

## FRANCHISE DISCLOSURE DOCUMENT

B&B WORLDWIDE, INC.  
A North Carolina corporation  
336 Stradleigh Road  
Wilmington, NC 28403  
Phone: (910) 769-1252  
www.bittyandbeauscoffee.com  
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### BITTY & BEAU'S COFFEE



As a franchisee, you will own and operate a BITTY & BEAU'S COFFEE® shop, which specializes in the sale of freshly made coffee, and other food items that we may specify periodically.

The total investment necessary to begin operation of a single BITTY & BEAU'S COFFEE shop ranges from Four Hundred Sixty-Four Thousand Seven Hundred Fifty and No/100 Dollars (\$464,750.00) to Eight Hundred Fifty-Seven Thousand Fifty and No/100 Dollars (\$857,050.00). This includes Fifty Thousand and No/100 Dollars (\$50,000.00) that must be paid to us. Please see Items 5 and 7 for additional details.

This Disclosure Document summarizes certain provisions of your Franchise Agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements (the "Agreements") carefully. You must receive this Disclosure Document at least fourteen (14) calendar days before you sign a binding agreement with, or make any payment to, the franchisor in connection with the proposed franchise sale. **NOTE, HOWEVER, THAT NO GOVERNMENT 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

Franchise Administration Department at 336 Stradleigh Road, Wilmington, NC 28403, Attn: Amy Wright, phone number (910) 769-1252.

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 an accountant.

Buying a franchise is a complex investment. The information in this Disclosure Document can help you make up your mind. More information on franchising, such as "*A Consumer's Guide to Buying a Franchise*," which can help you understand how to use this Disclosure Document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue NW, Washington, DC 20580. You can also visit the FTC's home page at [www.ftc.gov](http://www.ftc.gov) for additional information. Call your state agency or visit your public library for other sources of information on franchising.

There may also be laws on franchising in your state. Ask your state agencies about them, all of which are listed in Attachment A.

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

## **What You Need To Know About Franchising Generally**

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

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

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

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

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

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

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

### **Some States Require Registration**

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

Your state may also 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 arbitration only in North Carolina. Out-of-State arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with franchisor in North Carolina than in your own state.
2. **Governing Law.** The franchise agreement states that North Carolina law governs the agreement, and this law may not provide the same protection and benefits as local law. You may want to compare these laws. You should refer to the State Specific Addenda attached to this Disclosure Document for disclosures regarding state franchise laws.
3. **Financial Statements.** Some of the financial statements included in this Disclosure Document may not have been audited by independent certified public accountants.
4. **Brokers.** We may use the services of one or more franchise brokers or referral sources to assist us in selling our franchise. A franchise broker or referral source represents us, not you. We pay these individuals a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.
5. **Other Risks.** There may be other risks concerning this franchise.

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

**B&B WORLDWIDE, INC.  
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**EXHIBITS**

- A- FINANCIAL STATEMENTS
- B- FRANCHISE AGREEMENT
- C- LIST OF FRANCHISEES
- D- LIST OF FRANCHISEES WHO HAVE LEFT
- E- TABLE OF CONTENTS OF OPERATIONS MANUAL
- F- FRANCHISEE DISCLOSURE ACKNOWLEDGEMENT STATEMENT

**ATTACHMENTS**

- A- LIST OF STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS
- B- SUGGESTED INSURANCE COVERAGE
- C- