee Beanery, Ltd.” standing alone.		

All required affidavits have been filed and when appropriate, the registrations noted above have been renewed.

You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Proprietary Marks. The goodwill associated with our Proprietary Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Store during the term of the Franchise Agreement. Any increase in the goodwill associated with our Proprietary Marks during the term of the Franchise Agreement will benefit us. All rights to use our Proprietary Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of your Franchise Agreement.

There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court; no pending infringement, opposition, or cancellation proceedings; nor any pending material litigation involving the Proprietary Marks. There are no agreements currently in effect that significantly limit our rights to use, or license the use of, any of the Proprietary Marks in a manner material to the Store, and we are not aware of any superior prior rights or infringing rights that could materially affect your right to use our Marks.

There are no infringing uses either actually known to us or of which we are aware that could materially affect your use of the Proprietary Marks in this state or in the state in which the Store is located. We are not obligated by the Franchise Agreement or otherwise to protect any rights granted to you to use any Proprietary Marks.

You may not use all or any portion of our Proprietary Marks as part of your company name and, without our prior written consent, as part of your trade name or “d/b/a”. You may not modify the Proprietary

Marks with words, designs or symbols, except those that we license to you. You may not use our Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Proprietary Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Proprietary Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the phrase “Coffee Beanery” or any similar phrase.

You must promptly notify us of any suspected unauthorized use of or challenge to the validity of the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

We will defend you against any third-party claim, suit, or demand arising out of your expressly authorized use of the Proprietary Marks. We have the right to control any administrative proceeding or litigation involving a trademark licensed by us to you. If we, in our discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defending you, including the cost of any judgment or settlement. If we, in our discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of the defense, including the cost of any judgment or settlement. If there is litigation concerning your use of the Proprietary Marks, you must execute all documents and do any acts that we believe are necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under the System if the Proprietary Marks no longer can be used, or if we, in our discretion, determine that substitution of different proprietary marks will be beneficial to the System. The Franchise Agreement will govern the use of the substituted proprietary marks. We will not compensate you for the substitution and will bear only the costs of modifying your signs and advertising materials to conform to our new proprietary marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or pending patent applications that are material to the franchise. We do, however, claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, training materials, recipes, recipe books, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

Confidential Operating Manual

You must operate the Store in accordance with the standards, methods, policies, and procedures specified in the Manuals/online training portals, as we may revise it. You must treat the Manuals/online training portals, and the information contained in it, as confidential, and use all reasonable efforts to maintain the information as secret and confidential. You must not at any time copy, duplicate, record, or otherwise reproduce any materials in the Manual, or otherwise make the material available to any unauthorized person. The Manuals/online training portals will at all times remain our sole property, and you must ensure that access to the Manuals/online training portals is restricted to authorized persons.

Confidential Information

You must not, during or after the term of the Franchise Agreement, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation, any confidential information, knowledge, proprietary recipes associated with the Approved Products or other know-how concerning the methods of operation of the Store which we may communicate to you or which you may be apprised by virtue of your operation under the Franchise Agreement. You may divulge confidential information only to those employees who must have access to it in order to perform their employment responsibilities. All matters, information, knowledge, know-how, and techniques which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement unless and until you demonstrate that the information has become public knowledge.

Certain individuals associated with you, such as shareholders, officers and directors, and all employees who may have access to our confidential information must, at our request, execute covenants that they will maintain the confidentiality of information they receive during their association with you. The current form of covenant is attached to this Franchise Disclosure Document at Exhibit E. We may require that certain individuals execute these covenants at the time you sign the Franchise Agreement.

The Franchise Agreement provide that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of any Store, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that these provisions in the Franchise Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE STORE

Unless we otherwise approve in writing, you or your designated Store manager, must devote full-time and best efforts to the management and operation of the Store. You or your Store manager and other employees you may designate are required to attend and satisfactorily complete our training programs applicable to pre-opening training before opening the Store for business unless authorized by us otherwise in writing. You or your Store manager and other employees you may designate, also must attend and satisfactorily complete refresher training courses at our reasonable request. You are not obligated to grant an equity interest to any employee. You must inform us of the identity of the Store manager, but we do not have the right to disapprove the manager. Your store manager must possess the ability to operate your Store professionally and in compliance with the System and Manuals. If you change store managers, you must inform us immediately and you must train or send the new manager to the Coffee Beanery headquarters for training prior to or immediately following their engagement as a store manager. We require each equity holder and each equity holder's spouse in any limited liability business entity to personally guarantee the obligations of the entity. Please see Attachment A to Franchise Agreement (Exhibit A). Additionally, we require you to obtain signed covenants of confidentiality and non-competition from certain officers and/or Store personnel, including your Store manager. For a description of the covenants and the persons from whom the covenants are required, see Items 14 and 17.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel, including any managers. Please note that nothing in this Disclosure Document or any agreement you will enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer the Approved Products that we expressly authorize through your Store, and may only offer these products and services at the Approved Location and in the manner prescribed in your Franchise Agreement and our Manuals. We may supplement, revise and/or modify our Approved Products as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Product offered by the Store, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the Approved Location of your Store for any other business purpose other than the operation of your Store.

You may not use the Coffee Beanery name or the Proprietary Marks for any other business. You may not conduct any business other than the Store contemplated by the Franchise Agreement at the Approved Location without first obtaining our written consent.

You may sell only Coffee Beanery products and services (or other approved products) at retail from your Store, and you may not engage in the wholesale sale or distribution of any Coffee Beanery product, services, equipment or other component, or any related product or service, without first obtaining our

written consent. You may not sell products through the internet or using any channel of distribution other than your Store without first obtaining our written consent.

You may not sell, barter, or exchange any Proprietary Products or other proprietary items at wholesale or retail under any condition. If you engage in any wholesale or retail sale, barter or exchange any quantity of Proprietary Products or other proprietary items to another Coffee Beanery franchisee or to any other person or entity, we can terminate the Franchise Agreement immediately on notice to you.

In preparing, dispensing and selling Coffee Beanery products, you may use only product components, ingredients, flavoring and garnishes that meet our then current requirements and specifications. You must prepare all Coffee Beanery products in strict accordance with our standards, specifications, techniques and procedures. In dispensing the Coffee Beanery products, you may use only containers, cups, cartons, bags, boxes, napkins and other paper goods and packaging bearing our then-currently approved text, designs and identity standards, and that otherwise meet our then-current requirements, specifications and quality standards.

ITEM 17

**RENEWAL, TERMINATION, TRANSFER AND DISPUTE
RESOLUTION**

THE FRANCHISE RELATIONSHIP

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this disclosure document.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
a. Length of the franchise term	§ 2	Ten (10) years.
b. Renewal or extension of the term	§ 2	If you satisfy requirements and complete a renewal application, you may renew for a consecutive term of five (5) years.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
c. Requirements for franchisee to renew or extend	§ 2	Store Owner may submit a request to renew (which means renewing your franchise relationship with us) the Franchise Agreement subject to the following conditions: (i) give timely written notice to renew now less than nine (9) months and no more than twelve (12) months prior to the end of the current term; (ii) Store Owner must not have any uncured material defaults under this Agreement; (iii) Store owner must execute our then-current form of Franchise Agreement (which may contain materially different terms and conditions than your original franchise agreement); (iv) Store owner must pay a renewal fee of \$5,000 at least ninety (90) days prior to the expiration of the then-current term; (v) Store owner and/or the Store Manager must attend any training refresher course prescribed by us at least thirty (30) days before the expiration of the then-current term; (vi) Store Owner executes a general release under seal; (vii) Store Owner must have participated in the training procedures, purchasing, marketing, advertising, promotional, and other operational training programs recommended or provided by us to our satisfaction; and (viii) Store Owner agrees at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Franchised Business.
d. Termination by franchisee	§ 13.4	By written notice to us, you may terminate if there is no Approved Location one (1) year after executing Franchise Agreement.
e. Termination by franchisor without cause	None	

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
f. Termination by franchisor with cause	§ 13	<p>Bankruptcy, failure to open Store, abandonment of Store, certain breaches of the Franchise Agreement, material misrepresentations, repeated defaults after cure, trademark misuse, unapproved transfers, nonpayment of fees and debts, failure to execute covenants, non-renewal of lease, criminal conviction, false books and records, no insurance, five percent (5%) understatement of payments or two (2) understatements in two (2) years, failure to find Approved Location by one (1) year after executing Franchise Agreement or breach of any other agreement between franchisee and franchisor. Termination of the Franchise Agreement as a result of bankruptcy may not be enforceable under applicable federal bankruptcy law (11 U.S.C. §101 <i>et seq.</i>).</p> <p>We have the right to refuse to sell products to you and otherwise suspend performance of our obligations if you commit any of the following defaults: (i) a payment due to us from you that is more than thirty (30) days past due; (ii) Sales Report submission is thirty (30) days past due and/or eliminating CBL access to retrieve Sales Report; (iii) any other default under the Franchise Agreement that has not been cured within thirty (30) days of written notice. If you fail to satisfy all of the conditions of renewal but continue to operate your Franchised Business after the end of the term of the Franchise Agreement, we have the right to refuse to sell products to you and to cause approved and designated vendors to refuse to sell products to you.</p>
g. “Cause” defined – curable defaults	§ 13.4	All defaults not specified in Sections 13.1 and 13.2; curable within thirty (30) days of written notice from us.
h. “Cause” defined - non-curable defaults	§ 13.1 and 13.2	Bankruptcy, failure to open Store, abandonment of Store, certain breaches of the Franchise Agreement, material misrepresentations, repeated defaults after cure, trademark misuse, unapproved transfers, nonpayment of fees and debts, failure to execute covenants, non-renewal of lease, criminal conviction, false books and records, no insurance, five percent (5%) understatement of payments or two (2) understatements in two (2) years, unless we determine otherwise, breach of any other agreement between franchisor and franchisee.
i. Franchisee’s obligations on termination/non-renewal	§ 14	Cease operation of Store and use of Proprietary Marks and Manual, de-identification of Store, payment of amounts due, return Manual, covenant not to compete and other covenants described in Section 15.
j. Assignment of contract by franchisor	§ 12.1	No restriction on our right to assign.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
k. “Transfer” by franchisee – defined	§ 12.2	Includes transfer of your rights under Franchise Agreement, transfers that change your ownership, transfers of assets of Store.
l. Franchisor approval of transfer by franchisee	§ 12.2.1	We have the right to approve all transfers and will not unreasonably withhold consent if you satisfy Section 12.2.1 requirements.
m. Conditions for franchisor approval of transfer	§ 12.2.1	You are not in default under agreements with us; all monetary obligations are satisfied; mutual general release is executed (Exhibit E-2); transferee signs our then-current form of franchise agreement; transferee pays a transfer fee of \$7,500 and satisfies our conditions for franchisee; transferee completes training and upgrades Store; and you reimburse us for our costs in reviewing and approving transfer and providing training.
n. Franchisor’s right of first refusal to acquire franchisee’s business	§ 12.5	We have the right only in the context of an assignment under the United States Bankruptcy Code.
o. Franchisor’s option to purchase franchisee’s business	None	We have the right to purchase certain assets as described in Section 14.9 of the Franchise Agreement. We also have the right to purchase or lease any real property associated with the Store operations as described in Section 14.10 of the Franchise Agreement. We have these rights only upon termination or nonrenewal of the franchise.
p. Death or disability of franchisee	§ 12.3	Your interest must be transferred within six (6) months to a third party approved by us. If your heir or beneficiary cannot satisfy our conditions, executor or administrator has reasonable time to transfer.
q. Non-competition covenants during the term of the franchise	§ 15.2; Confidentiality and Non-Competition Covenant (<u>Exhibit G-1</u>)	Prohibition against owning, operating, advising, working in, being associated with, and making loans to a Competing Business (as defined in the Franchise Agreement) or any business that offers/grants licenses or franchises for, or establishes joint ventures for the operation of, any type of Competing Business. Certain individuals also must sign the Confidentiality and Non-Competition Covenant (<u>Exhibit E-1</u>) at the time you sign the Franchise Agreement.

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
r. Non-competition covenants after the franchise is terminated or expires	§§ 15.3 and 15.4; Confidentiality and Non-Competition Covenant (<u>Exhibit G-1</u>)	<p>Prohibition for one (1) year with respect to any involvement with a Competing Business at the Approved Location or within a 10-mile radius of (a) your Approved Location, and (b) any other COFFEE BEANERY Store that is open, under lease or otherwise under development as of the expiration or termination of the Franchise Agreement.</p> <p>Also, prohibition for one (1) year with respect to any involvement with a business that offers/grants licenses or franchises for, or establishes joint ventures for the operation of, any Competing Business.</p> <p>Exception if you are less than a five percent (5%) owner of certain companies registered with the Securities and Exchange Commission. Certain individuals also must sign the Confidentiality and Non-Competition Covenant (<u>Exhibit E-1</u>) at the time you sign the Franchise Agreement.</p>
s. Modification of the agreement	§ 21	Must be in writing signed by both parties.
t. Integration/merger clause	§ 21	Only the terms of the Franchise Agreement and other related agreements are binding (subject to state law). Any representations or promises outside the disclosure document and Franchise Agreement and other related agreements may not be enforceable. Nothing in agreement is intended to disclaim any representations made in franchise disclosure document, its attachments or addenda.
u. Dispute resolution by arbitration or mediation	§ 23	<p>You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally.</p> <p>At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.</p>

<u>Provision</u>	<u>Section in Franchise Agreement</u>	<u>Summary</u>
v. Choice of forum	§ 23	Subject to Sections 23.2, 23.3 and 23.4 of the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to our then-current headquarters (which is currently Flushing, Michigan) or, if appropriate, the United States District Court for the Eastern District of Michigan. (subject to state law).
w. Choice of law	§ 23	Michigan law applies except for provisions relating to the offering of franchises unless conditions met independently (subject to state law). At present, our principal place of business is Flushing, Michigan.

ITEM 18

PUBLIC FIGURES

We do not currently use any public figures to promote Coffee Beanery franchises, but we reserve the right to do so in the future.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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 you are 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.

BACKGROUND

As of June 30, 2023, we had one (1) affiliate-owned location (the “Company-Owned Location”) and 28 franchised locations (each, a “Franchised Location”) open and operating – including one (1) Franchised Location that opened shortly after June 30, 2021.

The Item discloses certain Net Sales (as defined in the Explanatory Notes below) information provided to us by the owners of the Company-Owned Location and 25 Franchised Locations (collectively, the “Disclosed Locations”) that were open over the entirety of the 12-month period (a) commencing July 1, 2022, and (b) ending June 30, 2023 (the “Measurement Period”).

The information below is based on the data reported or otherwise remitted to us by the owners of the Disclosed Locations with respect to the historical performance of their respective Stores over the Measurement Period, and is broken down into the following six (5) parts:

- Part I of this Item discloses the historical Average and Median Net Sales generated during the Measurement Period amongst (i) the Company-Owned Location, and (ii) the six (6) Franchised Locations, that operate from a Traditional Location that (a) offers and sells food as part of the Approved Products, and (b) have a drive-through.
- Part II of this Item discloses the historical Average Net Sales and Median Net Sales generated during the Measurement Period amongst the six (6) Franchised Locations that operate from a Traditional Location and that (a) sell food as part of the Approved Products, and (b) do not have a drive-through.
- Part III of this Item discloses the historical Average and Median Net Sales generated during the Measurement Period amongst the ten (10) Franchised Locations that operate from a Traditional Location and that (a) do not sell food, and (b) do not have a drive-through.
- Part IV of this Item discloses the historical Average and Median Net Sales generated over the Measurement Period by the one (1) Franchised Location that operates from a Non-Traditional Location and that (a) sells food as part of the Approved Products, and (b) has a drive-through. This Disclosed Store operates from within an existing convenient store (or “C-Store”).
- Part V of this Item discloses the historical Average and Median Net Sales generated during the Measurement Period by four (4) Franchised Locations that operate from a Non-Traditional Locations that (a) do not sell food, and (b) do not have a drive-through.

Please note that Charts III through VI below disclose Stores that operate from a “Non-Traditional Location” – which, for purposes of this Item, means a site that is operated from a captive venue (such as an airport or Convenient Store) or from a mall kiosk. All other types of premises, including in-line sites within a mall or other shopping center, are considered “Traditional Locations” for purposes of this Item (and are disclosed in Charts IV – VI below).

The Charts below do not include or account for the two (2) Franchised Stores that were not open and operating at or around the start of the Measurement Period.

We have not independently audited or otherwise verified this information. Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.

PART I

Average Net Sales by Category – Traditional Locations That Sell Food and Have a Drive-Through					
	Number of Locations	Average Net Sales Over Measurement Period	Number and Percentage that Attained or Exceeded the Average	Median Net Sales Over Measurement Period	Highest and Lowest in the Category
Company-Owned Location	1	\$270,810	N/A	N/A	N/A
Franchised Locations	6	\$295,134	2 (or 33%)	\$239,960	High: \$613,380; Low: \$127,809

PART II

Average Net Sales by Category – Traditional Locations That Sell Food and Do Not Have a Drive-Through					
	Number of Locations in Locations in Category	Average Net Sales Over Measurement Period	Number and Percentage that Attained or Exceeded the Average	Median Net Sales Over Measurement Period	Highest and Lowest in the Category
Franchised Locations	6	\$245,966	2 (or 50%)	\$209,096	High: \$455,784; Low: \$109,899

PART III

Average Net Sales by Category – Traditional Locations That Do Not Sell Food and Do Not Have a Drive-Through					
	Number of Locations in Locations in Category	Average Net Sales Over Measurement Period	Number and Percentage that Attained or Exceeded the Average	Median Net Sales Over Measurement Period	Highest and Lowest in the Category
Franchised Locations	10	\$289,762	4 (or 40%)	\$161,138	High: \$556,970; Low: \$146,423

PART IV

Average Net Sales by Category – Non-Traditional Location That Sells Food and Has a Drive-Through					
	Number of Locations in Locations in Category	Average Net Sales Over Measurement Period	Number and Percentage that Attained or Exceeded the Average	Median Net Sales Over Measurement Period	Highest and Lowest in the Category
Franchised Location	1	\$200,198	N/A	N/A	N/A

PART V

Average Net Sales Amongst Non-Traditional Locations that Do Not Sell Food and Do Not Have a Drive-Through					
	Number of Disclosed Stores	Average Net Sales Over Measurement Period	Number of Stores that Met or Exceeded Average	Median Net Sales Reported Over MP	Highest and Lowest in the Category
Franchised Stores	2	\$68,720	1 or (50%)	\$51,642	High: \$85,798 Low: \$51,642

Explanatory Notes to the Charts above in this Item:

1. **Net Sales.** The term “Net Sales” means the total revenue generated by your Franchised Business, including all revenue generated from the sale and provision of any and all gift cards and other Approved Products and Services, catering and any other sales generated at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Store, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. “Net Sales” does not include (a) sales tax and equivalent taxes that are collected by the Store for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.
2. **Average.** Where appropriate and applicable in the Charts above, the term “Average,” also known as the “mean,” means the sum of all data points in a set, divided by the number of data points in that set.
3. **Median.** Where appropriate/applicable in the Charts above, the term “Median” means the data point that is in the center of all data points used. That number is found by examining the total number of data points and finding the middle number in that set. In the event the number of data

points is an odd number, the median will be the center number. If the dataset contains an even number of data points, the median is reached by taking the two numbers in the middle, adding them together, and dividing by two.

General Notes Regarding this Item 19

1. **No Operating Costs or Expenses Disclosed.** This Item does not contain any information regarding the operating costs and/or expenses that the Disclosed Stores incurred over the Measurement Period. We recommend you create your own budget and due diligence into such operating costs and information with your business advisors and/or partners.
2. **Maturity of Disclosed Stores.** Please note that the Company-Owned Location, as well as all but one (1) the Franchised Locations, was already open and operating for some time as of the commencement of the Measurement Period.
3. **No Disclosures Regarding the Drop Down Container Store Model.** We did not have any Drop-Down Container Store Models open and operating throughout the Measurement Period. As such, please be advised we do not disclose any historical performance information regarding this Store Model in this Item.

Other than the preceding financial performance representation, The Coffee Beanery, Ltd. does not make any financial performance representations. 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 the 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 JoAnne Shaw, 3429 Pierson Place, Flushing, Michigan 48433, (810) 733-1020, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

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

All Store Models

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2021	34	34	0
	2022	34	27	-7
	2023	27	27	0
Company owned	2021	2	1	-1
	2022	1	1	0
	2023	1	1	0
Total outlets	2021	36	35	-1
	2022	35	28	-7

	2023	28	28	0
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Table No. 2
Outlets from Franchisees to New Owners (other than Franchisor)
For years 2021 to 2023

All Store Models

Column 1	Column 2	Column 3
State	Year	Number of Transfers
TX	2021	0
	2022	0
	2023	1
TN	2021	0
	2022	0
	2023	1
WY	2021	1
	2022	0
	2023	0
VA	2021	0
	2022	1
	2023	0
Total	2021	1
	2022	1
	2023	1

Table No. 3
Status of Franchised Outlets
For Years 2021 to 2023

All Store Models

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
DE	2021	1	0	0	0	0	1	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
FL	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
GA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-renewals	Reacquired by Franchisor	Ceased Operations for Other Reasons	Outlets at End of Year
IL	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	1	0
IN	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
KY	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
MD	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	1	1
	2023	1	0	0	0	0	0	1
MI	2021	10	1	0	0	0	2	9
	2022	9	1	0	0	0	3	7
	2023	7	1	0	0	0	0	8
NJ	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
NY	2021	2	0	0	0	0	1	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
PA	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TX	2021	6	2	0	0	0	1	7
	2022	7	1	6	0	0	0	2
	2023	2	1	0	0	0	0	3
VA	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	0	0	1	1
WY	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Guam	2021	5	0	0	0	0	0	5
	2022	5	0	0	0	0	0	5
	2023	5	0	0	0	0	0	5
TN	2021	0	1	0	0	0	0	1
	2022	1	1	0	0	0	0	2
	2023	2	0	0	0	0	0	2
TOTALS	2021	34	5	0	0	0	5	34
	2022	34	3	6	0	0	4	27
	2023	27	2	0	0	0	2	27

Table No. 4
Status of Company Owned Outlets
For years 2021 to 2023

All Store Models

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non- renewals	Col. 7 Outlets Sold to a Franchisee	Col. 8 Ceased Operations for Other Reasons	Col. 9 Outlets at End of Year
MI	2021	2	0	0	0	1	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
TOTALS	2021	2	0	0	0	1	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1*

*This is the Affiliate-Owned Store that owns and operates a Traditional Store with Food Model.

Table No. 5
Projected Openings as of June 30, 2023

All Store Models

STATE	FRANCHISE AGREEMENTS SIGNED BUT NOT YET OPENED	PROJECTED FRANCHISED OPENINGS	PROJECTED COMPANY/AFFILIATE OPENINGS
MI	1	1	0
IN	1	1	0
TN	2	2	0
TOTALS	4	4	0

During the last three fiscal years, we have not signed any confidentiality clauses with franchisees or former franchisees that restrict their ability to talk to you.

Exhibit B lists the name, city and state and current business telephone number of every current franchisee, as well as a list of the names and last known home addresses and telephone numbers of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the period July 1, 2022 through June 30, 2023, or has not communicated with us within ten (10) weeks of the disclosure document issuance date. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.**

As of the Issue Date, we are not aware of any trademark-specific franchisee organizations associated with the Coffee Beanery franchise system and no such organization has requested to be included.

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ITEM 21

FINANCIAL STATEMENTS

Our audited financial statement for the Shaw Coffee Company for our fiscal years ending June 30, 2023, June 30, 2022, and June 30, 2021, are attached hereto as part of Exhibit E. These statements include The Coffee Beanery, Ltd. The Shaw Coffee Company has guaranteed performance of our obligations. A copy of this Guarantee is attached as Exhibit E-3.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document, as indicated:

1. Franchise Agreement and Attachments (Exhibit A to the FDD)
2. Exhibit E-1 Confidentiality and Non-Competition Covenant
3. Exhibit E-2 Template Form of Mutual Release
4. Exhibit H-1 Compliance Certification

ITEM 23

RECEIPTS

The last page of this Disclosure Document is a detachable document, in duplicate. Please detach, sign, date and return one (1) copy of the Receipt to us, acknowledging that you received this Disclosure Document. Please keep the second copy for your records.

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***EXHIBIT A
TO FRANCHISE
DISCLOSURE DOCUMENT***

**THE COFFEE BEANERY, LTD.
FRANCHISE AGREEMENT**

**THE COFFEE BEANERY, LTD.
FRANCHISE AGREEMENT
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ATTACHMENT B - MANAGEMENT AGREEMENT

ATTACHMENT C - WAREHOUSE AGREEMENT

ATTACHMENT D – ADDENDUM FOR CO-BRANDED LOCATIONS

ATTACHMENT E – COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THE COFFEE BEANERY, LTD.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (“**Agreement**”) made and entered into on _____, 20____, (“**Effective Date**”) by and between The Coffee Beanery, Ltd., a Michigan corporation, with its principal place of business at 3429 Pierson Place, Flushing, Michigan 48433 (“**CBL**”), and _____, _____, with its principal place of business at _____ (“**Store Owner**”).

RECITALS

A. CBL, as the result of the expenditure of time, skill, effort, and money, has developed and owns a unique and distinctive system relating to the selling of coffee, coffee beans, tea, spices and related products and food items, including prepared coffee for on or off site consumption (“**Products**”) and has developed and owns a unique system relating to the establishment, development and operation of specialty coffee Stores devoted exclusively to the sale, at retail, of the Products (“**System**”);

B. The distinguishing characteristics of the System include, without limitation, a distinctive design and layout, and training, management, and promotional assistance, in connection with the establishment and ongoing operation of specialty coffee businesses, all of which may be changed, improved, and further developed by CBL from time to time;

C. CBL identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark THE COFFEE BEANERY and such other trade names, service marks, and trademarks as are now designated, or may hereafter be designated by CBL in writing, for use in connection with the System (“**Proprietary Marks**”);

D. Store Owner wishes to obtain a franchise to operate a specialty coffee business using the System and Proprietary Marks (the “**Store**”), as well as to receive the training and other assistance provided by CBL in connection therewith; and

E. Store Owner understands and acknowledges the importance of CBL’s high standards of quality, appearance, and service, and the necessity of operating the Store in conformity with CBL’s standards and specifications.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 CBL grants to Store Owner the right, and Store Owner accepts the obligation, to use the Proprietary Marks and System, solely in connection with the operation of the Store at the location indicated below in Section 1.2.

1.2 The Store shall be located at _____

(the “**Approved Location**”). Store Owner shall not relocate the Store without the prior written approval of CBL which shall not be unreasonably withheld. If, on the Effective Date, a location for the Store has not been approved by CBL, CBL shall assist Store Owner in selecting a location, as set forth in Section 4 of this Agreement. Store Owner shall not lease or otherwise acquire a location without CBL’s prior approval,

which approval shall be furnished by CBL to Store Owner in a site approval letter. Store Owner shall pay CBL's out-of-pocket expenses if it relocates the Store during the term of this Agreement, which Store Owner cannot do without CBL's prior written approval.

1.3 Store Owner expressly acknowledges and agrees that the franchise is non-exclusive. CBL and its affiliates/principals hereby retain all rights with respect to the System, Proprietary Marks and Products other than the right granted to Store Owner to operate the Store in accordance with the terms of this Agreement at the Approved Location. These reserved rights include, without limitation, the right to:

- (a) to own, acquire, establish, and/or operate, and license others to establish and operate, Stores regardless of their proximity to the Approved Location or their impact on the Store Owner's Store;
- (b) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, including (i) businesses which provide products and/or services similar to those provided by a Store; and/or (ii) Stores, at any location regardless, in either circumstance, of their proximity to the Approved Location or their impact on the Store Owner's Store;
- (c) to sell or distribute, at retail or wholesale, directly or indirectly including internet sales, fund raising sales or mail order sales, or license others to sell or distribute, any products which bear any proprietary marks, including the Proprietary Marks, regardless of their proximity to the Approved Location or their impact on the Store Owner's Store;
- (d) to purchase, roast, manufacture and distribute/sell coffee and other of the Products in any other manner.

2. TERM AND RENEWAL

2.1 Term. Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date.

2.2 Renewal. Store Owner may submit a request to renew this Agreement for an additional term of five (5) years, and must provide the request to renew no less than nine (9) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to CBL will be deemed an indication that Store Owner does not wish to renew the franchise relationship. CBL shall not unreasonably withhold its approval of such requests for renewal, provided Store Owner complies with the following conditions:

- (a) Store Owner must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Store Owner and CBL or the landlord of the Premises, either at time of Store Owner's renewal request or at the time of renewal; and (ii) received three (3) or more separate, written notices of material default from CBL with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices in the 12-month period preceding the renewal request date or renewal date.

- (b) Store Owner must execute CBL's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Store Owner is provided with CBL's then-current form of franchise agreement.
- (c) Store Owner pays CBL a renewal fee equal to Five Thousand Dollars (\$5,000), at least ninety (90) days prior to the expiration of the then-current term.
- (d) Store Owner and/or the Store Manager (as defined in this Agreement and as applicable) attends any training refresher course prescribed by CBL at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays CBL's then-current refresher training tuition fee for each attending trainee. Store Owner will also be responsible for all expenses incurred in connection with attending this refresher training.
- (e) Store Owner executes a general release under seal, in a form satisfactory to CBL, of any and all claims it may have against CBL and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising out of or related to (a) this Agreement, or (b) any federal, state, or local law, rule, or ordinance.
- (f) Store Owner must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by CBL to the satisfaction of CBL.
- (g) Store Owner or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Franchised Business within the time frame required by CBL, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet CBL's then-current System standards, specifications, and design criteria for a newly opened Restaurant.

3. FEES

3.1 Store Owner shall pay to CBL an initial franchise fee of Fifteen Thousand Dollars (\$15,000.00) immediately upon execution of this Agreement, which shall be deemed fully earned and non-refundable upon payment.

3.1.1 Upon execution of this Agreement, the full initial franchise fee will be made, receipt of which is hereby acknowledged by CBL.

3.1.2 Upon execution of this Agreement in conjunction with a Co-Branded Addendum, the full initial franchise fee provided by the Co-Branded Addendum, as the case may be, will be made, receipt of which is hereby acknowledged by CBL.

3.1.3 Each payment shall be fully earned and non-refundable when paid, in consideration of the administrative and other expenses incurred by CBL in entering into this Agreement, and for CBL's lost or deferred opportunity to enter into this Agreement with others.

3.2 During the term of this Agreement, Store Owner shall pay to CBL a continuing monthly royalty fee in an amount equal to four percent (4%) of the Net Sales for the Store. "Net Sales" shall mean revenue from the sale of all products and services, and all other income or consideration of every kind and nature, received by the Store, whether for cash or credit, and regardless of collection in the case of credit, less: (i) any sales taxes or other taxes collected by Store Owner from its customers and thereafter paid directly to the appropriate taxing authority; and (ii) any customer refunds. The royalty payment is not refundable. If Store Owner fails to maintain proper sales records or report Net Sales to CBL, CBL has the right to estimate Net Sales and invoice Store Owner for such amounts.

3.3 Store Owner shall make monthly contributions to brand building, advertising and promotion as specified in Section 9.1 hereof.

3.4 Store Owner shall make the then-current monthly technology fee payment to CBL each month. CBL reserves the right to require Store Owner to pay this amount to its affiliate or a third-party supplier.

3.5 All payments made pursuant to Sections 3.2 and 3.3 shall be made on or before the 10th day of the month based on the previous month's Net Sales. If the 10th day falls on a Saturday or Sunday the fees will be due the Monday immediately following. Any royalty payment or brand building contributions not made on or before the due date shall be deemed to be overdue; in such event, Store Owner shall pay CBL, in addition to the overdue amount, interest on such amount from the date it was due until paid, at eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less, calculated on a daily basis. Entitlement to such interest shall be in addition to any other remedies CBL may have. You are required to make any payments required in this Section 3 directly to CBL or to a bank account specified by CBL, by electronic fund transfer ("EFT"), pre-authorized auto-draft arrangement, or other such means as CBL may specify from time to time in writing. Store Owner shall furnish CBL, CBL's bank, and any other recipients of payment with such information and authorizations as may be necessary to permit such persons to make withdrawals by electronic fund transfer ("EFT") or auto-draft arrangement. Store Owner shall bear all expenses, if any, associated with such authorizations and payments.

4. DUTIES OF CBL

4.1 CBL shall offer such assistance to Store Owner, as CBL deems reasonable and necessary, in selecting a site for the Approved Location, and in assisting the Store Owner and their counsel in negotiating an acceptable lease agreement for the Store premises to the extent CBL deems appropriate, provided however, that Store Owner shall remain solely responsible for selection of the site for the Approved Location, the negotiation of the lease and all development relating to the Store. Store Owner acknowledges and agrees that CBL's approval of a site for Store Owner's Store or any assistance relating to the lease for the Store is not a representation by CBL, and shall not be construed as, a guarantee or assurance that the Store will be profitable or successful or that the terms of the lease are beneficial or appropriate. Unless otherwise more specifically described elsewhere herein, we will approve or disapprove your site for an Approved Location, you lease or matter relating to site development within sixty (60) days of its submission to us in writing.

4.2 CBL shall loan (or provide online access) to Store Owner a single copy of CBL's Operating Manual (which, at CBL's sole discretion, may be in a written or electronic format or a combination thereof) for the duration of this Agreement, as well as such other manuals as CBL may develop and issue, all of which are collectively referred to as the "**Manual.**"

4.3 CBL shall offer such guidance to Store Owner and/or Store Owner's architect, contractor, and/or designer, as CBL deems reasonable and necessary, relating to the design and/or construction of Store

Owner's Store. CBL will make available, at no charge to Store Owner, a design development set of drawings with the basic specifications, equipment and architectural layout and partial elevations for the development of the construction drawings for the Store. Store owner agrees to provide CBL with an accurate lease outline drawing for review.

4.4 CBL shall offer "Operations Training", which shall consist of both classroom and in store training to Store Owner covering basic Store operations and management. Such training, depending on concept, shall consist of a maximum of seventeen (17) calendar days, at CBL's discretion.

4.5 CBL shall offer an "On Site Training" ("OST") program to Store Owner and to those employees selected by Store Owner who will be involved in the daily operation of the Store. Such training, depending upon concept, shall consist of a maximum of seven (7) calendar days, at CBL's discretion, of on-site assistance at the Store Owner's Store immediately prior and subsequent to the commencement of business. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program or other programs via the internet, webinar, or other learning management system that allows us to track, test, and monitor your progress.

4.6 CBL shall provide with an initial kit of advertising and marketing materials the Store Owner can use in connection with the grand opening of the Store (the "Initial Launch Marketing Materials Kit"), subject to Store Owner's payment for such kit at the time a lease is signed in connection with the Store as described more fully in this Agreement. CBL may otherwise provide assistance to Store Owner in connection with promoting the opening of the Store, as CBL deems appropriate in its discretion.

4.7 CBL shall furnish to Store Owner, prior to the opening of the Store, our specifications for personalized forms, business cards, marketing materials and CBL logo apparel, which CBL may require Store Owner to purchase from a designated or approved supplier.

4.8 CBL shall provide such initial and continuing advice and assistance to Store Owner in the operation and promotion of the Store as CBL deems appropriate in its discretion.

4.9 CBL shall offer, at its discretion, a follow-up training visit by a CBL representative within the first year of operation following the opening of the Store. Such training shall consist of a minimum of one to one half (1-1/2) calendar days and a maximum of two (2) calendar days and shall be on-site at the Store Owner's Store.

4.10 CBL shall conduct, when and as frequently as it deems advisable, inspections of Store Owner's business premises and evaluations of the Store's management and operations, either by our operations team or secret shopper visits, in order to assist Store Owner and to maintain the System's standards of quality, appearance, and service.

4.11 During the term of this Agreement, CBL may require Store Owner and its manager (if any) to attend: (i) up to seven (7) days of refresher/additional training in a given year ("Additional Training"); and (ii) up to seven (7) days of remedial training that CBL has the right to require Store Owner to attend and complete if Store Owner is not operating the Store in compliance with this Agreement or the Manual as part of Store Owner's cure of said default ("Remedial Training"). CBL will not charge Store Owner its then-current training fee (the "Training Fee") in connection with any Additional Training that CBL requires, but CBL reserves the right to charge the Training Fee in connection with any (1) Additional Training that Store Owner requests, or (2) Remedial Training. Store Owner will be responsible for all costs and expenses that it and its trainees incur in connection with attending any Additional Training or Remedial Training.

4.12 Store Owner acknowledges and agrees that any duty or obligation imposed on CBL by this Agreement may be performed by any designee of CBL, as CBL may direct.

5. DUTIES OF STORE OWNER

5.1 Store Owner understands and acknowledges that every detail of the System and the Store is essential to Store Owner, CBL, and other System franchisees in order to: (i) develop and maintain quality operating standards; (ii) increase the demand for the products and services sold by all franchisees operating under the System; and (iii) protect CBL's reputation and goodwill. Store Owner shall maintain CBL's high standards with respect to facilities, services, products, and operations, and Store Owner shall use only those suppliers designated by CBL.

5.2 Store Owner shall use and occupy the Store premises solely for the operation of the business franchised hereunder and unless otherwise approved in writing by CBL, shall refrain from using or permitting the use of the premises for any other purpose or activity, and shall keep the Store open and in normal operation for at least such minimum hours and days as CBL may specify in the Manual or otherwise in writing, and as may be required by the lease for the Store premises.

5.3 To ensure that the highest degree of quality and service is maintained, Store Owner shall operate the Store in strict conformity with such methods, standards, and specifications as CBL may from time to time prescribe in the Manual or otherwise in writing. Store Owner shall refrain from: (a) deviating from such standards, specifications, and procedures without CBL's prior written consent; and (b) otherwise operating in any manner which reflects adversely on CBL's Proprietary Marks or the System. From time to time CBL may change: the Coffee Beanery system and the Marks: the composition, nature and content of Coffee Beanery programs: and, add or delete Coffee Beanery Programs: and when we do, you must promptly conform the Business to the revised requirements, at your cost. You will accept, use and effectuate any such modifications to, or substitution of, the Coffee Beanery System as if they were part of the Coffee Beanery system at the time that this Agreement was executed.

5.3.1 Store Owner shall purchase and install, at Store Owner's expense, and shall maintain in sufficient supply and use at all times, only such fixtures, furnishings, equipment, signs, and supplies which conform to CBL's standards and specifications and only from such approved suppliers as set forth in the Manual or otherwise in writing and shall refrain from using non-conforming items. Store Owner acknowledges and agrees that the fixtures, furnishings, equipment, signs and supplies may vary depending upon whether Store Owner decides to offer food service and, if so, the menu items in such food service.

5.3.2 Store Owner shall sell or offer for sale only such products as have been expressly approved for sale by CBL in the Manual or otherwise in writing, shall discontinue selling any products which CBL may, in its sole discretion, determine may adversely affect the System; and shall refrain from offering any unapproved products. Store Owner shall comply with System standards relating to the offering of bakery and similar food items. Store Owner shall have the right to determine whether to offer extended food service at the Store however Store Owner will be limited to items on CBL's standard menus. Store Owner agrees that if Store Owner decides to offer extended food service, CBL may condition its approval of Store Owner's food service upon Store Owner meeting all the then current requirements for food service format, including the requirement to obtain certain equipment and to comply with CBL's then current standards and specifications for the menu selected.

5.3.3 Store Owner acknowledges and agrees that CBL may, from time to time in its sole discretion, revise the Manual to incorporate System changes. Store Owner shall implement any System changes upon receipt of notice thereof from CBL, and shall complete their implementation within such time as CBL may reasonably specify.

5.3.4 The System may include standards relating to safety, maintenance, cleanliness, sanitation, function, hours and days of operation, appearance, CBL's logo, uniforms, employee appearance and cleanliness, Product shelf life and portion control, customer relations procedures, marketing and promotion (including gift card, loyalty program and similar promotions), forms, use of the Marks, signage, lighting, internet connections and other site amenities, displays, complaint handling, and many other matters.

5.4 Store Owner must purchase: (i) all furniture, fixtures, equipment (including all computer/POS hardware and software), signage, inventory, supplies and certain services (including music licensing, accounting software, gift loyalty programs and technology services) that CBL designated for use or sale in connection with the Store solely; and (ii) if applicable, purchase such items from suppliers (a) designated by CBL, or (b) subject to Section 5.4.3 below, manufacturers, wholesalers and distributors) who demonstrate, to CBL's continuing reasonable and written satisfaction, the ability to meet CBL's reasonable standards and specifications for such items; who possess adequate quality controls and capacity to supply Store Owner's needs promptly and reliably; whose approval would enable the System, in CBL's sole opinion, to take advantage of marketplace efficiencies; and who have been approved by CBL in the Manual or otherwise in writing and not thereafter disapproved. CBL may, when appropriate, negotiate purchase arrangements or purchasing cooperatives, including price terms, with designated and approved suppliers on behalf of the System, which Store Owner must comply with.

5.4.1 Store Owner shall maintain a balanced inventory of approved products specified by CBL in its Stores in quantities sufficient to satisfy customer needs. The inventory shall at all times be equal to or greater than the minimum inventory level set forth in the Manual or otherwise in writing. CBL may also require that Stores stock new and additional products in such minimum quantities as CBL may determine to be desirable.

5.4.2 In order to maintain consistency of product, quality, taste and identity of Products, CBL will be the only approved source for coffee, coffee related products and certain CBL logo Products, except for such Products specifically designated in writing by CBL. CBL will use its best efforts to provide quality Products at competitive prices. The inventory of Stores shall always contain a representative number of each of the Products, which shall be given prominent display.

5.4.3 If Store Owner desires to make purchases from a supplier other than an approved supplier, Store Owner shall submit to CBL a written request to approve the proposed supplier, together with such evidence of conformity with CBL's specifications as CBL may reasonably require. CBL does not charge a fee for its review of a proposed supplier, however, Store Owner must reimburse CBL for the costs it incurs in processing the request and testing the item. CBL will notify Store Owner in writing within thirty (30) days after it receives all necessary information and/or completes CBL's inspection or testing to advise Store Owner if CBL approves or disapproves the proposed item and/or supplier. CBL may revoke its approval at any time if CBL determines, in its sole discretion, that the supplier no longer meets CBL's standards. Upon receipt of written notice of such revocation, Store Owner shall cease purchasing from any disapproved supplier and selling such supplier's disapproved products or services. CBL has the right to designate one approved supplier for any number of items Store Owner must purchase in connection with the Store.

5.5 Store Owner shall maintain the Store premises (including adjacent public areas) in a clean, orderly condition and in excellent repair; and, at its expense, perform any required maintenance or repairs, as CBL may reasonably direct by written notice to Store Owner, in a timely manner. Store Owner agrees to maintain the Store premises consistent with the current System standards. No alcohol, drugs, or pets

shall at any time be permitted on the Store premises, and the premises shall not be used for child care, babysitting, or similar activities.

5.6 Store Owner shall grant CBL and its agents the right to enter upon the Store premises during normal business hours for the purpose of conducting inspections; shall cooperate with CBL's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon written notice from CBL or its agents and without limiting CBL's other rights hereunder, shall promptly correct any deficiencies discovered during any such inspection.

5.7 Prior to the opening of the Store, Store Owner (or, if Store Owner is a corporation or partnership, a principal of Store Owner acceptable to CBL) and/or Store Owner's designated store manager, shall attend and complete to CBL's satisfaction, its required training programs. Approximately thirty (30) to sixty (60) days prior to the date Store is scheduled to open, Store Owner must attend "Operations Training", which shall consist of both classroom and in store training covering business basics, customer service and store operations. Such training, depending on concept, shall consist of a maximum of seventeen (17) calendar days, at CBL's discretion. Store Owner shall also attend and fully participate in CBL's "On Site Training" provided to Store Owner and those employees selected by Store Owner who will be involved in the daily operation of the Store. Such training, depending upon concept, shall consist of a maximum of seven (7) calendar days, at CBL's discretion, of on-site assistance at the Store Owner's Store immediately prior and subsequent to the commencement of business. If, at any time during the term of this Agreement, we are unable to complete the on-site training due to your lack of preparation or if Store Owner wishes CBL to train additional employees (with CBL's prior consent), Store Owner shall pay CBL our then-current Training Fee plus reasonable reimbursement for the trainer's cost of transportation, meals, and lodging. If CBL determines that Store Owner's Stores are not performing to their potential given its market conditions, Store Owner agrees to attend refresher training for such term and at such times and locations as CBL determines. Store Owner shall also complete to CBL's satisfaction the follow-up training visit. CBL shall provide the instructor, training and other materials for the follow-up training visit without charge. Except as specifically provided by this Agreement, Store Owner shall be responsible for any and all other expenses incurred during training.

5.7.1 Each Store must employ at all times, a manager (who can be the Store Owner) who has satisfactorily completed CBL's training program, been certified and who is dedicated to that Store and who works at that Store on substantially a full-time basis. Each person may be the designated manager for one Store only.

5.7.2 Store Owner and, if CBL designates, the Store's primary manager must attend all required Additional Training and Remedial Training, unless CBL agrees otherwise in writing.

5.7.3 Store Owner, or another person that successfully completes CBL's Operations Training will be required to train all other personnel that works at the Store.

5.7.4 If Store Owner or other trainee Store Owner designates fails to complete the Operations Training program to CBL's satisfaction, Store Owner will be in default of this Agreement and as part of the Remedial Training, that person may re-attend or Store Owner may send a replacement to our next available Operations Training program session, provided there is availability. CBL may charge our then-current Training Fee for these individuals to re-attend the Operations Training program as well. In any event, Store Owner is solely responsible for all expenses incurred related to Store Owner's and its employee's attendance at our Operations Training program, including transportation to and from the training site, lodging, meals and employee wages.

5.8 Store Owner shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as CBL may establish from time to time in the Manual or otherwise in writing. Store Owner shall be solely responsible for all employment decisions of the Store, including, without limitation, those related to hiring, firing, training, wage and hour requirements, recordkeeping, supervision, and discipline of employees.

5.9 Store Owner shall attend CBL's national convention and/or regional training events, as well as such Additional Training, Remedial Training, and all other programs, seminars, and workshops as CBL may reasonably require from time to time and at any time. Additionally, the Store Owner will be required to pay CBL's then-current convention contribution fee (the "Convention Contribution") for CBL's annual national convention or regional event fee to cover the attendance of Store Owner and one additional attendee. If Store Owner wishes to send additional attendees, Store Owner must pay an additional Convention Contribution for each additional attendee. Store Owner shall be responsible for any and all other expenses incurred in connection with attending the national convention, including the costs of transportation, lodging, and meals.

5.10 Store Owner shall comply with all terms of its lease and shall refrain from any activity which may jeopardize Store Owner's right to remain in possession of the Store premises. Store Owner shall, prior to the execution of any lease, submit it to CBL for its written approval. CBL's approval may be conditioned upon the inclusion of any one or more of the following terms and conditions:

5.10.1 That the initial term of the lease, or the initial term together with renewal terms, shall be for at least Ten (10) years;

5.10.2 That the lessor consents to Store Owner's use of such Proprietary Marks and signage as CBL may now or hereinafter prescribe for the Store and sign a permission to use logo contract with the marketing department;

5.10.3 That the use of the leased premises be restricted solely to the operation of the Store;

5.10.4 Except as otherwise approved in writing by CBL, that Store Owner be prohibited from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the lease without CBL's prior written consent;

5.10.5 That the lessor provide to CBL copies of any and all notices of default given to Store Owner under the lease;

5.10.6 That CBL have the right to enter the premises to make reasonable modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Agreement or under the lease; and

5.10.7 The execution of the Collateral Assignment of Lease by Store Owner and the landlord, which is attached to this Agreement as Attachment E.

5.10.8 CBL will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within sixty (60) days of the date Store Owner provides CBL with all requested materials. CBL's approval only means that the site meets its minimum requirements for a Store and does not guarantee any type of success at the location.

5.11 Store Owner shall furnish CBL with a copy of any executed lease within ten (10) days after execution thereof.

5.12 Store Owner shall furnish to CBL, within three (3) days after receipt thereof, a copy of any notice alleging Store Owner's failure to comply with any law, ordinance, or regulation.

5.13 Store Owner shall actively and continuously engage in local promotional activities designed to increase the Store's Net Sales. CBL shall have the right to specify, in the Manual or otherwise in writing, a minimum amount of monthly time as well as the types of promotional activities required to satisfy this obligation. This activity shall include the participation in corporate wide promotions for example: free regular coffee on Teacher Appreciation Day, Veterans Day, or any other activity as outlined in the operations manual designed to increase sales and or assume an active roll in the community.

5.14 Store Owner shall have the right to offer its goods and services at any prices Store Owner determines. CBL may provide target prices which may be charged based on an analysis of the market and to facilitate advertising and competitive strategies.

5.15 CBL may from time to time, conduct market research and testing to determine consumer trends and brand perceptions of new or modified Coffee Beanery products and programs. Store Owner agrees to cooperate with us in any such market research programs or test marketing of new or modified programs.

5.16 Store Owner will respond to complaints and requests for refunds from customers in a manner which will not detract from the reputation or goodwill associated with the Coffee Beanery as set forth in the Coffee Beanery training program.

6. CONSTRUCTION OF LEASEHOLD IMPROVEMENTS

6.1 Store Owner shall, at its expense, construct all leasehold improvements to the Store premises in conformance with specifications furnished by CBL pursuant to Section 4.3 of this Agreement.

6.2 Store Owner shall be responsible for obtaining all zoning classifications and clearances, permits, licenses, regulations, and certifications required for the lawful operation of the Store, (including, without limitation, all government regulations relating to occupational hazards and health, trademark and copyright infringement, fair marketing laws, consumer protection, trade regulation, workers' compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA") regarding the construction, design and operation of the Store) and shall certify in writing to CBL that all such items have been obtained.

6.3 Store Owner shall employ a licensed architect or engineer, with previous experience in venues and construction similar to CBL stores, to prepare final plans and specifications for constructing the leasehold improvements based upon the rough plans furnished by CBL. Store Owner's architect and engineers shall coordinate all field inspections and verifications and create existing condition drawings from which CBL's consulting team will assist with the design. Store Owner's architect shall complete construction drawings from the suggested design as they relate to local code and engineering requirements, obtain permits, and coordinate with CBL. Store Owner shall not deviate from any approved plans and specifications without CBL's prior written approval.

6.4 Unless the requirement is waived by CBL in writing, Store Owner shall obtain bids for construction from not less than three (3) licensed general contractors experienced in the type of construction

required to complete the Store. Store Owner shall submit such final plans, bids and contracts to CBL and shall not proceed with construction until CBL's written approval has been received, shall employ a qualified, licensed general contractor to perform all construction, installation and coordination with outside vendors, and Store Owner shall provide to CBL such periodic progress reports as CBL may require. During construction, CBL shall have the right to inspect the premises at all reasonable times for the purpose of ascertaining that all work complies with the final plans approved by CBL, and Store Owner shall cooperate and cause its employees and agents to cooperate fully with CBL's inspections.

6.5 Construction shall commence promptly, after CBL's written approval of Store Owner's final plans is received, and continue uninterrupted until all necessary work is completed in accordance with the approved plans. Within thirty (30) days after completion of the Store, Store Owner shall provide CBL with a complete and accurate accounting of the full cost incurred by Store Owner in development of the Store along with copies of documents evidencing a full and complete release of all construction, material and or mechanics liens arising from development of the Store. Store Owner shall not open the Store for business without the written authorization of CBL, which authorization may be conditioned upon Store Owner's strict compliance with the specifications of the approved final plans and System standards and completion of any pre-opening training required by CBL.

6.6 CBL and Store Owner agree that time is of the essence in connection with the construction and opening of the Store. Store Owner shall (a) obtain the location of the Store no later than six (6) months after the execution of this Agreement, and (b) open the Store to the public no later than one hundred and twenty (120) days from the date that it obtains possession of the Store premises unless otherwise approved in writing by CBL.

6.7 Store Owner shall procure, prior to the commencement of any construction, and shall maintain in full force and effect at all times during any construction, at Store Owner's expense, an insurance policy or policies protecting Store Owner, CBL and its affiliates, and their respective shareholders, directors, employees and agents, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the construction of the Store. Such policy or policies shall be written by a responsible insurer or insurers acceptable to CBL, and shall comply with the requirements set forth in Section 10 of this Agreement. Such policy or policies must be sent to CBL prior to commencement of any construction.

7. PROPRIETARY MARKS

7.1 With respect to Store Owner's use of the Proprietary Marks, Store Owner agrees that:

7.1.1 Store Owner shall use only the Proprietary Marks designated by CBL, and shall use them only in the manner authorized and permitted by CBL;

7.1.2 Store Owner shall use the Proprietary Marks only for the operation of the Store, and only at the Approved Location or in CBL-approved advertising for the Store;

7.1.3 Unless otherwise authorized or required by CBL, Store Owner shall operate and advertise the Store only under the name "Coffee Beanery" without prefix or suffix;

7.1.4 Store Owner shall identify itself as an independent franchisee-owner of the Store in conjunction with any use of the Proprietary Marks or the operation of the Store, and shall place a written notice to such effect, in a form approved by CBL, in a conspicuous location on the Store premises;

7.1.5 Store Owner's right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement;

7.1.6 Store Owner shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of CBL;

7.1.7 Store Owner shall execute any documents deemed necessary by CBL or its affiliates to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability;

7.1.8 Store Owner shall promptly notify CBL of any suspected unauthorized use of, or any challenge to the validity or use of, the Proprietary Marks. Store Owner acknowledges that CBL (or the owner of the Proprietary Marks) shall have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. CBL shall have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. CBL (or the owner of the Proprietary Marks) shall defend Store Owner against any third-party claim, suit, or demand arising out of Store Owner's use of the Proprietary Marks. If CBL, in its sole discretion, determines that Store Owner has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, may be borne by CBL. If CBL, in its sole discretion, determines that Store Owner has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Store Owner. In the event of any litigation relating to Store Owner's use of the Proprietary Marks, Store Owner shall execute any and all documents and do such acts as may, in the opinion of CBL, be necessary to carry out such defense or prosecution including, but not limited to, becoming a nominal party to any legal action; and

7.1.9 Store Owner shall not use the Proprietary Marks as part of its corporate or other legal name.

7.2 Store Owner expressly understands and acknowledges that:

7.2.1 The Proprietary Marks are valid and serve to identify the System and those who are franchised under the System;

7.2.2 During the term of this Agreement and after its expiration or termination, Store Owner shall not directly or indirectly contest the validity or ownership of the Proprietary Marks, nor take any other action which may tend to jeopardize CBL's interest therein, or CBL's right to use and to license others to use, the Proprietary Marks;

7.2.3 Store Owner's use of the Proprietary Marks does not give Store Owner any ownership interest or other interest in or to the Proprietary Marks, other than the license granted by this Agreement. Neither Store Owner nor its principals shall directly or indirectly challenge CBL's rights to the Proprietary Marks at any time;

7.2.4 Any and all goodwill arising from Store Owner's use of the Proprietary Marks shall inure solely and exclusively to the benefit of CBL and its affiliates and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Store Owner's use of the System or the Proprietary Marks;

7.2.5 CBL and its affiliates shall have and retain the rights, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other

proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Store Owner; and

7.2.6 CBL reserves the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder if the Proprietary Marks no longer can be used, or if CBL, in its sole discretion, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of this Agreement, and CBL shall not compensate Store Owner for such substitution and shall bear only the costs of modifying Store Owner's signs and advertising materials to conform to CBL's new proprietary marks. Store Owner shall implement promptly any such substitution.

8. CONFIDENTIAL MANUALS AND INFORMATION

8.1 In order to protect the reputation and goodwill of CBL and to maintain high standards of operation under the Proprietary Marks and the System, Store Owner shall conduct its business in accordance with the Manual. Store Owner shall treat the Manual, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Store Owner shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manual shall at all times remain the sole property of CBL.

8.2 Store Owner shall insure that its Manual is kept current; and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by CBL shall be controlling.

8.3 Store Owner shall not, during or after the term hereof, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation, any confidential information, knowledge, or know-how concerning the methods of operation of the Store which may be communicated to Store Owner or of which Store Owner may be apprised by virtue of Store Owner's operation hereunder. Store Owner shall divulge such confidential information only to those employees who must have access to it in order to perform their employment responsibilities. Any and all information, knowledge, know-how, and techniques which CBL designates as confidential shall be deemed confidential for purposes hereof unless and until Store Owner shall demonstrate that the information has become public knowledge.

8.4 Store Owner acknowledges that any failure to comply with the requirements of this Section 8 will cause CBL irreparable injury for which no adequate remedy at law may be available, and Store Owner agrees that CBL may seek, and Store Owner agrees to pay, all court costs and reasonable attorneys' fees incurred by CBL in obtaining, without posting a bond, an *ex parte* order for injunctive or other legal or equitable relief with respect to the requirements of this Section 8.

8.5 Store Owner shall require anyone who may have access to confidential information to execute covenants that they shall maintain the confidentiality of information they receive in connection with their association with Store Owner. Such covenants shall be in a form satisfactory to CBL including, without limitation, specific identification of CBL as a third party beneficiary of such covenants with the independent right to enforce them.

8.6 If Store Owner, its employees, or principals develop any new concept, process or improvement in the operation or promotion of the Store, Store Owner will promptly notify CBL and provide CBL with all necessary related information, without compensation. Any new concept, process or improvement will become CBL's sole property and CBL will be the sole owner of all patents, patent

applications, trademarks, copyrights and other intellectual property rights related to such new concepts. Store Owner and its principals will assign to CBL any rights Store Owner may have or acquire in new concepts Store Owner or its employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts Store Owner or its employees develop. Store Owner and its principals agree to assist CBL in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide CBL with all necessary documentation for obtaining and enforcing such rights. Store Owner and its principals will irrevocably designate and appoint CBL as Store Owner's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that this Section of this Agreement is found to be invalid or otherwise unenforceable, Store Owner and its principals will grant to CBL a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on your rights to the new concepts.

9. BRAND BUILDING

Recognizing the value of brand building (including advertising and promotion), and the importance of the standardization of brand building, advertising and promotional programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

9.1 Store Owner shall contribute, each month, the greater of: (i) \$100.00 per week; or (ii) an amount equal to two percent (2%) of Net Sales generated by your Store over the preceding calendar month (or other designated reporting period), to the System-wide fund described in Section 9.3 hereof ("Brand Building Fund" or the "Fund").

9.2 CBL shall have the right to maintain and administer the Brand Building Fund, in its sole discretion. The following provisions shall apply to the Fund:

9.2.1 The Brand Building Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and developing the preparation of advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which CBL believes will benefit the System, including, among other things, the costs of preparing and conducting Brand Building campaigns in various media; preparation of direct mail advertising; market research; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; administering gift card/loyalty programs or promotions; conducting and administering in-store promotions; providing promotional and other marketing materials and services to the businesses operating under the System; and point-of-purchase materials. The Brand Building Fund is not a trust fund, and CBL shall not have any fiduciary duty to Store Owner with regard to the Brand Building Fund's administration, activities, or expenditures;

9.2.2 CBL shall direct all brand building, advertising and promotional programs, with sole discretion over the creative concepts, materials, and media used in such programs, and the placement and allocation thereof. Store Owner agrees and acknowledges that among the Brand Building Fund's objectives is to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the System; and that CBL is not obligated, in administering the Brand Building Fund, to make expenditures for Store Owner which are equivalent or proportionate to Store Owner's contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from the advertising or promotion conducted under the Brand Building Fund;

9.2.3 All contributions to the Brand Building Fund, shall be made by Store Owner in conformance with Section 3.5 of this Agreement. All sums paid to the Brand Building Fund shall be separately accounted for from the other monies of CBL and shall not be used to defray any expenses of CBL, except for such reasonable costs and overhead, if any, as may be incurred in activities reasonably related to the administration or direction of the advertising programs and Brand Building Fund, including, among other things, costs of personnel and/or agency for creating and implementing advertising, promotional, and marketing programs. The Brand Building Fund and any earnings thereon shall not otherwise inure to the benefit of CBL. CBL shall maintain separate bookkeeping accounts for the Brand Building Fund; and

9.2.4 A summary of the operations of the Brand Building Fund as shown on the books of the Fund shall be prepared annually by CBL and furnished upon request to each Store Owner.

9.2.5 Store Owner agrees and acknowledges that CBL may refund a certain portion of any given COFFEE BEANERY franchisee's contributions to the Brand Building Fund to reimburse that same franchisee for its documented local advertising expenditures that are administered in accordance with our System standards, in accordance with the process and at CBL's discretion as set forth in the Manuals.

9.3 All local advertising and promotion by Store Owner, shall be conducted in a dignified manner, conform to such standards as CBL shall establish in writing, and not be used without CBL's prior approval. Store Owner shall submit to CBL (in the manner prescribed in Section 20) samples of all advertising and promotional plans and materials that have not been approved during the twelve (12) months prior to the date of Store Owner's proposed use, and may commence use of such plans or materials seven (7) days after CBL's receipt unless, prior thereto, CBL shall have furnished written notice to Store Owner prohibiting such use. CBL also shall have the right at any time after Store Owner commences use of such material to prohibit further use, effective immediately upon receipt of written notice by Store Owner. Store Owner is not permitted to establish an independent computer website including Internet and World Wide Web home pages. Store Owner will however, be provided the opportunity to establish a link on CBL's the home web site, to its independent home page. Such independent home page must first be approved by CBL prior to link being provided. Franchisees are encouraged to participate in social networking to promote a positive brand image for CBL and notify CBL of any and all social networking accounts in which they participate.

9.4 Store owner will be required to have a Facebook page or any other social media account for your store which will be set up for you in training and must be formatted to follow our standards. An account representing a Coffee Beanery store must be used only for business purposes and is subject to our standards and requirements relating to use, including our requirement that Coffee Beanery must have access to your social media accounts as an administrator. If you close your store you must transfer to CBL any Facebook or other social media accounts that are associated with the store. Coffee Beanery will have the Password and full access to social media accounts at all times for customer service and brand protection.

9.5 Store Owner shall conduct a local advertising and grand opening promotion program within the two (2) month period before and the six (6) month period following the opening of the Store for business. Upon lease execution, Store Owner shall pay CBL the sum of \$3,500-\$5,000, depending on market size, for certain initial the Initial Launch Marketing Materials Kit previously described in this Agreement, and Store Owner must only use the foregoing materials (as well as any other materials that CBL approves) in connection with its grand opening advertising campaign.

9.6 Store Owner shall fully participate in all multi-area marketing programs, and the introduction of new Products. Store Owner agrees that for promotional programs required by CBL, CBL or the designated program provider may, without request from Store Owner, ship any materials associated

with the promotion to Store Owner and Store Owner agrees to pay all charges associated with materials and their shipment.

10. INSURANCE

10.1 Store Owner shall procure, prior to the opening of the Store, and shall maintain in full force and effect at all times during the term of this Agreement, at Store Owner's expense, an insurance policy or policies protecting Store Owner, CBL and its affiliates, and their respective shareholders, directors, employees, and agents against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring at or in connection with the Store. Such policy or policies shall: (i) be written by insurer(s) acceptable to CBL; (ii) name CBL and its shareholders, directors, employees, and agents, as additional insureds; (iii) comply with the requirements prescribed by CBL at the time such policies are obtained; (iv) provide at least the types and minimum amounts of coverage specified in the Manual; and (v) contain a waiver by Store Owner and its insurers of their subrogation rights against CBL and its affiliates, and their respective shareholders, directors, employees and agents.

10.2 All public liability and property damage policies shall contain a provision that CBL, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to CBL or its shareholders, directors, employees, and agents by reason of Store Owner's negligence.

10.3 At least ten (10) days prior to the time any insurance is first required to be carried by Store Owner, and thereafter at least thirty (30) days prior to the expiration of any policy, Store Owner shall deliver to CBL Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days prior written notice shall be given CBL in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section shall contain a waiver of subrogation and name CBL and its affiliates, and their respective shareholders, directors, employees, and agents, as additional insureds, and shall expressly provide that any interest of each shall not be affected by any breach by Store Owner of any policy provisions for which such Certificates evidence coverage.

11. COMPUTERS, RECORDS, AND REPORTING REQUIREMENTS

11.1 Store Owner, at its expense, shall purchase or lease, and thereafter maintain, such computer hardware (including laptops), point-of-sale system components, iPads, software, and firmware, required dedicated telephone and power lines, modem(s), printer(s), and other computer-related accessories or peripheral equipment as CBL specifies in the Manuals or otherwise in writing. Store Owner's computer systems must electronically exchange information, messages, and other data with our corporate computers, by such means (including but not limited to the Internet), and using such protocols (*e.g.*, TCP/IP), as CBL may reasonably prescribe in the Manual or otherwise in writing. CBL shall have the right at any time to retrieve data and information from Store Owner's computer system and use it for any purpose both during and after the term of this Agreement. Store Owner shall keep its computer system in good maintenance and repair and, at its expense, shall promptly install such additions, changes, modifications, substitutions, and/or replacements to the computer hardware, software, firmware, telephone and power lines, and other computer-related facilities, as CBL directs. Store Owner shall not update, modify, enhance, or upgrade any computer hardware or software without CBL's prior written consent. Store Owner must cover all costs associated with acquiring and maintaining all required point-of-sale and other computer system components that CBL designates, and Store Owner will be solely responsible for paying all software license and support/maintenance fees associated with the point-of-sale system and other computer hardware that CBL designates.

11.2 Store Owner shall not establish any independent website, including Internet and World Wide Web home pages, except as permitted under Section 9.4.

11.3 Store Owner shall prepare, during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by CBL from time to time in the Manual or otherwise in writing.

11.4 Store Owner shall, at its expense, provide CBL with a copy of Store Owner's financial statements showing the results of operations of the Store for each fiscal year during the term of this Agreement. The statements shall include a statement of income, balance sheet, and a statement of cash flows, accompanied by a review report, prepared by an independent accountant using generally accepted accounting principles, and shall be furnished to CBL within ninety (90) days after the end of each fiscal year of the Store.

11.5 Store Owner shall, at its expense, provide CBL, electronically or on forms and other documentation prescribed by CBL, with a weekly and monthly statement of Net Sales, and such other information regarding the operation of the Store as CBL may reasonably request, including information concerning local promotional activities required by Section 5.13. The monthly statement shall be due at the same time as Store Owner's royalty payment. Each statement shall be signed by Store Owner attesting that it is true and correct. CBL shall have administrative access to review reporting and sales.

11.6 Store Owner also shall provide to CBL, for review or auditing, such other information or forms as CBL may reasonably designate, in the manner as are reasonably designated by CBL.

11.7 CBL or its designated agents shall have the right at all reasonable times to examine and copy, at CBL's expense, the books, records, accounts, and business tax returns of Store Owner. CBL shall also have the right, at any time, to have an independent audit made of the books and records of Store Owner. If an inspection or audit reveals that any payments due to CBL have been understated in any report to CBL, then Store Owner shall immediately pay to CBL the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent per annum calculated monthly, or the maximum rate permitted by law, whichever is less. If an inspection or audit discloses an understatement in any report of three percent (3%) or more, Store Owner shall, in addition to repayment of monies owed with interest, reimburse CBL for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wage expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies CBL may have as a result of such underreporting.

11.8 CBL may require that Store Owner's computer system be programmed to automatically transmit data and reports about the operation of the Store to CBL. Franchisor shall also have the right, at any time without notice, to electronically connect with Store Owner's computer system to monitor or retrieve data stored on the computer system or for any other purpose CBL deems necessary. There are no contractual limitations on CBL's right to access the information and data on Store Owner's computer system.

12. TRANSFER OF INTEREST

12.1 CBL shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of CBL's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all

obligations of CBL under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Store Owner expressly affirms and agrees that CBL may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may permit and participate in any transfer or distribution of its securities in connection with a spin-off; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a financing, recapitalization, leveraged buy-out, or other economic or financial reorganization or restructuring.

12.2 Store Owner understands and acknowledges that its rights and duties are personal and that CBL has granted this franchise in reliance on Store Owner's business skill, financial capacity, and personal character. Accordingly, neither Store Owner nor any immediate or remote successor to any part of Store Owner's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in Store Owner shall, without the prior written consent of CBL, sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber: (i) any direct or indirect interest in the rights granted in this Agreement; (ii) any direct or indirect ownership interest in the Store Owner entity, if Store Owner is a business entity or partnership of any kind; or (iii) all or substantially all of the assets of the Store. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of CBL required by this Section 12.2, shall be null and void and shall constitute a material breach hereof, for which CBL may then terminate without an opportunity to cure pursuant to Section 13.2.4 hereof.

12.2.1 CBL shall not unreasonably withhold its consent when required pursuant to Section 12.2 provided the following condition to consent are met:

12.2.1.1 All of the transferor's accrued monetary obligations and all other outstanding obligations to CBL and CBL's affiliates shall have been satisfied;

12.2.1.2 CBL and the transferor shall have executed a mutual general release, in a form prescribed by CBL, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities;

12.2.1.3 The transferee shall sign CBL's standard form franchise agreement then being offered to new Store Owners (including the execution of personal guarantees), and transferee must pay a transfer fee to CBL amounting to \$7,500;

12.2.1.4 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as CBL may request) shall demonstrate to CBL's satisfaction that it meets CBL's educational, managerial, and business standards; possesses a good moral character (if an individual), business reputation, and credit rating; has the aptitude and ability to operate the Store, as may be evidenced by prior related business experience or otherwise; and has adequate financial resources and liquid capital available to successfully operate the Store given the financial obligations associated with the Store;

12.2.1.5 The transferee, at its expense, shall within the time specified by CBL, upgrade the Store premises to conform to the then-current standards and specifications of the System;

12.2.1.6 At transferee's expense, the transferee and its manager shall successfully complete such training as CBL may deem necessary in order to properly operate the Store;

12.2.1.7 At CBL's option, the transferor shall reimburse CBL for its reasonable legal, accounting, management, training, and incidental expenses incurred in reviewing and approving the

transfer and providing such training to the transferee as CBL deems necessary; provided, however, that no reimbursement shall be required for: (i) transfers to a corporation formed for the convenience of ownership, where the ownership of such corporation is in the same proportion as the ownership of Store Owner before such transfer; and (ii) transfers made pursuant to Section 12.3 hereof; and

12.2.1.8 Store Owner shall not be in default of any provision of this Agreement or any other agreement between the Store Owner and CBL or its affiliates.

12.2.2 Store Owner shall grant no security interest in any of the assets of the Store unless the secured party agrees that in the event of any default by Store Owner under any documents related to the security interest, CBL shall have the right and option to be substituted as obligor to the secured party and to cure any default of Store Owner, except any acceleration of indebtedness due to Store Owner's default shall be void.

12.3 Upon the death or mental incapacity of Store Owner (if an individual) or of any person with a controlling interest in Store Owner or this Agreement, the executor or administrator of the estate of such person, or the personal representative of such person, shall transfer, within six (6) months after such death or mental incapacity, such interest to a third party approved by CBL. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions for transfer as are provided in Sections 12.2 or 12.3, as the case may be. However, in the case of a transfer by devise or inheritance governed by Section 12.2, if the heirs or beneficiaries are unable to meet the conditions in Section 12.2 hereof, the executor or administrator of the deceased Store Owner shall have a reasonable time to dispose of the deceased's interest in the franchise, which disposition shall be subject to all the terms and conditions for transfers contained herein. If the interest is not disposed of within a reasonable time, CBL may terminate this Agreement pursuant to Section 13.2.7 hereof.

12.4 CBL's consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of CBL's right to demand exact compliance with any of the terms hereof by transferee.

12.5 If, for any reason, this Agreement is not terminated pursuant to Section 13.1 and this Agreement is assumed or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (a) the name and address of the proposed assignee; and (b) all of the terms and conditions of the proposed assignment and assumption; shall be given to CBL within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date that the application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and CBL shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to CBL itself, upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Store Owner out of the consideration to be paid by such assignee for the assignment of this Agreement. The franchisor will not exercise the option for any partial sale of the franchise business. The franchise may not become a partial owner of any SBA financed franchisees.

12.6 If you purchased your rights under this Agreement through a transfer from an existing Coffee Beanery Franchise owner, then you agree that our right to receive the payments from you required under this Agreement (including, without limitation, all Monthly Royalty and Brand Building Fees and payments for warehouse purchases or otherwise) shall be superior to the right of such transferor sponsor or franchisee

to receive any payments from you in satisfaction of any amounts owed by you to such transferor as a result of the transfer.

13. DEFAULT AND TERMINATION

13.1 Store Owner shall be deemed to be in default hereunder, and all rights granted herein shall automatically terminate without notice to Store Owner, if Store Owner shall become insolvent or makes a general assignment for the benefit of creditors; or, if a petition in bankruptcy is filed by Store Owner or such a petition is filed against and not opposed by Store Owner; or, if Store Owner is adjudicated as bankrupt or insolvent; or, if a bill in equity or other proceeding for the appointment of a receiver of Store Owner or other custodian for Store Owner's business or assets is filed and consented to by Store Owner; or, if a receiver or other custodian (permanent or temporary) of Store Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or, if proceedings for a composition with creditors under any state or federal law should be instituted by or against Store Owner; or, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or, if Store Owner is dissolved; or, if execution is levied against Store Owner's business or property; or, if the real or personal property of the Store shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Upon the occurrence of any of the following events, Store Owner shall be deemed to be in default and CBL may, at its option, terminate this Agreement and all rights granted hereunder, without affording Store Owner any opportunity to cure the default, effective immediately upon the provision of notice to Store Owner (in the manner set forth under Section 20 of this Agreement):

13.2.1 If Store Owner fails to (a) open the Store within the timeframe provided in Section 6.6 of this Agreement, or (b) secure an approved premises for the Store within six (6) months of executing this Agreement;

13.2.2 If Store Owner at any time ceases to operate or abandons the Store for a period of seven (7) consecutive days, or otherwise forfeits the right to do or transact business in the jurisdiction where the Store is located; provided, however, that if through no fault of Store Owner, the premises are damaged or destroyed, then Store Owner shall have thirty (30) days within which to apply for CBL's approval to relocate or reconstruct the premises, which approval shall not be unreasonably withheld;

13.2.3 If Store Owner, or any officer, director, or partner of Store Owner, is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that CBL believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or CBL's interest therein;

13.2.4 If Store Owner or any partner or shareholder in Store Owner purports to transfer any rights or obligations hereunder, or any interest in Store Owner or the assets of the Store to any third party without CBL's prior written consent or notice, contrary to the terms of Section 12 of this Agreement;

13.2.5 If Store Owner fails to comply with the covenants in Section 15.2 of this Agreement or fails to deliver to CBL executed covenants required under Section 15.9 of this Agreement;

13.2.6 If, contrary to the terms of Section 8, Store Owner or any principal of Store Owner discloses or divulges the contents of the Manual or other confidential information provided to Store Owner by CBL;

13.2.7 If an approved transfer is not effected following Store Owner's death or mental incapacity as required by Section 12.3 of this Agreement;

13.2.8 If Store Owner fails to comply with any provision of this Agreement or any specification, standard or operating procedure or rule prescribed by Coffee Beanery which relates to the use of any Mark, the quality of authorized food products or any beverages sold by Store Owner or the cleanliness and sanitation of the Store, or if Store Owner fails to comply with any applicable health code relating to the operation of the Store and Store Owner does not correct such failure within three (3) calendar days after written notice is delivered to Store Owner;

13.2.9 If Store Owner knowingly maintains false books or records, or knowingly submits any false reports to CBL;

13.2.10 If the lease for the Store premises expires without being renewed or for any reason is terminated;

13.2.11 If Store Owner, after curing a default pursuant to Section 13.4 of this Agreement, commits a similar or different default within two (2) years thereafter, whether or not cured after notice;

13.2.12 If Store Owner does not pay any monies owing to CBL or CBL's affiliates, or Store Owner's suppliers, at the time that payment is required;

13.2.13 If Store Owner or any principal of Store Owner has made any material misrepresentations in connection with Store Owner's application to CBL for the franchise granted herein;

13.2.14 If Store Owner understates any payment to CBL by five percent (5%) or more, or understates any such payment in any amount, twice in any two (2) year period;

13.2.15 If Store Owner fails to obtain or maintain required insurance coverage;

13.2.16 If Store Owner permits alcohol, or drugs on the Store premises, or the Store premises is used for any activities prohibited by Section 5.5; or

13.2.17 If Store Owner or any affiliate of Store Owner commits any act of default under any other franchise agreement with CBL for which such agreement is terminated.

13.3 If Store Owner commits any of the following listed defaults, CBL has the right to refuse to sell products to Store Owner. The defaults giving rise to this remedy include: (i) a payment due to us from you that is more than 30 days past due; (ii) Sales Report submission is 30 days past due and/or eliminating CBL access to retrieve Sales Report; (iii) any other default under the Franchise Agreement that has not been cured within 30 days of written notice. In addition, if you fail to satisfy all the conditions of renewal but continue to operate your Franchised Business after the end of the term of the Franchise Agreement, CBL has the right to refuse to sell products to you and to cause approved and designated vendors to refuse to sell products to you.

13.4 Except as provided in Sections 13.1 and 13.2 of this Agreement, Store Owner shall have thirty (30) days after CBL provides written notice of termination (in the manner specified in Section 20, of this Agreement) within which to remedy any default hereunder and to provide evidence thereof to CBL. If any such default is not cured within such time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Store Owner, effective immediately upon expiration of such period. Store Owner shall be in default hereunder for any failure to substantially comply with any of the requirements imposed by this Agreement, as they may from time to time be supplemented in writing as permitted herein, or to carry out the terms hereof in good faith.

14. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Store Owner shall forthwith terminate and:

14.1 Store Owner shall immediately cease to operate the Store, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of CBL.

14.2 Store Owner shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Marks; and all other proprietary marks and distinctive forms, slogans, signs, symbols, and devices associated with the System.

14.3 Store Owner shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks, and Store Owner shall furnish CBL with evidence satisfactory to CBL of compliance with this obligation within thirty (30) days after termination or expiration hereof.

14.4 Store Owner shall, at CBL's option, immediately assign to CBL any interest which Store Owner has in any lease for the Store premises. In the event CBL does not elect to exercise its option to acquire the lease for the Store premises, Store Owner shall make such modifications or alterations to the premises (including, at CBL's option, the assignment of the telephone number to CBL) immediately upon termination or expiration hereof as may be necessary to distinguish the appearance of such premises from that of other Stores operating under the System and Proprietary Marks, and shall make such specific additional changes thereto as CBL may reasonably request for that purpose. In the event Store Owner fails or refuses to comply with the requirements of this Section 14.4, CBL shall have the right to enter upon the Store premises without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at the expense of Store Owner, which expense Store Owner agrees to pay upon demand.

14.5 Store Owner agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit copy, or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute CBL's rights in and to the Proprietary Marks, and further agrees not to use any designation of origin, description, representation, trademark, or trade name which suggests or represents a past or present association or connection with CBL, the System, CBL's recipes and/or signature drinks, or the Proprietary Marks.

14.6 Store Owner shall promptly pay all sums owing to CBL and its affiliates. In the event of termination for any default of Store Owner, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by CBL as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of CBL against any and all of the personal property, furnishings, equipment, signs, and fixtures, owned by Store Owner and on the Store premises at the time of default. Store Owner shall pay to CBL all damages, costs, and expenses, including reasonable attorneys' fees, incurred by CBL, subsequent to the termination or expiration hereof in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

14.7 Store Owner agrees that any termination of this Agreement by Store Owner before the expiration of the initial term will deprive CBL of the benefit of the bargain it is entitled to receive under this Agreement. If this Agreement terminates for any reason other than a material breach by CBL, Store Owner shall pay CBL, as liquidated damages for the loss of the benefit of the bargain CBL is entitled to

receive, and not as a penalty, a lump sum payment equal to royalty fees Store Owner owed CBL during the preceding sixty (60) months before the termination date. If less than sixty (60) months have lapsed between the date the Store Owner commenced operations and the termination date, the liquidated damages will be the average monthly royalty fees during the period from commencement of Store operations and the termination multiplied by sixty (60). If the balance of the initial term of this Agreement is less than sixty months, the amount of the liquidated damages shall be determined by multiplying the average monthly royalty fees during the preceding sixty (60) months by the number of months remaining in the initial term of this Agreement. If the termination occurs prior to the commencement of Store operations, Store Owner will forfeit the initial franchise fee paid but will not owe CBL any further damages. Store Owner will pay all amounts due under this section within thirty (30) days after termination of this Agreement. Store Owner agrees, and will direct any party construing this Agreement to conclusively presume, that the damages stated in this section: (i) are true liquidated damages; (ii) are intended to compensate CBL for the harm that CBL will suffer; (iii) are not a penalty; (iv) are a reasonable estimate of our probable loss resulting from the Store Owner defaults, viewed as of the effective date of this Agreement; and (v) will be in addition to all other rights we have to obtain legal or equitable relief, including any injunctive relief to enjoin Store Owner's breach of any post-term restrictive covenants.

14.8 Store Owner shall immediately return the Manual and all other documents which contain confidential information relating to the operation of the Store.

14.9 CBL shall have the option, to be exercised within thirty (30) days after termination or expiration hereof, to purchase from Store Owner any or all of the furnishings, equipment, signs, fixtures, or supplies related to the operation of the Store, at their fair market value. If the parties cannot agree on the price of any such items within fifteen (15) days after the exercise of the option, an independent appraiser shall be designated by CBL and Store Owner and his determination shall be binding. If CBL and Store Owner cannot agree on an appraiser within fifteen (15) days, each party shall designate an independent appraiser, and the two designated independent appraisers shall select a third independent appraiser. The determination of fair market value of the third appraiser so chosen shall be binding. CBL and Store Owner shall share equally in the cost of any independent appraiser(s). If CBL elects to exercise any option to purchase herein provided, the closing shall take place within fifteen (15) days after the purchase price shall have been established. CBL shall have the right to set off all amounts due from Store Owner, and the cost of the appraisal, if any, against the payment price of such items.

14.10 All covenants, obligations, and agreements of Store Owner which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, shall survive such termination or expiration.

14.11 Store Owner shall comply with the covenants contained in Section 15.3 of this Agreement.

15. COVENANTS

15.1 Store Owner covenants that during the term hereof, except as otherwise approved in writing by CBL, Store Owner (or if Store Owner is a corporation or partnership, a principal of Store Owner) or Store Owner's manager shall devote its full time and best efforts to the management and operation of the Store.

15.2 Store Owner acknowledges that it shall receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of CBL and the System. Store Owner covenants that during the term hereof it shall not, either directly or indirectly, except as otherwise approved in writing by CBL, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity:

15.2.1 Divert or attempt to divert any business or customer of the Store to any competitor by inducement or otherwise, or do or perform any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; and

15.2.2 Own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with: (i) any retail coffee store, café or other business operation that offers the same or similar products or services as those offered by the Store (a “Competing Business”); and (ii) any business that offers or grants licenses or franchises, or establishes one or more joint ventures, for the operation of any Competing Business;

15.3 Store Owner covenants that it shall not, without CBL’s prior written consent, for a continuous, uninterrupted one (1) year period commencing upon the date of: (a) a transfer permitted under Section 12 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final decision of an arbitrator or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.3; either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with:

15.3.1 a Competing Business that is located: (i) at the Approved Location; or (ii) within a ten (10) mile radius of (a) the Approved Location, or (b) any other COFFEE BEANERY location that is open, under lease or otherwise under development as of the termination or expiration of this Agreement;

12.3.2 any business that offers or grants licenses or franchises, or establishes one or more joint ventures for, the operation of any Competing Business.

15.4 Sections 15.2 and 15.3 shall not apply to the beneficial ownership by Store Owner of less than a five percent (5%) of the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.5 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision hereof. If all or any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which CBL is a party, Store Owner expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 15.

15.6 Store Owner agrees and acknowledges that CBL shall have the right, in its sole discretion, to reduce the scope of any covenant or any portion thereof set forth in Sections 15.2 and 15.3 of this Agreement, without Store Owner’s consent, effective immediately upon receipt by Store Owner of written notice thereof; and Store Owner agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 21 of this Agreement.

15.7 Store Owner expressly agrees that the existence of any claims it may have against CBL, whether or not arising hereunder, shall not constitute a defense to the enforcement by CBL of the covenants in this Section 15.

15.8 Store Owner acknowledges that Store Owner’s violation of the terms of Sections 14 or 15 of this Agreement would result in irreparable injury to CBL for which no adequate remedy at law may be available. Store Owner hereby consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Store Owner violative of the obligations in Sections 14 or 15 of this Agreement,

including such issuance on an ex-parte basis. Store Owner hereby waives the requirement that CBL post any bond relating to such injunctive relief, or, if such bond may not be legally waived by Store Owner, Store Owner agrees that a bond in the amount of \$1,000 is sufficient. Store Owner agrees to pay all court costs and reasonable attorneys' fees incurred by CBL in obtaining any injunctive or other equitable or legal relief with respect to such conduct or action.

15.9 At CBL's request, Store Owner shall obtain execution of covenants similar to those set forth in this Section 15 (including covenants applicable upon the termination of a person's relationship with Store Owner and covenants incorporating the terms of Section 14 of this Agreement, as modified to apply to an individual) from any or all of the following persons: (1) all employees of Store Owner who have received training from CBL; (2) all officers, directors, and holders of a beneficial interest of five (5%) percent or more of the securities of Store Owner, and of any corporation directly or indirectly controlling Store Owner, if Store Owner is a corporation; and (3) the general partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general partner), if Store Owner is a partnership. Store Owner shall furnish copies of such covenants to CBL upon request. Every covenant required by this Section 15.9 shall be in a form approved by CBL, including, without limitation, specific identification of CBL as a third party beneficiary of such covenants with the independent right to enforce them.

16. STORE OWNER AS A CORPORATION, PARTNERSHIP, OR LIMITED LIABILITY COMPANY

16.1 Except as otherwise approved in writing by CBL, if Store Owner is a corporation, it shall: (i) confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Store; (ii) maintain stop transfer instructions on its records (unless Store Owner is publicly held) against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to CBL, appears which references the transfer restrictions imposed by this Agreement; and (iii) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Store Owner and furnish the list to CBL upon request.

16.2 If Store Owner is a partnership it shall (i) furnish CBL with its partnership agreement as well as such other documents as CBL may reasonably request, and any amendments thereto; and (ii) prepare and furnish to CBL, upon request, a current list of all general and limited partners in Store Owner.

16.3 If Store Owner is a limited liability company, it shall: (i) confine its activities exclusively to operating the Store; (ii) furnish CBL with its articles of organization and operating agreement, as well as such other documents as CBL may reasonably request and any amendments thereto; (iii) prepare and furnish to CBL, upon request, a current list of all members and managers in Store Owner; and (iv) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities which bear a legend, in a form satisfactory to CBL, which references the transfer restrictions imposed by this Agreement.

16.4 Each present and future shareholder or member, and each present and future general and limited partner, of Store Owner, as well as the spouse of each shareholder, member, general partner and/or limited partner (as applicable), shall jointly and severally guarantee Store Owner's performance of each and every provision of this Agreement, by executing a Guarantee in the form annexed hereto as Attachment A.

17. TAXES, PERMITS, AND INDEBTEDNESS

17.1 Store Owner shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Store Owner in the conduct of the Store. Store Owner shall pay to CBL an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on CBL with respect to any payments to CBL required hereunder, unless the tax is credited against income tax otherwise payable by CBL.

17.2 In the event of any bona fide dispute as to Store Owner's liability for taxes assessed or other indebtedness, Store Owner may contest the validity or the amount of the tax or indebtedness in accordance with the procedures of the taxing authority or applicable law; however, in no event shall Store Owner permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the Store premises, or any improvements thereon.

17.3 Store Owner shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper construction, design, operation, and conduct of the Store, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

17.4 Store Owner shall notify CBL in writing within five (5) days of the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, which may adversely affect the operation or financial condition of the Store.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Store Owner shall be an independent contractor; and, that nothing herein is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise, or servant of the other for any purpose whatsoever.

18.2 During the term hereof, Store Owner shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from CBL. Store Owner agrees to take such action as may be necessary to do so, including, as set forth in Section 7.2.4, exhibiting a notice of that fact in a conspicuous place on the Store premises.

18.3 Store Owner acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on CBL's behalf, or to incur any debt or other obligation in CBL's name; and that CBL shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall CBL be liable by reason of any act or omission of Store Owner in its conduct of the Store or for any claim or judgment arising therefrom against Store Owner or CBL. Store Owner shall indemnify and hold CBL and its affiliates, and their respective shareholders, directors, employees, and agents harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Store Owner's operation of the Store, as well as the costs, including attorneys' fees, of defending against them.

19. APPROVALS AND WAIVERS

19.1 CBL makes no warranties or guarantees upon which Store Owner may rely, and assumes no liability or obligation to Store Owner, by providing any waiver, approval, consent, or suggestion to Store Owner in connection with this Agreement, or by reason of any neglect, delay, or denial of any request

therefor. No delay, waiver, omission, or forbearance on the part of CBL to exercise any right, option, duty, or power arising out of this Agreement against Store Owner, or any other franchisee, or any breach or default by Store Owner, or by any other franchisee, of any of the terms, provisions, or covenants thereof, shall constitute a waiver by CBL to enforce any such right, option, or power as against Store Owner, or as to a subsequent breach or default by Store Owner. Subsequent acceptance by CBL of any payments due to it hereunder shall not be deemed to be a waiver by CBL of any preceding or succeeding breach by, or obligations of, Store Owner of any terms, covenants, or conditions of this Agreement.

20. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by Fax, mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the addresses set forth on the signature page of this Agreement unless and until a different address has been designated by written notice to the other party. Notices shall be deemed to have been received as follows: by personal delivery or fax -- at the time of delivery; by overnight delivery service -- on the next business day following the date on which the Notice was given to the overnight delivery service; by certified mail -- three (3) days after the date of mailing.

21. ENTIRE AGREEMENT

21.1 This Agreement, and any attachments hereto, constitute the entire and complete agreement between CBL and Store Owner concerning the subject matter hereof, and supersede any and all prior proposals, negotiations, representations and agreements. Nothing in this or any related agreement is intended to disclaim the representations made in the form of franchise disclosure document that CBL timely disclosed to Store Owner prior to entering into this Agreement. Except for those permitted hereunder to be made unilaterally by CBL, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

22. SEVERABILITY AND CONSTRUCTION

22.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision hereof shall be considered severable; and if, for any reason, any portion, section, part, term, and/or provision herein is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions hereof as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and the invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part hereof.

22.2 Store Owner expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part hereof, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which CBL is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such court order.

22.3 Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

23. APPLICABLE LAW

23.1 This Agreement takes effect upon its acceptance and execution by CBL in Michigan, and any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, shall be interpreted and construed exclusively under the laws of Michigan. In the event of any conflict of law, the laws of Michigan shall prevail, without regard to the application of Michigan conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of Michigan, and if the Store is located outside of Michigan and such provision would be enforceable under the laws of the state in which the Store is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 23.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Michigan to which it would not otherwise be subject.

23.2 Prior to involving any third party in any claim or dispute with CBL or any of its approved suppliers, Store Owner must first raise that claim or dispute to CBL's management and make every effort to resolve the dispute internally. Store Owner must exhaust this internal dispute resolution procedure before Store Owner may bring Store Owner's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

23.3 At CBL's option, all claims or disputes between Store Owner and CBL (or their respective affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 23.2 above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect.

23.3.1 Before commencing any legal action against CBL or its affiliates with respect to any such claim or dispute, Store Owner must submit a notice to CBL, which specifies, in detail, the precise nature and grounds of such claim or dispute. CBL will have a period of thirty (30) days following receipt of such notice within which to notify Store Owner as to whether CBL or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor.

23.3.2 CBL's rights to mediation, as set forth herein, may be specifically enforced by CBL. Each party will bear its own cost of mediation and CBL and Store Owner will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement.

23.3.3 The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 23.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

23.3.5 Mediation shall not limit or otherwise affect CBL's right to default Store Owner and/or terminate this Agreement in accordance with the terms otherwise set forth herein.

23.4 Subject to Sections 23.2 and 22.3 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to CBL's then-current corporate headquarters or, if appropriate, the United States District Court for the Eastern District of Michigan. Store Owner acknowledges that this Agreement has been entered into in the State of Michigan, and that Store Owner is to receive valuable and continuing services emanating from CBL's headquarters in Michigan, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Store Owner hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Michigan as set forth in this Section.

23.5 To the extent that a judicial action is permitted by the Agreement, any such action brought by Store Owner against CBL shall be brought exclusively, and any such action brought by CBL against Store Owner may be brought, in the federal district court covering the location at which CBL has its principal place of business at the time the action is commenced; provided, however, that if the federal court would not have subject matter jurisdiction had the action been commenced in such court, then, in such event, the action shall (with respect to actions commenced by Store Owner), and may (with respect to actions commenced by CBL), be brought in the state court within the judicial district in which CBL has its principal place of business at the time the action is commenced. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

23.6 No right or remedy conferred upon or reserved to CBL or Store Owner hereby 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 cumulative of every other right or remedy.

23.7 Nothing in this Agreement shall bar CBL's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Store Owner's obligations. CBL also shall be able to seek injunctive relief to prohibit any act or omission by Store Owner or its employees that constitutes a violation of any applicable law, is dishonest or misleading to Store Owner's customers or to the public, or which may impair the goodwill associated with the Proprietary Marks; and Store Owner agrees to pay all costs and reasonable attorneys' fees incurred by CBL in obtaining such relief.

23.8 CBL and Store Owner irrevocably waive trial by jury in any action, proceeding, or counterclaim whether at law or in equity, brought by either of them against the other, whether or not there are other parties in such action or proceeding. With the exception of claims or actions relating to royalty fees, advertising contributions or other sums due to CBL, any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, brought by any party hereto against the other, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. Except as specifically provided for in this Agreement, CBL and Store Owner hereby waive, in any judicial action, any right to or claim of any punitive or exemplary damages against the other and agree that in the event of a dispute between them.

24. ACKNOWLEDGMENTS

24.1 Store Owner acknowledges that it has conducted an independent investigation of the rights granted by this Agreement, recognizes that the business venture contemplated herein involves business risks, and that its success will be largely dependent upon the ability of Store Owner as an independent businessperson. CBL expressly disclaims the making of, and Store Owner acknowledges that it has not received, any representation, express or implied from any agent or employee of CBL, as to the prior, current, or potential sales, income, profits, or success of the business venture contemplated by this Agreement or of any other Store.

24.2 Store Owner acknowledges that it received a copy of the complete CBL Franchise Agreement, and the attachments relating thereto, if any, at least seven (7) calendar days prior to the Effective Date. Store Owner further acknowledges that it received CBL's uniform Franchise Disclosure Document at least fourteen (14) calendar days prior to the Effective Date. Store Owner acknowledges that it has read and understands this Agreement, the attachments hereto, if any, and that CBL has accorded Store Owner ample time and opportunity to consult with advisors of Store Owner's own choosing about the potential benefits and risks of entering into this Agreement.

24.3 Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as set forth in the Franchise Disclosure Document.

24.4 Store Owner further acknowledges and agrees that:

24.4.1 the business venture contemplated by this Agreement involves business risks;

24.4.2 Store Owner's success will be largely dependent upon Store Owner's ability as an independent businessperson;

24.4.3 Store Owner has received, read, and does understand this Agreement and any attachments, and that CBL has fully and adequately explained each provision of this Agreement to Store Owner's satisfaction;

24.4.4 Store Owner has consulted with Store Owner's own independent advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Store Owner either has consulted with such advisors or has deliberately declined to do so;

24.4.5 Store Owner has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Store Owner so elects);

24.4.6 In entering into this Agreement, Store Owner did not rely in any manner on any statement, material or representation made by CBL or any its representatives other than what is clearly stated in this Agreement and the Franchise Disclosure Document that CBL disclosed to Store Owner (and/or its principals) (the "FDD").

24.4.7 Store Owner's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with that FDD;

24.4.8 Any and all applications, financial statements, and representations submitted to CBL by Store Owner, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Store Owner states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to CBL in writing;

24.4.9 Store Owner represents and warrants that Store Owner is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Store Owner of the obligations under this Agreement and that Store Owner is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to CBL in writing;

24.4.10 Store Owner agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and sale of the Approved Products, that are necessary to operate the Store from the CBL-approved premises and (ii) the Store is otherwise operated in full compliance with all federal, state and local laws and regulations where the Store Owner is located; and

24.4.11 Store Owner agrees and acknowledges that: (i) CBL may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a COFFEE BEANERY Store; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

***THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE***

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Agreement on the day and year first above written.

Address For Notices Pursuant to
Section 20 of this Agreement:

CBL Address
3429 Pierson Place
Flushing, Michigan 48433
Attn: Executive Vice President

Signatures

THE COFFEE BEANERY, LTD.

By: _____

Title: _____

Store Owner Address

STORE OWNER

By: _____

Title: _____

STORE OWNER

By: _____

Title: _____

STORE OWNER

By: _____

Title: _____

(Intentionally Blank)

GUARANTEE

As an inducement to The Coffee Beanery, Ltd. (“CBL”) to execute the Franchise Agreement with _____ (“Store Owner”) dated _____, 20____, and in consideration of CBL executing the Franchise Agreement and of the sum of One Dollar (\$1.00) now paid by CBL to Guarantors, the receipt of which is hereby acknowledged, Guarantors jointly and severally agree as follows:

1. Guarantors shall pay or cause to be paid to CBL all monies payable by Store Owner under the Franchise Agreement on the date and in the manner required for payment.

2. Guarantors unconditionally guarantee full performance and discharge by Store Owner of all the obligations of Store Owner under the Franchise Agreement on the date and times and in the manner required.

3. Guarantors shall indemnify and save harmless CBL and its affiliates, and their respective shareholders, directors, employees, and agents, against and from all losses, damages, costs, and expenses which CBL and its affiliates may sustain, incur, or become liable for by reason of:

a. Store Owner’s failure to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter, or thing required by the Franchise Agreement; or

b. Any action by CBL to obtain performance by Store Owner of any act, matter, or thing required by the Franchise Agreement.

4. CBL shall not be obligated to proceed against Store Owner or exhaust any security from Store Owner or pursue or exhaust any remedy, including any legal or equitable relief against Store Owner, before proceeding to enforce the obligations of the Guarantors herein set out, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Store Owner under the Franchise Agreement.

5. Without affecting the Guarantors’ obligations under this Guarantee, CBL, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Store Owner, or settle, adjust, or compromise any claims against Store Owner. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Store Owner.

6. This Guarantee shall terminate upon the termination or expiration of the Franchise Agreement, except that all obligations and liabilities of the Guarantors which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the Store Owner or the Guarantors, and all covenants which by their terms continue in force after the expiration or termination of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual Guarantor, the estate of such Guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of any other Guarantors will continue in full force and effect.

7. The provisions of Section 23 of the Franchise Agreement shall apply as to any interpretation or enforcement of this Guarantee, as well as any disputes or claims arising out of or related

to this Guarantee. Furthermore, the provisions of Section 20 of the Franchise Agreement shall apply to any notice to either party, except that notice to Guarantors shall be sent to the address(es) set forth below beneath each Guarantor's signature.

IN WITNESS WHEREOF, each of the undersigned has signed this Guarantee as of the date of the Franchise Agreement.

GUARANTOR:

Signature

Printed Name

Street Address

City and State

GUARANTOR:

Signature

Printed Name

Street Address

City and State

GUARANTOR:

Signature

Printed Name

Street Address

City and State

GUARANTOR:

Signature

Printed Name

Street Address

City and State

Countersigned:

THE COFFEE BEANERY, LTD.

By: _____

Title: _____

MANAGEMENT AGREEMENT

The undersigned hereby agree to devote full time, energy, and best efforts to the management of the business licensed hereunder throughout the term of this Agreement, and acknowledge the Franchisor has entered into this Agreement in reliance upon and in consideration of this understanding and agreement by the undersigned.

Dated: _____

Signature

Printed Name

Street Address

City and State

Signature

Printed Name

Street Address

City and State

(Intentionally Blank)

WAREHOUSE AGREEMENT

This Agreement made and entered into on _____, 20____, by and between THE COFFEE BEANERY, LTD. (“CBL”), d/b/a SHAW’S DISTRIBUTION WAREHOUSE (“Shaw’s”), and _____ (collectively “Store Owner”). This Agreement is in conjunction with the Franchise Agreement between CBL and Store Owner. (“Franchise Agreement”).

WHEREAS, CBL and Store Owner have entered into a Franchise Agreement as referenced above; and

WHEREAS, the Franchise Agreement obligates Store Owner to purchase certain goods (which are identified herein and in the Franchise Agreement as “Products and supplies”) from CBL; and

WHEREAS, CBL provides some of the Products and supplies through its affiliate, Shaw’s; and

WHEREAS, this Agreement contains the terms and conditions pursuant to which Shaw’s will sell Products and supplies to Store Owner.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the covenants, promises and conditions hereinafter set forth, it is agreed as follows:

- (1) Shaw’s agrees to sell certain Products and supplies to Store Owner from time to time as Store Owner orders as long as Store Owner is in compliance with this Agreement and the Franchise Agreement.
- (2) The terms of sale are Net fifteen (15) days. The Store Owner agrees to make payments required by this Agreement to CBL by electronic funds transfer using such forms and systems as CBL may require. Shaw’s reserves the right to change its terms of sale and to limit quantities purchased.
- (3) If Store Owner is past due more than fifteen (15) days on any payment obligations to Shaw’s, Store Owner will be charged interest on the unpaid balance at a rate of one and one-half percent (1.5%) per month or the highest legally permissible contract interest rate in the state where the Store Owner operates the franchised business, whichever is less, and Products and supplies will be sold to Store Owner on a C.O.D. basis only. If Store Owner is past due more than thirty (30) days on any payment obligations to Shaw’s, Shaw’s may suspend or cease altogether sales of Products and supplies to Store Owner. Shaw’s reserves the right, from time to time, to impose credit limits consistent with sound business practices on Store Owner. Such credit limits may be based, in part, upon the personal financial statement which Store Owner or its principal owners shall provide pursuant to paragraph 11 of the Franchise Agreement.
- (4) Store Owner is required to purchase the following minimum inventory of \$5,000 if the Store is a Traditional Store Model or a Drop-Down Store Model. The minimum amount for a Co-Branded Store Model will be based on the type of Store Model operated by you.

- (5) If Store Owner is in default under the Franchise and License Agreement, Shaw's may suspend or cease altogether sales of Products and supplies to Store Owner.
- (6) Store Owner's failure to comply with the terms of this Agreement shall constitute a default under the terms of the Franchise Agreement and CBL may thereupon pursue any or all of its rights under the Franchise Agreement.
- (7) The undersigned individuals represent that they are all of the Store Owner's shareholders or partners, or otherwise have a direct or indirect beneficial interest in the Store Owner. Accordingly, to induce Shaw's to grant Franchisee terms and credit for purchases of Products and supplies from Shaw's, each of the undersigned individuals jointly and severally agrees to be primarily liable for all of such purchases.
- (8) The provisions of the Franchise Agreement are incorporated herein by reference and the provisions herein are incorporated into the Franchise Agreement by reference.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date stated above.

"CBL"

THE COFFEE BEANERY, LTD.

BY: _____

ITS: _____

Store Owner Address

"SHAW'S"

SHAW'S DISTRIBUTION WAREHOUSE

BY: _____

ITS: _____

STORE OWNER

By: _____

Title: _____

STORE OWNER

By: _____

Title: _____

STORE OWNER

By: _____

Title: _____

THE COFFEE BEANERY, LTD.
ADDENDUM FOR CO-BRANDED LOCATIONS

THIS ADDENDUM is entered into on _____, 20____, by and between The Coffee Beanery, Ltd. (“**Coffee Beanery**”), and _____ (“**Co-Brand Store Owner**”).

WITNESSETH:

WHEREAS, Co-Brand Store Owner presently conducts a business which provides products and services other than coffee, tea and similar products and services as described on Schedule 1 to this Co-Brand Addendum (the “Co-Brand Products”) at the Approved Location;

WHEREAS, the Co-Brand Store Owner wishes to continue to offer the Co-Brand Products;

WHEREAS, Co-Brand Store Owner wishes to enter into a Franchise Agreement with Coffee Beanery under which Co-Brand Store Owner would convert a portion of facilities where the Co-Brand Products are offered to a Coffee Beanery Store (“Store”) but which would offer the Co-Brand Products;

WHEREAS, Coffee Beanery and Co-Brand Store Owner have entered into a Franchise Agreement on _____, 20____, (the “**Agreement**”) which they wish to modify by this Addendum to provide for a Store which will operate as a Coffee Beanery Store but which will continue to offer the Co-Brand Products; and

WHEREAS, all capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Construction of Leasehold Improvements

1.1 Co-Brand Store Owner shall modify the Store premises in the manner set forth in Exhibit 1, to conform to Coffee Beanery’s prototype plans and specifications.

1.2 Coffee Beanery and Co-Brand Store Owner agree that time is of the essence in connection with the construction of leasehold modifications. Co-Brand Store Owner shall complete such modifications no later than sixty (60) days from the execution of the Addendum. In the event that Co-Brand Store Owner fails to complete modifications by such date, Coffee Beanery shall have the right to terminate this Agreement in accordance with Section 13.4 of the Agreement.

1.3 Upon completion of the modifications set forth in Exhibit 1, Co-Brand Store Owner shall submit a written request to Coffee Beanery to conduct a final inspection of the Store premises and, upon receipt of such request, Coffee Beanery shall promptly conduct a final inspection.

1.4 Co-Brand Store Owner shall not commence operations as a Coffee Beanery Store without Coffee Beanery’s written authorization. Co-Brand Store Owner may at its discretion continue to offer the Co-Brand Products during construction of leasehold modifications but shall not identify itself as a Coffee Beanery Store until receipt of Coffee Beanery’s written authorization to conduct business, as set forth in Section 1.3 of this Addendum.

2. Delay in Applicability of Co-Brand Store Owner's Obligations

2.1 Co-Brand Store Owner's obligation to pay royalties and make expenditures and contributions for advertising and promotion, as set forth in Sections 3.2 and 3.3 of the Agreement, shall commence thirty (30) days from the date of the Agreement.

3. Deletions from the Agreement

3.1 The following Sections of the Agreement shall be deleted in their entirety, and have no force or effect:

4.1; 4.3; 5.10, except for the first sentence thereof; and 13.2.1.

4. Additions to the Agreement

4.1 The following Section 3.2 shall be inserted into the Agreement and made a part thereof:

3.2 During the term of this Agreement, Store Owner shall pay to CBL a continuing weekly royalty fee in an amount equal to four percent (4%) of the Net Sales for the Store. "Net Sales" shall mean revenue from the sale of all products and services, and all other income or consideration of every kind and nature, received by the Store, whether for cash or credit, and regardless of collection in the case of credit, less: (i) any sales taxes or other taxes collected by Store Owner from its customers and thereafter paid directly to the appropriate taxing authority; (ii) charges imposed by credit card companies and customer refunds; (iii) revenue from the sale of the Co-Brand Products, provided, however, that such exclusion shall not apply to products and services that CBL requires Coffee Beanery stores to offer, including, without limitation, coffee and coffee based drinks. The royalty payment is not refundable. If Store Owner fails to maintain proper sales records or report Net Sales to CBL, CBL has the right to estimate Net Sales and invoice Store Owner for such amounts.

4.2 The following sentence shall be added to Section 5.4 and made a part thereof:

"In the event of any conflict between the methods, standards and specifications prescribed by CBL and those of another franchised system that offers the Co-Brand Products, CBL agrees to consider, in its reasonable discretion, a limited variance from its standards (to the extent required to eliminate the conflict) provided, however, that Store Owner agrees that CBL shall have no obligation to modify its standards if (i) the other system's standards are not required by the franchised system offering the Co-Brand Products or (ii) such a variance request relates to CBL's routine products, including, without limitation, coffee products or the manner in which such products are prepared and served."

5. Integration

5.1 This Addendum shall be considered an integral part of the Agreement between the parties hereto, and the terms of this Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Addendum, the terms of the Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum for Co-Branded Locations on the day and year first above written.

THE COFFEE BEANERY, LTD.

By: _____

Title: _____

CO-BRAND STORE OWNER

By: _____

Title: _____

CO-BRAND STORE OWNER

By: _____

Title: _____

(Intentionally Blank)

THE COFFEE BEANERY LTD.
COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this “Assignment”) is made, entered into and effective on this ____ day of _____, 20____ Effective Date,”) by and between: (i) The Coffee Beanery, Ltd. (the “Franchisor”); and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the “Franchisee”).

BACKGROUND INFORMATION

Franchisor entered into that certain franchise agreement (the “Franchise Agreement”) dated as of _____, 20__ with Franchisee, pursuant to which Franchisee plans to own and operate a COFFEE BEANERY franchised business (the “Franchised Business”) located at _____ (the “Site”). In addition, pursuant to that certain Lease Agreement (the “Lease”), Franchisee has leased or will lease certain space containing the Franchised Business described therein from _____ (the “Lessor”). The Franchise Agreement requires Franchisee to deliver this Assignment to Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

Franchisor and Franchisee agree as follows:

1. **Background Information:** The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.
2. **Incorporation of Terms:** Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.
3. **Indemnification of Franchisor:** Franchisee agrees to indemnify and hold Franchisor and its affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys’ fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee’s breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.
4. **Conditional Assignment:** Franchisee hereby grants to Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchisee’s rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of Franchisee’s breach of the Lease, then such payment by Franchisor, or such breach or default by Franchisee, shall at Franchisor’s option be deemed to

be an immediate default under the Franchise Agreement, and Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of Franchisee in and to the Lease until satisfaction in full of all amounts owed by Franchisee to Franchisor. In addition, the rights of Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination:** Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies:** In any case of default by Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of Franchisee;

c) to exclude Franchisee, its agents or employees from the Site;

d) as attorney-in-fact for Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by Franchisee, for any cause or ground which would entitle Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of Franchisor; and

g) to insure and reinsure the same for all risks incidental to Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of Franchisee's rights but not obligations under the Franchise Agreement to be immediately

terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **Power of Attorney:** Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of Franchisor.

8. **Election of Remedies:** It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between Franchisor and Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by Franchisor of any such rights and remedies shall be construed as a waiver by Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **Binding Agreements:** This Assignment and all provisions hereof shall be binding upon Franchisor and Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words “Franchisor” and “Franchisee” when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **Assignment to Control.** This Assignment governs and controls over any conflicting provisions in the Lease.

11. **Attorneys’ Fees, Etc.** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys’ fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **Severability.** If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

FRANCHISEE

By: _____
Name: _____
Date: _____

FRANCHISOR

THE COFFEE BEANERY LTD.

By: _____
Name: _____
Title: _____
Date: _____

The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.

LESSOR

By: _____
Name: _____
Title: _____
Date: _____

***EXHIBIT B
TO FRANCHISE
DISCLOSURE DOCUMENT***

**LISTS OF CURRENT FRANCHISEES
AND FRANCHISEES THAT LEFT THE SYSTEM**

(Includes all Store Models)

FRANCHISED STORES IN OPERATION AS OF JUNE 30, 2023

<u>Name/Entity</u>	<u>Address</u>	<u>City</u>	<u>State</u>	<u>Zip</u>	<u>Phone Number</u>
Mike Robertson / #476	19252 N Hibiscus St	Weston	FL	33332	305-763-9379
Terry Harps / #451	6000 South Terminal Pkwy	Atlanta	GA	30320	404-345-4035
Kali Nandi / #491	4600 Investment DR	Troy	MI	48098	248-601-1178
Steven Grinnell / #457	1530 Loan Oak road	Paducah	KY	42003	270-538-6800
Matth Salem / #458	9403 Coastal highway	Ocean City	MD	21842	410-524-4400
Jason Tago / #377	4433 Old US 23	Brighton	MI	48114	810-227-2233
Stephen Shubert / #471	1401 E Court St	Flint	MI	48503	810-232-2585
Stephen Shubert / #477	550 S Saginaw	Flint	MI	48503	810-232-2585
Michelle Pierce / #479	7736 Midland	Freeland	MI	48632	989-573-8413
Dean Hahcem / #331	6810 Metroplex Drive Suite 100	Romolus	MI	48174	734-247-1109
Leo Adwusi / #474	52857 Schoenherr	Shelby Township	MI	48315	586-991-6835
Khalid Elsharkawy / #310	701 route 440	Jersey City	NJ	07304	201-432-5151
DNC Travel Hospitality / #361	4200 Genesee St. Buffalo Niagra Int'l Airport	Cheektowaga	NY	14225	716-633-0382 x22212
Cindy Kronk / #72	1466 Old Brodhead	Monaca	PA	15061	724-601-0253
Deviyani Gajjar / #480	2729 Jacksboro	Jacksboro	TN	37757	423-519-6656
Marvin Leeck / #486	110 Aider Springs RD	La Follette	TN	37766	865-255-8160
Young Lee / #435	3042 Neches Dr	Corpus Christie	TX	78411	361-563-1125
Luis Wilmont / #391	2100 S WS Young Dr #1324	Killeen	TX	76543	254-423-1266
Luis Wilmont / #446	6001 West Waco DR	Waco	TX	76710	254-630-1721
Waqar Ahmed / #44	126 Lil Burne	Yorktown	VA	23693	757-249-9326
Toni Hladky / #460	5201 S douglas Hwy ste 100	Gillette	WY	82718	307-670-8720
Warren Han / #300	1411 Pale San Vitores Road	Barrigada	Guam	96913	671-637-5761
Warren Han / #241	414 W Soledad Ave suite 102	Hagatna	Guam	96910	671-637-5761
Warren Han / #223	P.O Box 20580	Tumon	Guam	96921	671-637-5761
Warren Han / #419	1088 W Marine Corp Drive	Yigo	Guam	96929	671-637-5761
Warren Han / #437	1088 W Marine Corp Drive	Yigo	Guam	96929	671-637-5761

Sloan Museum	1221 E Kearsley St	Flint	MI	48503	810-237-3444
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**FRANCHISEES WITH SIGNED FRANCHISE AGREEMENTS AS OF JUNE 30, 2023,
BUT NOT YET OPEN**

NAME	CITY/STATE	CONTACT INFORMATION
Asra Khan	Bloomington, IN	224-875-1304
Brad and Tracey Smith	Grand Rapids, MI	810-965-3282
Marvin Leeck	Jacksboro, TN	423-437-8358
Marvin Leeck	Jacksboro, TN	423-437-8358

**FRANCHISEES THAT LEFT OUR SYSTEM IN OUR PAST FISCAL YEAR
ENDING JUNE 30, 2023**

NAME	CITY/STATE	TELEPHONE NUMBER	BASIS FOR LEAVING SYSTEM
Misty Danniballe	Corpus Cristi, TX	361-991-2254	Transferred location
Mohammad Rashdi	Lincolnwood, IL	847-676-1565	Ceased Operations for Other Reasons
Meron Tesfantsion	Arlington, VA	213-716-7836	Ceased Operations as of Issue Date for Other Reasons

EXHIBIT C
TO FRANCHISE
DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

Shaw Coffee Company and Subsidiaries
Consolidated Audited Financial Statements
And Supplementary Information
June 30, 2023, 2022 and 2021

Prepared by Taylor & Morgan, P.C.

2302 Stonebridge Drive, Bldg. D | Flint, MI 48532 | 810.230.8200

www.tmcpa.com

Shaw Coffee Company and Subsidiaries

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June 30, 2023, 2022, and 2021

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
of Shaw Coffee Company, Incorporated
Flushing, Michigan

Opinion

We have audited the accompanying consolidated financial statements of Shaw Coffee Company, Incorporated. (a Michigan corporation), which comprise the balance sheets as of June 30, 2023, 2022, and 2021, and the related statements of income and comprehensive income, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Shaw Coffee Company Incorporated. as of June 30, 2023, 2022, and 2021, and the results of its operations, changes in members' 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Shaw Coffee Company, Incorporated and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Shaw Coffee Company, Incorporated's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

BRIGHTON, MICHIGAN

FLINT, MICHIGAN

FLINT OFFICE

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN 48532
OFFICE 810.230.8200 FAX 810.230.8203

TROY, MICHIGAN

CHARLOTTE, NORTH CAROLINA

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 judgement made by a reasonable user based on the consolidated 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 consolidated 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 consolidated 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 Shaw Coffee Company, Incorporated'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Shaw Coffee Company, Incorporated'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.

Taylor & Morgan, PC

Taylor & Morgan, P.C.
Flint, Michigan
October 23, 2023

Shaw Coffee Company and Subsidiaries
Consolidated Balance Sheets
June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
ASSETS			
<u>CURRENT ASSETS</u>			
Cash	\$ 311,745	\$ 186,124	\$ 388,222
Accounts receivable - net	672,053	425,733	619,033
Inventory	1,467,800	1,289,615	1,231,524
Prepaid expenses and other current assets	64,899	55,594	42,273
Notes receivable - Current portion	<u>-</u>	<u>-</u>	<u>2,820</u>
Total current assets	2,516,497	1,957,066	2,283,872
<u>PROPERTY AND EQUIPMENT</u>			
Building	1,845,500	1,845,500	1,845,500
Land	114,500	114,500	114,500
Leasehold improvements	794,141	778,718	623,196
Equipment	5,721,089	5,390,467	5,260,012
Vehicles	<u>296,046</u>	<u>344,034</u>	<u>460,727</u>
Total property and equipment	8,771,276	8,473,219	8,303,935
Less: Accumulated depreciation	<u>(6,068,526)</u>	<u>(5,820,567)</u>	<u>(5,602,984)</u>
Net property and equipment	2,702,750	2,652,652	2,700,951
<u>OTHER ASSETS</u>			
Deferred tax asset	25,692	28,471	10,164
Notes receivable from related party	262,840	262,840	262,840
Trademarks	78,937	78,937	78,937
Other assets	<u>46,001</u>	<u>41,626</u>	<u>41,626</u>
Total other assets	<u>413,470</u>	<u>411,874</u>	<u>393,567</u>
Total assets	<u><u>\$ 5,632,717</u></u>	<u><u>\$ 5,021,592</u></u>	<u><u>\$ 5,378,390</u></u>

See notes to consolidated financial statements.

Shaw Coffee Company and Subsidiaries
Consolidated Balance Sheets
As of June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
LIABILITIES AND STOCKHOLDERS' EQUITY			
<u>CURRENT LIABILITIES</u>			
Accounts payable	\$ 531,057	\$ 311,710	\$ 512,464
Accrued expenses	103,354	73,631	304,720
Deferred revenue	233,100	202,443	204,187
Current portion of long-term debt and capital leases	<u>587,628</u>	<u>402,198</u>	<u>358,006</u>
Total current liabilities	1,455,139	989,982	1,379,377
<u>LONG-TERM LIABILITIES</u>			
Long-term debt and capital leases, less current portion	2,970,411	2,202,895	2,416,689
Less unamortized debt issuance costs	(116,314)	(122,062)	(127,810)
Deferred credit - tenant allowance	13,242	26,484	39,726
Deferred tax liability	<u>352,621</u>	<u>331,106</u>	<u>325,338</u>
Total long-term liabilities	<u>3,219,960</u>	<u>2,438,423</u>	<u>2,653,943</u>
Total liabilities	4,675,099	3,428,405	4,033,320
Total stockholders' equity	<u>957,618</u>	<u>1,593,187</u>	<u>1,345,070</u>
Total liabilities and stockholders' equity	<u>\$ 5,632,717</u>	<u>\$ 5,021,592</u>	<u>\$ 5,378,390</u>

See notes to consolidated financial statements.

Shaw Coffee Company and Subsidiaries
Consolidated Statements of Operations
For the Years Ended June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Revenue			
Retail sales	\$ 5,586,642	\$ 4,571,155	\$ 3,961,954
Product and equipment sales to franchisees	1,018,257	884,971	734,135
Franchise royalty revenue and fees	446,392	316,237	290,333
Wholesale sales	4,573,156	4,101,392	3,829,776
PPP loan grant income	-	-	872,644
Other revenue	<u>448,927</u>	<u>341,394</u>	<u>366,650</u>
Total revenue	12,073,374	10,215,149	10,055,492
Less : Operating costs and expenses			
Cost of goods sold	6,032,177	4,833,341	4,280,921
Selling, general and administrative	4,310,993	3,755,030	3,272,825
Store operating expenses	64,764	214,840	205,690
Other operating expenses	278,279	165,848	277,365
Advertising	340,792	406,061	384,647
Depreciation and amortization	<u>440,563</u>	<u>423,766</u>	<u>406,794</u>
Total operating costs and expenses	<u>11,467,568</u>	<u>9,798,886</u>	<u>8,828,242</u>
Operating earnings before gain/(loss) on disposal of fixed assets	605,806	416,263	1,227,250
Gain/(loss) on disposal of fixed assets	<u>21,803</u>	<u>22,447</u>	<u>28,694</u>
Operating earnings	627,609	438,710	1,255,944
Less : Other expense			
Interest expense	<u>155,868</u>	<u>170,840</u>	<u>167,971</u>
Total other expense	<u>155,868</u>	<u>170,840</u>	<u>167,971</u>
Earnings before income taxes	471,741	267,870	1,087,973
Income tax expense	<u>26,164</u>	<u>19,753</u>	<u>97,861</u>
Net earnings/(loss)	<u>\$ 445,577</u>	<u>\$ 248,117</u>	<u>\$ 990,112</u>

See notes to consolidated financial statements.

Shaw Coffee Company and Subsidiaries
Consolidated Statements of Stockholders' Equity
For the Years Ended June 30, 2023, 2022, and 2021

	<u>Common Stock</u>	<u>Paid-in Capital</u>	<u>Treasury Stock</u>	<u>Retained Earnings</u>	<u>Members' Equity</u>	<u>Total Stockholders' Equity</u>
Balance at June 30, 2020	\$ 48,689	\$ 391,332	\$ -	\$ (69,806)	\$ (15,257)	\$ 354,958
Comprehensive income						
Net earnings for 2021	-	-	-	998,968	(8,856)	990,112
Dividends paid for 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2021	48,689	391,332	-	929,162	(24,113)	1,345,070
Comprehensive income						
Net earnings for 2022	-	-	-	263,070	(14,953)	248,117
Dividends paid for 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2022	48,689	391,332	-	1,192,232	(39,066)	1,593,187
Comprehensive income						
Net earnings (loss) for 2023	-	-	-	458,878	(13,301)	445,577
Purchase of treasury stock during 2023	-	-	(1,081,146)	-	-	(1,081,146)
Dividends paid for 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at June 30, 2023	<u>\$ 48,689</u>	<u>\$ 391,332</u>	<u>\$ (1,081,146)</u>	<u>\$ 1,651,110</u>	<u>\$ (52,367)</u>	<u>\$ 957,618</u>

See notes to consolidated financial statements.

Shaw Coffee Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 445,577	\$ 248,117	\$ 990,112
Adjustments to reconcile net earnings/(loss) to net cash provided by/(used in) operating activities			
Depreciation and amortization	440,563	429,514	399,300
Net (gain) loss on disposal of property and equipment	(21,803)	(22,447)	(28,694)
Forgiveness of PPP debt	-	-	(500,289)
Decrease/(increase) in:			
Accounts receivable	(246,320)	193,300	(341,243)
Inventory	(178,185)	(58,091)	25,195
Prepaid expenses and other assets	4,862	(13,318)	(12,084)
Deferred credit - tenant allowance	(13,242)	13,242	13,242
Deferred tax asset	2,779	(18,306)	(7,976)
Increase/(decrease) in:			
Accounts payable	219,437	(200,754)	(191,138)
Accrued expenses	29,723	(231,089)	138,303
Deferred revenue	30,657	(1,744)	(24,240)
Deferred tax liability	21,515	5,568	(46,700)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>735,563</u>	<u>343,992</u>	<u>413,788</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(78,013)	(384,503)	(164,637)
Payments received on notes receivable	-	2,820	36,567
Proceeds from sales of property and equipment	19,379	33,531	75,988
NET CASH USED IN INVESTING ACTIVITIES	<u>(58,634)</u>	<u>(348,152)</u>	<u>(52,082)</u>
NET CASH FLOWS CARRIED FORWARD	\$ 676,929	\$ (4,160)	\$ 361,706

See notes to consolidated financial statements.

Shaw Coffee Company and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended June 30, 2023, 2022, and 2021

	<u>2023</u>	<u>2022</u>	<u>2021</u>
NET CASH FLOWS BROUGHT FORWARD	\$ 676,929	\$ (4,160)	\$ 361,706
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on long-term debt, line of credit and capital leases	(551,308)	(379,569)	(373,798)
Proceeds from long-term debt, Proceeds from line of credit and capital leases	<u>-</u>	<u>181,631</u>	<u>48,342</u>
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	<u>(551,308)</u>	<u>(197,938)</u>	<u>(325,456)</u>
Net (decrease) / increase in cash	125,621	(202,098)	36,250
CASH AT BEGINNING OF YEAR	<u>186,124</u>	<u>388,222</u>	<u>351,972</u>
CASH AT END OF YEAR	<u>\$ 311,745</u>	<u>\$ 186,124</u>	<u>\$ 388,222</u>
SUPPLEMENTAL DISCLOSURES			
Interest paid	\$ 155,868	\$ 170,840	\$ 167,971
Cash paid for income taxes			
Federal	\$ -	\$ -	-
Michigan	\$ 6,939	\$ -	-

Significant non cash transactions

Fixed asset additions of \$418,108 were funded via direct borrowing.

The purchase of treasury stock and a covenant not to compete was financed through a note payable of \$1,086,146.

See notes to consolidated financial statements.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies

Organization

The Shaw Coffee Company, Incorporated (the Company) is the holding company of The Coffee Beanery Limited and Shaws Services, Inc. The Coffee Beanery Limited owns, operates, and franchises retail stores of specialty coffee beverages and coffee related products. The Coffee Beanery Limited also purchases, roasts, and distributes coffee beans to the retail locations. Shaws Services, Inc. provides coffee and related equipment to commercial customers. FMI Properties, LLC is a variable interest entity that leases manufacturing, office, and warehouse space to the Coffee Beanery and Shaws Services.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting, in compliance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

The consolidated financial statements as of and for the years ended June 30, 2023, 2022, and 2021 include the financial statements of The Coffee Beanery Limited, Shaws Services, Inc. and FMI Properties LLC, a variable interest entity of which the Company and its subsidiaries are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated upon consolidation.

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 those estimates.

Fair Value of Financial Instruments

The carrying amounts reported in the balance sheets for cash, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount of long-term debt approximates fair value because the interest rate for these instruments approximates current market rates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Trade receivables and notes receivables are carried at their estimated collectable amounts. Interest income on notes receivable is accrued on a monthly basis. Interest on impaired notes receivable is recognized as the cash is collected or on a cost-recovery basis. Trade credit is generally extended on a short-term basis; thus, trade receivables do not bear interest, although a finance charge may be applied to such receivables that are more than 30 days past due.

Credit Risk

The Company currently maintains its cash equivalent balance as deposits with various banks which are fully insured by the Federal Deposit Insurance Corporation up to \$250,000.

The Company, by policy, routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited and has not experienced significant write-downs in its accounts receivable balances.

Inventory

The Company states inventory at the lower of cost or net realizable value. The Company computes cost using the first-in, first-out method of inventory valuation. Inventory consists principally of unroasted and roasted coffee beans and related coffee supplies and equipment.

Property and Equipment

Right to use assets, property, plant and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	7 to 40 years
Machinery and equipment	7 to 10 years
Office furniture and equipment	3 to 7 years
Right to Use assets	7 years
Transportation equipment	5 to 10 years
Vehicles	5 years

Leasehold improvements and right to uses assets are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Depreciation and amortization expense for the years ended June 30, 2023, 2022, and 2021 amounted to \$440,563, \$423,766, and \$406,794, respectively.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Leases:

In February 2016, the FASB issued ASU No. 2016-02, Leases, which superseded the prior lease requirements in ASC No. 840, Leases. The new guidance requires that the Company evaluate its leasing arrangements and determine if a long-term obligation and right-to-use exist. The guidance was first applicable to the Company on July 1, 2022, and was adopted on that same date.

The Company recognizes lease liabilities with an initial, individual value of \$5000 or more.

At the commencement of a lease, the Company initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Company determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

The Company uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Company generally uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancelable period of the lease.

The Company monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Leased “right-to-use” assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

The company financial statements for the year ending June 30, 2023 were not materially impacted by the adoption of the new lease accounting principle.

Long-Lived Assets

The Company periodically reviews its long-lived assets for possible impairment issues.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Intangible Assets

Intangible assets consist of trademarks, covenants not to compete, and goodwill. Trademarks have an indefinite life and are not amortized. Goodwill is subject to impairment and is not amortized. Goodwill of \$41,626 has been reported for the years ended June 30, 2023, 2022, and 2021 and no impairments of goodwill have been recognized during those three years. The covenant not to compete is amortized over the length of the agreement which is eight years.

Loan Fees

Fees were incurred in a prior year to issue debt. The loan fees are amortized to expense over the life of the related debt. The unamortized balance of the fees is recorded on the consolidated balance sheet as a reduction to notes payable.

Derivative Financial Instruments

The Company enters into various forward contracts for the purchase of unroasted coffee beans at specified prices and quantities for periods generally not exceeding twelve months. It is probable at inception and throughout the life of the forward contract that the Company will not settle net and the contract will result in physical delivery. As such, the Company accounts for these forward contracts using the normal purchase and sale exception.

Planned Major Maintenance

The Company uses the direct expensing method to account for planned major maintenance activities.

Sales Tax

Collected sales tax is included in accrued expenses.

Revenue Recognition – Franchisee Operations

On July 1, 2021, the Company adopted ASU 2014-09 Revenue from Contracts with Customers and all subsequent amendments to the ASU (Collectively, “ASC 606”) which (i) creates a single framework for recognizing revenue from customers that fall within its scope and (ii) advises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets. The Company’s services that fall within the scope of ASC 606 are presented within operating income and are recognized as revenue as the Company satisfies their performance obligations to the customer.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Revenue Recognition – Franchisee Operations (continued)

The Company adopted ASC 606 using the modified retrospective method applied to all contracts not completed as of July 1, 2021. The adoption of ASC 606 did not result in a change to the accounting for any of the in-scope revenue streams; as such, no cumulative effect adjustment was recorded as of July 1, 2021, when the new standard was adopted.

In accordance with ASC 606, the Company does not recognize income from sales of franchises until after all material services or conditions (performance obligations) relating to the sale have been substantially performed or satisfied by the Company, substantially all of the initial services of the Company required by the franchise agreement have been performed, and no other material conditions or obligations relating to the determination of substantial performance exist. The Company has elected to treat all pre-opening activities and obligations as one performance obligation under the practical expedient allowed by ASU 2022-02.

Franchise royalty revenues are based on franchisees' sales and are recognized as earned. Product and equipment sales revenue is recorded when legal title is transferred to the customer, generally when the product is shipped.

Advertising

The Company expenses the cost of advertising as incurred.

Shipping and Handling Costs

The Company records shipping and handling cost in cost of goods sold.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Effective January 1, 2009, the Company implemented the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740. Using that guidance, tax positions initially

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 1 - Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

are recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon.

FMI Properties, LLC is taxed as a disregarded entity under the personal tax return of its owners. As a result, the Company does not recognize current or deferred tax charges for this entity.

Current year taxable income varies from income before taxes primarily due to the use of net operating losses and of an accelerated depreciation method for fixed assets used only for tax reporting purposes.

The Company had net operating loss carry forwards available for Federal income tax purposes of \$15,307, \$345,592, and \$36,248 at June 30, 2023, 2022 and 2021, respectively. Due to the uncertainty of incurring taxable income in the future, no deferred tax asset has been recorded on the balance sheet at any year end related to the carryforward operating loss credits.

Shaw Coffee Company files a consolidated tax return that includes the activities of the Shaw Coffee Company Inc., The Coffee Beanery Limited and Shaws Services, Inc. The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. The statute of limitation is generally three years for federal returns, four years for Michigan returns, and four years for Ohio and other various state returns.

As of June 30, 2023, the Company had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

Note 2 – Accounts Receivable

Following is a summary of trade accounts receivable at June 30, 2023, 2022, and 2021:

	June 30,		
	2023	2022	2021
Trade accounts receivable - net	\$ <u>672,053</u>	\$ <u>425,733</u>	\$ <u>619,033</u>

The customers with the five largest accounts receivable balances accounted for 51% of the total receivable as of June 30, 2023. (55% as of June 30, 2022, and 50% as of June 30, 2021). Trade accounts receivable have been secured as collateral for long term debt as described in Note 5.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 3 - Corporate-Owned and Franchise Stores

	Corporate Owned Stores	Franchise Stores	International Stores	Total Stores
Stores at June 30, 2020	2	35	15	52
- New Stores Opened	-	2	-	2
- Stores Closed\Sold	(1)	(3)	(1)	(5)
Stores at June 30, 2021	1	34	14	49
- New Stores Opened	-	2	-	2
- Stores Closed	-	(11)	-	(11)
Stores at June 20, 2022	1	25	14	40
- New Stores Opened	-	4	-	4
- Stores Closed	-	(2)	-	(2)
Stores at June 30, 2023	1	27	14	42

Note 4 - Franchise Royalty Revenue

Included in 2023 franchise revenues of \$446,392 are initial franchise fees of \$52,500, advertising contributions of \$95,170 and royalties of \$298,722.

Included in 2022 franchise revenues of \$316,237 are initial franchise fees of \$8,750, advertising contributions of \$92,988 and royalties of \$214,499.

Included in 2021 franchise revenues of \$290,333 are initial franchise fees of \$23,750, advertising contributions of \$87,913 and royalties of \$178,670.

Note 5 – Employee Retention Credits

During 2020 and 2021, the Company paid wages and certain healthcare costs to employees. Pursuant to the CARES Act of 2020, the Consolidated Appropriates Act of 2021, and the American Rescue Plan Act of 2021, employers who qualify can claim credits against wages and certain healthcare costs paid to their employees. Qualification is determined by one of two factors for eligible employers for each applicable quarter of 2020 and 2021.

1. A trade or business that was fully or partial suspended or had to reduce business hours due to a government order.
2. An employer that has a significant decline in gross receipts.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 5 – Employee Retention Credits (continued)

Management has determined that the Company meets the eligibility criteria and believes that the Employee Retention Credits represents, in substance, a grant. The Company has elected to account for the credit as a grant in accordance with generally accepted accounting principles. The Company cannot recognize any income from the grant until there is reasonable assurance (similar to the “probable” threshold in U.S. GAAP) that any conditions attached to the grant will be met and that the grant will be received. Once it is reasonably assured that the grant conditions will be met and that the grant will be received, grant income is recorded on a systematic basis over the periods in which the Company recognizes, as expenses, the related costs for which the grant is intended to compensate. Income from the grant can be presented as either other income or as a reduction in the expenses for which the grant was intended to compensate. As of June 30, 2023, the Company believes that it is reasonably assured that all of the conditions attached to the Employee Retention Credits were met, therefore, the Company has recorded grant income of \$97,166 which is included in the other revenues total of the statement of operations for the year-end June 30, 2023.

The Internal Revenue Service has between three and five years from the date the payroll forms were filed to assess deficiencies in Employee Retention Credit claims.

Note 6 - Income Taxes and Deferred Income Taxes

The provision for taxes on income consists of the following:

	June 30,		
	2023	2022	2021
Current taxation at statutory rates	\$ 50,458	\$ 32,291	\$ 152,537
Deferred tax charge (adjustment)	<u>(24,294)</u>	<u>(12,538)</u>	<u>(54,676)</u>
	<u>\$ 26,164</u>	<u>\$ 19,753</u>	<u>\$ 97,861</u>

The following represents the approximate tax effect of each significant type of temporary difference giving rise to deferred tax balances:

	June 30,		
	2023	2022	2021
Deferred tax asset:			
Reserves on other assets	\$ <u>25,692</u>	\$ <u>28,471</u>	\$ <u>10,164</u>
Deferred tax liability:			
Property, plant & equipment	\$ <u>352,621</u>	\$ <u>321,106</u>	\$ <u>325,338</u>

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 7 – Debt

	June 30,		
	2023	2022	2021
Short term debt is comprised of:			
<u>Line of Credit</u> – Fifth Third Bank Credit facility of \$375,000 bearing interest at prime plus 1.19% and secured by all assets.	\$ -	\$ -	\$ -
	_____	_____	_____
Total short-term debt	\$ _____	\$ _____	\$ _____
	—		

Long term debt is comprised of:

Capital leases:

- Capital lease with monthly payments of \$1,851 at an effective interest rate of 0.58% maturing in May 2024 and secured by equipment.

	\$	18,272	\$	33,208	\$	47,385
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Long term operating lease obligation

- Capital lease with monthly payments of \$279 at an effective interest rate of 0.34% maturing in November 2022 and secured by equipment.

	3,483	6,475		9,265	
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Total capital leases	21,755	39,683		56,650	
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Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

	June 30,		
	2023	2022	2021
Note 7 – Debt (continued)			
<u>Notes and loans payable</u>			
- Note payable with monthly payments totaling \$1,219 bearing interest at 4.09%, maturing in June 2023 and secured by vehicle.	-	16,469	29,894
- Note payable to former stockholder, with monthly payments totaling \$5,769 bearing interest at 10.0%, maturing in June 2030.	962,057	-	-
- Note payable with monthly payments totaling \$3,193 bearing interest at .38%, maturing in August 2026 and secured by equipment.	112,774	145,136	-
- Note payable with monthly payments of \$685 bearing interest at 5%, maturing in February of 2023 and secured by a 2018 Chevy Express Van.	-	7,074	8,699
- Note payable with monthly payments of \$1,26758 bearing interest at .67%, maturing in May 2029 and secured by vehicle	71,517	-	-
- Note payable with monthly payments of \$1,158 bearing interest at 6.17%, maturing in November 2022 and secured by equipment.	-	3,343	11,658

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 7 – Debt (continued)

	June 30,		
	2023	2022	2021
<u>Notes and loans payable (cont.):</u>			
-Note Payable to Fifth Third Bank with monthly payments totaling \$8,083 bearing interest at 4.2% maturing in September of 2043.	1,243,410	1,277,429	1,309,798
 - Note Payable to Fifth Third Bank with monthly payments totaling \$5,445, bearing interest at 6.39%, maturing in December of 2025, secured by equipment.	 150,601	 204,436	 254,912
-Note Payable to Fifth Third Bank with monthly payments totaling \$23,226, bearing interest at 6.19%, maturing in September of 2025, secured by all assets	644,001	875,026	1,091,428
-Note Payable with monthly payments of \$685, bearing interest at 0%, maturing in July of 2027, secured by vehicle	29,317	36,497	-
-Note Payable to Fifth Third Bank with monthly payments totaling \$5.996, bearing interest at 6.63%, maturing in December of 2028, secured by equipment.	322,607	-	-
-Note Payable, with monthly payments totaling \$996, bearing interest at 5.99%, maturing in August 2021, secured by vehicle	-	-	11,656
 Total notes and loans payable	 3,536,284,	 2,565,410	 2,718,045
Total long-term debt	<u>3,558,039</u>	<u>2,605,093</u>	<u>2,774,695</u>
Less current portion:	587,628	402,198	358,006
Net long-term debt	\$ <u>2,970,411</u>	\$ <u>2,202,895</u>	\$ <u>2,416,689</u>

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 7 – Debt (continued)

The future maturities of long-term debt as of June 30, 2023, are as follows:

June 30, 2024	\$ 587,628
June 30, 2025	609,760
June 30, 2026	456,232
June 30, 2027	268,515
June 30, 2028	1,310,329
Thereafter	<u>325,575</u>
Total long-term debt	<u>\$ 3,558,039</u>

Note 8 - Paycheck Protection Program

During the years ended June 30, 2020, and 2021, the Company received loan proceeds under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act which is administered through the Small Business Administration (SBA). The PPP provided loans to qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1% with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default.

During the year ended June 30, 2020, the Company received PPP loan proceeds of \$500,289 under Round One of the Program and recorded a loan payable at June 30, 2020 for the same amount. During the year ended June 30, 2021, qualifying expenditures had been identified and incurred and the PPP loan of \$500,289 was formally forgiven and recognized as other income during the year ended June 30, 2021.

During the year ended June 30, 2021, additional PPP loan proceeds of \$273,355 were received under Round Two of the PPP Program. Qualifying expenditures had been identified and incurred and the Second Round PPP loan of \$273,355 was formally forgiven and recognized as other income during the year ended June 30, 2021.

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 8 - Paycheck Protection Program (continued)

The Company believes that the PPP loans represent, in substance, a grant that is reasonably expected to be forgiven. Therefore, the Company has elected to account for the loan as a grant as allowed by accounting principles.

In accordance with accounting principles, the grant revenue can be recognized as revenue when there is reasonable assurance that any conditions attached to the grant will be met and that the grant will be received. Once it is reasonably assured that the grant conditions will be met and that the grant will be received, grant income can be recorded during the same period as the related costs for which the grant is intended to compensate. Income from the grant can be presented as either other income or as a reduction in the related expenses.

During the year ended June 30, 2021, the Company had expended all of the PPP loan funds received on qualified expenses and believes that it is reasonably assured that all of the conditions attached to the PPP loans were met, therefore, the Company has recorded PPP loan grant income of \$872,644 within the statement of operations for the year ended June 30, 2021.

Any loan portion ultimately not forgiven, will be subject to the PPP terms and conditions discussed above. The SBA reserves the right to audit any PPP loan, including loans already forgiven. All borrowers are required to maintain the loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

Note 9 - Lease

The Coffee Beanery entered into a retail store operating lease on May 4, 2018. The store is located at 4580 Miller Road, Flint, Michigan. That lease commenced when the store opened for business on November 15, 2018. The lease will expire in seven years, with (2) five-year options to extend the lease. Minimum annual rental commitments under this lease are \$61,750 for years 1-5 and \$66,063 for years 6-7.

Rental expense was \$66,063, \$61,750, and \$61,750 for the years ended June 30, 2023, 2022, and 2021, respectively, and is included in store operating expenses in the financial statements.

Future minimum lease payments are as follows:

June 30, 2024	\$	66,063
June 20, 2025		<u>66,063</u>
Total payments	\$	<u><u>132,126</u></u>

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 10 – Related Party Transactions

The related transactions between the Shaw Coffee Company, The Coffee Beanery Limited, Shaws Services, Inc., and FMI Properties, LLC have been eliminated during the consolidation for the years ended June 30, 2023, 2022, and 2021.

Notes receivable from shareholders amounted to \$262,840 at June 30, 2023, 2022 and 2021 respectively. There are no repayment terms, and the notes receivable are reported as other assets on the balance sheet.

The Shaw Coffee Company, Inc owes the Coffee Beanery \$150,000 at year end for cash advanced to make principal and interest payments on the note payable to former stockholder for the purchase of Shaw Coffee Company treasury stock.

Shaws Services, Inc. purchases coffee from The Coffee Beanery Limited. At June 30, 2023, Shaws Services, Inc. owed The Coffee Beanery Limited \$170,825 for purchases in the normal course of business. The amounts owed by Shaws Services to the Coffee Beanery Limited were \$255,253 and \$176,678 at June 30, 2022, and 2021, respectively. Intercompany purchases were \$1,412,456, \$990,102, and \$713,674 for the years ended June 30, 2023, 2022, and 2021, respectively. These amounts have been eliminated from the consolidated financial statements.

Notes payable to The Coffee Beanery Limited from Shaws Services, Inc. amounted to \$ - 0 -, \$192,950, and \$204,950, at June 30, 2023, 2022, and 2021 respectively. These amounts have been eliminated from the consolidated financial statements.

The Coffee Beanery, Ltd. rents its office and operating space from FMI Properties, LLC, and paid rent of \$96,992 for the year end June 30, 2023. Shaws Services, Inc. rents warehouse space from The Coffee Beanery Limited and paid rent of \$48,000 for the year ended June 30, 2023. These revenues and expenses of \$144,992 have been eliminated from the consolidated financial statements for the year ended June 30, 2023. Rental income and expenses of \$144,992 and \$152,663 were eliminated from the consolidated financial statements for the years ended June 30, 2022, and 2021, respectively.

Note 11 – Commitments and Contingencies

The Coffee Beanery has entered into various coffee futures and other contracts for the purchase of coffee beans at specified prices and quantities for various periods generally not exceeding six months. The futures contracts were obtained to hedge the future price of coffee beans. The Coffee Beanery did not hold any coffee futures at June 30, 2023.

The Coffee Beanery's obligation under those future's contracts and other coffee purchase commitments amounted to \$1,063,766, \$671,682, and \$1,747,846 as of June 30, 2023, 2022, and 2021, respectively

Shaw Coffee Company and Subsidiaries
Notes to Consolidated Financial Statements
June 30, 2023, 2022 and 2021

Note 12– Employee Benefit Plans

The Company has a defined contribution 401(k) pension plan covering employees meeting certain eligibility requirements. The Company made contributions based on each participant's contribution amounting to \$ - 0 - for the year ended June 30, 2023. The Company contributed \$7,339 and \$13,612 for the years ended June 30, 2022, and 2021, respectively.

Note 13- Subsequent Events

Management has evaluated subsequent events through October 23, 2023, which is the date the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors and Stockholders
of Shaw Coffee Company, Incorporated

We have audited the consolidated financial statements of Shaw Coffee Company, Incorporated and its subsidiaries for the years ended June 30, 2023, 2022 and 2021 and have issued our report thereon dated October 23, 2023 which expressed an unmodified opinion on those consolidated financial statements which appears on page 1. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary consolidating balance sheets, statements of operations, statements of stockholders' equity and statements of cash flows as of and for the year ended June 30, 2023, are presented solely for purposes of additional analysis and are not required parts of the consolidated financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements.

This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidating financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Taylor & Morgan

Taylor & Morgan, P.C.
Certified Public Accountants
Flint, MI
October 23, 2023

BRIGHTON, MICHIGAN

FLINT OFFICE

TROY, MICHIGAN

FLINT, MICHIGAN

G-2302 STONEBRIDGE DR., BUILDING D
FLINT, MICHIGAN 48532
OFFICE 810.230.8200 FAX 810.230.8203

CHARLOTTE, NORTH CAROLINA

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Balance Sheets
June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
ASSETS						
<u>CURRENT ASSETS</u>						
Cash	\$ -	\$ 248,835	\$ 62,910	\$ -	\$ -	\$ 311,745
Accounts receivable - net	-	481,593	190,460	-	-	672,053
Accounts receivable from related party	-	170,825	-	-	(170,825)	-
Due from parent entity	-	150,000	-	-	(150,000)	-
Inventory	-	1,179,312	288,488	-	-	1,467,800
Prepaid expenses and other current assets	-	64,899	-	-	-	64,899
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	-	2,295,464	541,858	-	(320,825)	2,516,497
<u>PROPERTY AND EQUIPMENT</u>						
Land	-	-	-	114,500	-	114,500
Building	-	-	-	1,845,500	-	1,845,500
Leasehold improvements	-	761,812	32,329	-	-	794,141
Equipment	-	4,420,279	1,300,810	-	-	5,721,089
Vehicles	-	120,008	176,038	-	-	296,046
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total property and equipment	-	5,302,099	1,509,177	1,960,000	-	8,771,276
Less: accumulated depreciation	-	(3,990,619)	(1,308,950)	(768,957)	-	(6,068,526)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net property and equipment	-	1,311,480	200,227	1,191,043	-	2,702,750
<u>OTHER ASSETS</u>						
Deferred tax asset	-	25,692	-	-	-	25,692
Notes receivable from related party	-	222,840	40,000	-	-	262,840
Trademarks	-	78,937	-	-	-	78,937
Other assets	444,396	-	41,626	-	(440,021)	46,001
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total other assets	444,396	327,469	81,626	-	(440,021)	413,470
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	\$ 444,396	\$ 3,934,413	\$ 823,711	\$ 1,191,043	\$ (760,846)	\$ 5,632,717
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Balance Sheets
June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
LIABILITIES AND STOCKHOLDERS' EQUITY						
<u>CURRENT LIABILITIES</u>						
Accounts payable	\$ -	\$ 458,020	\$ 73,037	\$ -	\$ -	\$ 531,057
Accounts payable - related party	-	-	170,825	-	(170,825)	-
Due to subsidiary entity	150,000	-	-	-	(150,000)	-
Accrued expenses	-	94,195	9,159	-	-	103,354
Deferred revenue	-	233,100	-	-	-	233,100
Current portion of long-term debt and capital leases	150,000	383,600	18,272	35,756	-	587,628
Current portion of long-term debt from related party	-	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	300,000	1,168,915	271,293	35,756	(320,825)	1,455,139
<u>LONG TERM LIABILITIES</u>						
Long-term debt and capital leases, less current portion	-	950,700	-	1,207,654	-	2,158,354
Long-term debt from related party, less current portion	812,057	-	-	-	-	812,057
Deferred credit - tenant allowance	-	13,242	-	-	-	13,242
Deferred tax liability	-	305,896	46,725	-	-	352,621
Less unamortized issuance costs	-	(116,314)	-	-	-	(116,314)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total long term liabilities	812,057	1,153,524	46,725	1,207,654	-	3,219,960
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	1,112,057	2,322,439	318,018	1,243,410	(320,825)	4,675,099
<u>STOCKHOLDERS' EQUITY</u>						
Common stock	48,689	47,308	1,381	-	(48,689)	48,689
Paid-in capital	391,332	210,828	180,504	-	(391,332)	391,332
Treasury stock	(1,081,146)	-	-	-	-	(1,081,146)
Retained earnings/(deficit)	(26,536)	1,353,838	323,808	-	-	1,651,110
Members' equity	-	-	-	(52,367)	-	(52,367)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total stockholders' equity	(667,661)	1,611,974	505,693	(52,367)	(440,021)	957,618
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and stockholders' equity	<u>\$ 444,396</u>	<u>\$ 3,934,413</u>	<u>\$ 823,711</u>	<u>\$ 1,191,043</u>	<u>\$ (760,846)</u>	<u>\$ 5,632,717</u>

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Statements of Operations
For the Year Ended June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
Revenue						
Retail sales	\$ -	\$ 3,259,745	\$ 2,326,897	\$ -	\$ -	\$ 5,586,642
Product and equipment sales to franchisees	-	1,018,257	-	-	-	1,018,257
Franchise royalty revenue and fees	-	446,392	-	-	-	446,392
Wholesale sales	-	4,817,701	1,167,911	-	(1,412,456)	4,573,156
Federal Employee Retention Credit	-	97,166	-	-	-	97,166
Other revenue	-	151,990	247,771	96,992	(144,992)	351,761
Total revenue	-	9,791,251	3,742,579	96,992	(1,557,448)	12,073,374
Less : Operating cost and expenses						
Cost of goods sold	-	5,222,063	2,222,570	-	(1,412,456)	6,032,177
Selling, general and administrative	-	3,412,042	1,043,943	-	(144,992)	4,310,993
Store operating expenses	-	64,764	-	-	-	64,764
Other operating expenses	-	278,279	-	-	-	278,279
Advertising	-	340,792	-	-	-	340,792
Depreciation and amortization	625	295,771	96,847	47,320	-	440,563
Total operating costs and expenses	625	9,613,711	3,363,360	47,320	(1,557,448)	11,467,568
Operating earnings before loss on disposal of fixed assets	(625)	177,540	379,219	49,672	-	605,806
Gain (Loss) on disposal of fixed assets	-	6,922	14,881	-	-	21,803
Operating earnings (loss)	(625)	184,462	394,100	49,672	-	627,609

(continued)

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Statements of Operations
For the Year Ended June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Less : other expense						
Interest expense	\$ 25,911	\$ 60,474	\$ 6,510	\$ 62,973	\$ -	\$ 155,868
Total other expense	<u>25,911</u>	<u>60,474</u>	<u>6,510</u>	<u>62,973</u>	<u>-</u>	<u>155,868</u>
Earnings / (loss) before income taxes	(26,536)	123,988	387,590	(13,301)	-	471,741
Income tax expense (benefit)	<u>-</u>	<u>34,637</u>	<u>(8,473)</u>	<u>-</u>	<u>-</u>	<u>26,164</u>
Net earnings / (loss)	\$ <u><u>(26,536)</u></u>	\$ <u><u>89,351</u></u>	\$ <u><u>396,063</u></u>	\$ <u><u>(13,301)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>445,577</u></u>

(concluded)

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Statements of Stockholders' Equity
For the Year Ended June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
Common Stock						
Balance at June 30, 2022 & 2021	\$ 48,689	\$ 47,308	\$ 1,381	\$ -	\$ (48,689)	\$ 48,689
<i>No transactions during 2023</i>						
Paid-in Capital						
Balance at June 30, 2022 & 2021	391,332	210,828	180,504	-	(391,332)	391,332
<i>No transactions during 2023</i>						
Members' Equity (Deficit)						
Balance at June 30, 2022	-	-	-	(39,066)	-	(39,066)
Net Earnings / (Loss) for 2023	-	-	-	(13,301)	-	(13,301)
Balance (Deficit) at June 30, 2023	-	-	-	(52,367)	-	(52,367)
Treasury Stock						
Balance at June 30, 2022	-	-	-	-	-	-
Purchase of treasury stock during 2023	(1,081,146)	-	-	-	-	(1,081,146)
	(1,081,146)	-	-	-	-	(1,081,146)
Retained Earnings (Deficit)						
Balance at June 30, 2022	-	1,264,487	(72,255)	-	-	1,192,232
Net Earnings for 2023	(26,536)	89,351	396,063	-	-	458,878
Balance (Deficit) at June 30, 2023	(26,536)	1,353,838	323,808	-	-	1,651,110
Stockholders' equity at June 30, 2022	\$ (667,661)	\$ 1,611,974	\$ 505,693	\$ (52,367)	\$ (440,021)	\$ 957,618

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Statements of Cash Flows
For the Year Ended June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties LLC	Eliminations	Total
Cash flows from operating activities						
Net earnings/(loss)	\$ (26,536)	\$ 89,351	\$ 396,063	\$ (13,301)	\$ -	\$ 445,577
Adjustments to reconcile net earnings / (loss) to net cash provided by operating activities						
Depreciation and amortization	625	295,771	96,847	47,320	-	440,563
Net (gain) loss on disposal of property	-	(6,922)	(14,881)	-	-	(21,803)
Decrease / (increase) in:						
Accounts receivable	-	(73,299)	(88,593)	-	(84,428)	(246,320)
Inventory	-	(109,507)	(68,678)	-	-	(178,185)
Prepaid expenses and other assets	-	4,862	-	-	-	4,862
Deferred tax asset	-	(2,699)	5,478	-	-	2,779
Increase / (decrease) in:						
Accounts payable	-	197,239	(62,230)	-	84,428	219,437
Accrued expenses	-	28,039	1,684	-	-	29,723
Deferred credit - tenant allowance	-	(13,242)	-	-	-	(13,242)
Deferred revenue	-	30,657	-	-	-	30,657
Deferred tax liability	-	35,466	(13,951)	-	-	21,515
Net cash provided by / (used in) operating activities	(25,911)	475,716	251,739	34,019	-	735,563
Cash flows from investing activities						
Purchases of property and equipment	-	(50,540)	(27,473)	-	-	(78,013)
Proceeds from sales of property and equipment	-	4,498	14,881	-	-	19,379
Loan to subsidiary	-	(150,000)	-	-	150,000	-
Payments received on related party debt	-	192,950	-	-	(192,950)	-
Net cash used in investing activities	-	(3,092)	(12,592)	-	(42,950)	(58,634)

(continued)

Shaw Coffee Company and Subsidiaries
Supplementary Consolidating Statements of Cash Flows
For the Year Ended June 30, 2023

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties LLC	Eliminations	Total
Cash flows from financing activities						
Payments to retire debt	(124,089)	(367,847)	(25,353)	(34,019)	-	(551,308)
Borrowing from subsidiary	150,000	-	-	-	(150,000)	-
Payments to retire related party debt	-	-	(192,950)	-	192,950	-
Net cash provided by / (used in) financing activities	<u>25,911</u>	<u>(367,847)</u>	<u>(218,303)</u>	<u>(34,019)</u>	<u>42,950</u>	<u>(551,308)</u>
Net increase / (decrease) in cash	-	104,777	20,844	-	-	125,621
Cash, beginning of the year	<u>-</u>	<u>144,058</u>	<u>42,066</u>	<u>-</u>	<u>-</u>	<u>186,124</u>
Cash, end of the year	\$ <u><u>-</u></u>	\$ <u><u>248,835</u></u>	\$ <u><u>62,910</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>311,745</u></u>
Interest paid	\$ 25,911	\$ 60,474	\$ 6,510	\$ 62,973	\$ -	\$ 155,868
Cash paid for income taxes						
Federal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Michigan and Other States	\$ 6,939	\$ -	\$ -	\$ -	\$ -	\$ 6,939

Significant non cash transactions

Fixed asset additions of \$418,108 were funded via direct borrowing.

The purchase of Treasury stock and a covenant not to compete was financed through a note payable of \$1,086,146.

(concluded)

***EXHIBIT D
TO FRANCHISE
DISCLOSURE DOCUMENT***

TABLE OF CONTENTS TO MANUALS

**Volume 1 – Getting Started
*EXHIBIT D
TO FRANCHISE
DISCLOSURE DOCUMENT***

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Volume 5 – Approved Vendor Guide

Chapter	Title	# of Pages
1	Use of the Authorized Vendor Guide	1
2	Retail Product Category Definitions	1
3	Vendors	84

The total number of pages in our Franchise Operations Training Manual is between 312 and 518 depending upon your Store and the products you choose to offer. Our Employee Training Manual is 150 pages and the POS training manual for the point of sale equipment is 77 pages.

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT **(For use by Franchisee with Employees, consultants and investors)**

RECITALS

b. For a continuous, uninterrupted one (1) year period commencing upon the earlier of the date that (i) Individual's association with Store Owner terminates or (ii) Store Owner's post-term non-competition covenant under its Franchise Agreement with CBL terminates, either directly or indirectly, for him/herself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business which offers the same or similar products or services as those offered by CBL stores, and which are located in or within a ten mile radius of the Store Owner's business.

This Section 2 shall not apply to the ownership by Individual of less than five percent (5%) of the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

3. Individual's obligations set forth in Section 2 of this Agreement shall be subject to the following provisions:

a. If all or any portion of Section 2 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which CBL is a party, Individual shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

b. CBL shall have the right, in its sole discretion, to reduce the scope of any covenant or any portion thereof set forth in Section 2 hereof, without Individual's consent, effective immediately upon receipt by Individual of written notice thereof; and Individual agrees that it shall comply forthwith with any covenant as so modified.

c. The existence of any claims which Individual may have against CBL or Store Owner shall not constitute a defense to the enforcement by CBL or Store Owner of the provisions of this Agreement.

4. Individual understands and acknowledges that any failure to comply with the requirements of this Agreement will result in irreparable injury to CBL and/or Store Owner for which no adequate remedy at law may be available, and Individual consents to the issuance of, and agrees to pay, all court costs and reasonable attorneys' fees incurred by CBL and/or Store Owner in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal and/or equitable relief with respect to the requirements of this Agreement.

5. Individual understands and agrees that CBL is a third party beneficiary to this Agreement, and will have a separate and independent right to enforce this Agreement against Individual, regardless of whether Store Owner joins in any such action.

IN WITNESS WHEREOF, this Agreement has been signed on _____, 20__.

Individual

Store Owner

**EXHIBIT E-2
TO FRANCHISE
DISCLOSURE DOCUMENT**

TEMPLATE FORM OF MUTUAL RELEASE

In consideration of the renewal of the franchise agreement or approval of the assignment and other good and valuable consideration, receipt of which is hereby acknowledged, Store Owner and the Coffee Beanery Ltd. both, for itself or themselves and all natural and legal persons claiming by, through or under them, hereby release the other party and its shareholders, officers, directors, agents, employees, affiliated companies, legal representatives, heirs and assigns from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, which such party had, has or claims to have in the future against any or all of the parties described above as of the effective date of this assignment, which arise out of, are pursuant to, or are related to the Franchise Agreement or the creation, continuation or termination of the franchise relationship, provided however, that, that the Store Owner shall remain obligated to indemnify The Coffee Beanery, Ltd. under those indemnity provisions that survive termination of the Franchise Agreement or any specific indemnity agreements.

WITNESS:

STORE OWNER:

WITNESS:

THE COFFEE BEANERY, LTD.

By: _____

Its: _____

(Intentionally Blank)

***EXHIBIT E-3
TO FRANCHISE
DISCLOSURE DOCUMENT***

GUARANTEE OF SHAW COFFEE COMPANY

(See next page)

GUARANTEE OF PERFORMANCE

For value received, The Shaw Coffee Company, a Michigan corporation (the "Guarantor"), located at 3429 Pierson Place, Flushing, Michigan 48433, absolutely and unconditionally guarantees to assume the duties and obligations of The Coffee Beanery Ltd., located at 3429 Pierson Place, Flushing, Michigan 48433 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2023-2024 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Flushing, Michigan on the 30th day of October, 2023.

Guarantor:

THE SHAW COFFEE COMPANY


By: 
Kevin Shaw, Vice President

EXHIBIT F
TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in that state:

CALIFORNIA

Commissioner of the Department
of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8565

MARYLAND

Maryland Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration
Division
Securities Compliance Branch
335 Merchant St., Room 203
Honolulu, Hawaii 96813
(808) 586-2722

MICHIGAN

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
575 W. Ottawa Street
Lansing, MI 48909
(517) 373-7117
Facsimile (517) 335-1935

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Street, Suite 500
St. Paul, Minnesota 55101
(612) 296-6328

INDIANA

Indiana Secretary of State
Franchise Section
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

NEW YORK

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505
(701) 224-4712

VIRGINIA

Director, Securities and
Retail Franchising Division
State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

RHODE ISLAND

Department of Business Regulation
Suite 232
233 Richmond Street
Providence, Rhode Island 02903-4232
(401) 222-3048

WASHINGTON

Department of Financial Institutions
General Administration Building
Securities Division - 3rd Floor West
150 Israel Road, SW
Tumwater, Washington 98503
(360) 902-8760

SOUTH DAKOTA

South Dakota Division of Insurance
Securities Regulation
124 S. Euclid Ave., Suite 104
Pierre, SD 57501-3185
Phone: (605) 773-3563

WISCONSIN

Office of the Commissioner of Securities
Department of Financial Institutions
Fourth Floor
345 West Washington
Madison, Wisconsin 53703
(608) 264-7861

***EXHIBIT G
TO FRANCHISE
DISCLOSURE DOCUMENT***

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a “franchise” in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA

Commissioner of the Department
of Financial Protection and Innovation
One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8565

MARYLAND

Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

FLORIDA

Florida Department of Agricultural and
Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

MICHIGAN

Department of Labor and Economic Growth
Corporations and Securities Bureau
611 W. Ottawa
P.O. Box 30222
Lansing, Michigan 48909
(517) 373-7117

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant St., Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

Illinois Attorney General
500 South Second Street
Springfield, Illinois 62706
(217) 782-4465

MINNESOTA

Minnesota Department of Commerce
85 7th Street, Suite 500
St. Paul, Minnesota 55101
(612) 296-6328

INDIANA

Indiana Secretary of State

NEW YORK

New York State Department of State

201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 E. Boulevard, Fifth Floor
Bismarck, North Dakota 58505
(701) 224-4712

RHODE ISLAND

Director of Department of Business Regulation
233 Richmond Street
Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

SOUTH DAKOTA

Director of Division of Insurance
124 S. Euclid Ave., Suite 104
Pierre, SD 57501-3185
Phone: (605)773-48233

Once Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231
(518)473-2492

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

Director of Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98503
(360) 902-8760

WISCONSIN

Commissioner of Securities
Fourth Floor
345 West Washington
Madison, Wisconsin 53703
(608) 264-7861

**EXHIBIT H
TO FRANCHISE
DISCLOSURE DOCUMENT**

**THE COFFEE BEANERY, LTD.
COMPLIANCE CERTIFICATION**

**DO NOT SIGN THIS QUESTIONNAIRE IF YOU RESIDE IN, OR INTEND TO
OPERATE THE FRANCHISED BUSINESS IN, ANY OF THE FOLLOWING STATES:
CA, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, WI.**

As you know, The Coffee Beanery, Ltd. (“CBL”) and you are preparing to enter into a Franchise Agreement. The purpose of this questionnaire is to determine whether any statements or promises were made to you that CBL has not authorized or that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. Please note that this Certification must be executed before a Notary Public or other officer authorized to accept oaths.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit attached to it?

Yes _____ No _____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit attached to it?

Yes _____ No _____

If no, what parts of the Agreement(s) do you not understand? (Attach additional pages, if necessary.)

3. Have you received and personally reviewed Coffee Beanery’s Uniform Franchise Disclosure Document (“FDD”) that was provided to you?

Yes _____ No _____

4. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

Initials _____

5. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

6. Have you discussed the benefits and risks of becoming a CBL Franchisee with an attorney, accountant, or other professional advisor?

Yes _____ No _____

7. Do you understand that the success or failure of your CBL Store(s) will depend in large part upon your skills and abilities, competition from other concepts, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

8. Has any employee or other person speaking on behalf of CBL made any statement or promise concerning the revenues, profits or operating costs of any CBL store operated by CBL or its franchisees?

Yes _____ No _____

9. Has any employee or other person speaking on behalf of CBL made any statement or promise regarding the amount of money you may earn in operating a CBL store?

Yes _____ No _____

10. Has any employee or other person speaking on behalf of CBL made any statement or promise concerning the total amount of revenue that will or may be generated by a CBL Store?

Yes _____ No _____

11. Has any employee or other person speaking on behalf of CBL made any statement or promise regarding the costs you may incur in operating a CBL Store that is contrary to or different from the information contained in the FDD?

Yes _____ No _____

Initials _____

12. Has any employee or other person speaking on behalf of CBL made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a CBL Store?

Yes _____ No _____

13. Has any employee or other person speaking on behalf of CBL made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that CBL will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

14. Have you entered into any binding agreement with or paid any money to CBL concerning the purchase of this franchise prior to today?

Yes _____ No _____

15. Do you understand that CBL is not granting you any territorial rights under the Franchise Agreement, and that CBL has reserved certain rights under the Franchise Agreement?

Yes _____ No _____

16. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at CBL's option, at its then-current headquarters?

Yes _____ No _____

17. Do you understand that you (or one of you principals if you are an organization) and/or your designated store manager, must successfully complete the appropriate initial training program(s) before CBL will allow your Store to open?

Yes _____ No _____

18. Did you receive the FDD at least fourteen (14) calendar days before today?

Yes _____ No _____

19. Do you understand that the initial franchise fee is non-refundable under your Franchise Agreement and that you will forfeit the initial franchise fee if the Store is not developed?

Yes _____ No _____

20. Do you understand that Store expenses may exceed Store receipts, particularly in the initial periods of operation, and that you may be required to invest additional working capital to maintain Store operations?

Yes _____ No _____

Initials _____

21. If you have answered "Yes" to any one of questions 8-14 or "No" to question 15-20, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) Otherwise, please leave the following lines blank.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

FOR PROSPECTS RESIDING OR ACQUIRING FRANCHISE RIGHTS WITHIN THE STATE OF ILLINOIS: No statement, questionnaire, or acknowledgement 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.

The undersigned Applicant(s) swear(s) under oath that the statement and facts set forth above in the foregoing Compliance Certification are true and correct.

APPLICANT

_____, 20__

Sworn and subscribed to before me on
this the _____ day of _____, 20__.

Notary Public

***EXHIBIT I
TO FRANCHISE
DISCLOSURE DOCUMENT***

STATE SPECIFIC-ADDENDA TO DISCLOSURE DOCUMENT

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT REQUIRED BY THE STATE OF ILLINOIS

Illinois law shall apply to and govern the Franchise Disclosure Document.

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' rights upon Termination and Non-Renewal are set forth in section 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act **or any other law of Illinois** is void.

No statement, questionnaire, or acknowledgement 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.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Disclosure Document.

FRANCHISOR

THE COFFEE BEANERY, LTD.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM REQUIRED BY THE STATE OF INDIANA

Neither The Coffee Beanery, Ltd., its parent, nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

No statement, questionnaire, or acknowledgement 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.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

For franchises and franchisees subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces, supplements and/or otherwise amends, as the case may be, the corresponding disclosures in the main body of the text of The Coffee Beanery, Ltd. Franchise Disclosure Document:

Item 5.

Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

Item 17.

The general release required as a condition to renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

With respect to this Item's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

A franchisee may bring a lawsuit in Maryland for claims arising 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 a franchise.

Exhibit H

With respect to the Franchisee Questionnaire/Compliance Certification, all representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

No statement, questionnaire, or acknowledgement 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.

ADDENDUM REQUIRED BY THE STATE OF MICHIGAN

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 OF 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 EACH 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, MATERIALS, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, MATERIALS, 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 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 QUALIFICATION 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.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN. FRANCHISE SECTION, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913, 517-373-7117.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

All references to “Disclosure Document” shall be deemed to include the term “Disclosure Document” as used under New York law.

The State Cover Page is amended to include the following additional Risk Factors:

5. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THE PROSPECTUS.

Item 3 of this Disclosure Document is supplemented with the following: “Neither the franchisor, its predecessor, nor 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. In addition, neither the franchisor, its predecessor, nor any person identified in Item 2, or an affiliate offering franchises under the franchisor’s principal trademark has any pending actions against them, 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 a or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or 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 of this Disclosure Document is supplemented with the following: “Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

- (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;
- (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 1 year after the officer or general partner of the franchisor held this position in the company or partnership.”

Item 5 shall be supplemented with the following: “The franchisor uses the initial franchise fee to defray its costs of offering franchises and assisting franchisees to start business. A portion of the initial franchise fee may be profit to the franchisor.”

Item 17, Renewal, Termination, section d, is hereby amended to provide:

The franchisee/developer may terminate the agreement on any grounds available by law.

Item 17, Renewal, Termination, etc., section j, Assignment, is hereby amended to provide:

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/developer agreement.

Item 17, Renewal, Termination, section w, is hereby amended to provide:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee/developer by article 33 of the General Business law of the state of New York.

No statement, questionnaire, or acknowledgement 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.

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for The Coffee Beanery, Ltd. for use in the Commonwealth of Virginia shall be amended as follows:

With respect to disclosures in Item 6 of the Disclosure Document regarding a franchisee securing funds by selling securities in the franchise, be advised that any securities offered or sold by an Investor Franchisee as part of its The Coffee Beanery, Ltd. Franchise must be either registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.

Additional Disclosure: The following statements are added to Item 17h:

Pursuant to 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 ground for default or termination stated in the franchise agreement does 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.

No statement, questionnaire, or acknowledgement 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.

STATE-SPECIFIC ADDENDA TO FRANCHISE AGREEMENT

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Section 3 of the Franchise Agreement is hereby amended as follows:

Payment of Initial Franchise Fees will be deferred until Franchisor has met its initial obligations to franchisee, and franchisee has commenced doing business. This financial assurance requirement was imposed by the Office of the Illinois Attorney General due to Franchisor's financial condition.

Notwithstanding Section 13 of the Franchise Agreement the conditions under which this agreement can be terminated and the parties' rights upon non-renewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

Notwithstanding anything to the contrary in Section 23.1 of the Franchise Agreement, Illinois law shall govern this Agreement and the parties agree that, to the extent any legal action or proceeding arising out of or relating to these agreements is initiated and not subject to mediation pursuant to Section 23.2 of the Franchise Agreement, all such actions or proceedings shall be brought in Illinois courts.

Any condition, stipulation, or provision of the Franchise Agreement purporting to bind Franchisee to a waiver of compliance with the Illinois Franchise Disclosure Act of 1987 or any other law, as amended, is void.

Nothing in the Franchise Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

No statement, questionnaire, or acknowledgement 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.

The undersigned hereby acknowledge and agree that this addendum is hereby made part of and incorporated into the foregoing Franchise Disclosure Document.

FRANCHISOR

THE COFFEE BEANERY, LTD.

By: _____

Name: _____

Title: _____

Date: _____

FRANCHISEE

[NAME]

By: _____

Name: _____

Title: _____

Date: _____

ADDENDUM REQUIRED BY THE STATE OF INDIANA

Section 23.7 of the Franchise Agreement is hereby modified to provide that: (i) the acts described in these Sections may cause Franchisor irreparable harm; and (ii) Franchisor is entitled to seek (rather than obtain) restraining orders or injunctive relief in accordance with the terms of these Sections without the necessity of posting a bond.

Section 12.2.1.2 of the Franchise Agreement is hereby deleted in its entirety.

Section 13 of the Franchise Agreement is hereby modified by adding the following subsection after the last subsection thereof:

Indiana Law. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section 23.3 of the Franchise Agreement is hereby modified such that Franchisor agrees to select as the place for mediation a location within the State of Indiana and the laws of the State of Indiana shall apply to the mediation proceedings.

Section 23.8 of the Franchise Agreement is hereby modified by deleting everything in the first sentence thereof after the words “brought before the expiration of” and before “and that any action not brought...,” and replacing the deleted portion with “two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee of the facts constituting the violation.”

Any covenant not to compete in the Franchise Agreement which extends beyond the termination of such agreement(s) (whichever are applicable) may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section 23.1 of the Franchise Agreement, the laws of the State of Indiana shall govern the construction and enforcement of these agreements.

Section 23.4 of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

**AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND**

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached The Coffee Beanery, Ltd. Franchise Agreement agree as follows:

1. Sections 13.1 of the Franchise Agreement is hereby supplemented and amended as follows:

The termination of this Agreement for this reason may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq.*).

2. Sections 2.2.6 and 12.2.1.2 of the Franchise Agreement are hereby supplemented and amended as follows:

The general release required as a condition to renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 23.4 of the Franchise Agreement is hereby supplemented and amended as follows:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 21.8 of the Franchise Agreement is hereby supplemented and amended as follows:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. Section 24 of the Franchise Agreement, including its subsections, is hereby deleted in its entirety.

6. The Franchise Agreement is hereby supplemented and amended as follows:

All representations requiring prospective franchisees to assent to a release, estoppel or wavier of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

7. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

8. The Franchise Agreement is hereby amended to include the following: No statement, questionnaire, or acknowledgement 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.

This Addendum applies to residents in the State of Maryland and to franchises to be operated in the State of Maryland.

FRANCHISEE

FRANCHISOR

[INSERT FRANCHISEE NAME]

THE COFFEE BEANERY, LTD.

By: _____
[Name], [Title]

By: _____
[Name], [Title]

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

Notwithstanding any provision of the Franchise Agreement, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

No new or different requirements imposed on Franchisee as a result of any changes made by Franchisor to its Manual pursuant to the terms of the Franchise Agreement, and these changes will not otherwise place an unreasonable economic burden on Franchisee.

Notwithstanding any provision of the Franchise Agreement to the contrary, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to Article 33 of the General Business Law of the State of New York.

Section 23.7 of the Franchise Agreement is hereby modified by adding the word "apply to" in the first sentence thereof after the word "to" and before the word "obtain."

Notwithstanding Sections 23.1 and 23.4 of the Franchise Agreement, the choice of law and venue provisions should not be construed as a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

The Franchise Agreement is hereby amended to include the following: "No statement, questionnaire, or acknowledgement 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."

FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM

Notwithstanding any provision in the Franchise Agreement to the contrary, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement. In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly set forth herein, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

No statement, questionnaire, or acknowledgement 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.

Applicable State: _____

This Addendum applies to residents in the Applicable State above and to franchises to be operated in the Applicable State above.

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum on the day and year first above written.

FRANCHISEE

FRANCHISOR

[INSERT FRANCHISEE NAME]

THE COFFEE BEANERY, LTD.

By: _____
[Name], [Title]

By: _____
[Name], [Title]

***EXHIBIT J
TO FRANCHISE
DISCLOSURE DOCUMENT
STATE EFFECTIVE DATES***

State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, 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	Pending
Hawaii	Pending
Illinois	Pending
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

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.

***EXHIBIT K
TO FRANCHISE
DISCLOSURE DOCUMENT***

RECEIPTS (OUR COPY)

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 The Coffee Beanery, Ltd. offers you a franchise it must provide this Disclosure Document to you within 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 The Coffee Beanery, Ltd. 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit A of this Franchise Disclosure Document. A list of our agents registered to receive service of process is listed as Exhibit A to this Franchise Disclosure Document.

The Issuance Date of this Disclosure Document is October 30, 2023.

I have received a Franchise Disclosure Document with an issuance date of October 30, 2023, which contained the following Exhibits:

- | | |
|---|----------------------------------|
| A. Franchise Agreement and Attachments | F. List of State Administrators |
| B. List of Current Franchisees and Franchisees That Left the System | G. Agents for Service of Process |
| C. Financial Statements | H. Compliance Certification |
| D. Table of Contents to Manuals | I. State Addenda/Riders |
| E. Sample Release and Other Agreements | J. State Effective Dates |
| | K. Receipts |

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows: Kevin Shaw, c/o The Coffee Beanery, Ltd., 3429 Pierson Place, Flushing, MI, (810) 733-1020; _____.

If an individual:

By: _____

Name: _____

Date: _____

Telephone Number: _____

If a Partnership, Corporation or Limited Liability Corporation:

Name: _____

Title: _____

Name of Entity: _____

Address: _____

Date: _____

RECEIPTS (YOUR COPY)

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 The Coffee Beanery, Ltd. offers you a franchise it must provide this Disclosure Document to you within 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 The Coffee Beanery, Ltd. 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 law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state administrator identified in Exhibit A of this Franchise Disclosure Document. A list of our agents registered to receive service of process is listed as Exhibit A to this Franchise Disclosure Document.

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If an individual:

By: _____

Name: _____

Date: _____

Telephone Number: _____

If a Partnership, Corporation or Limited Liability Corporation:

Name: _____

Title: _____

Name of Entity: _____

Address: _____

Date: _____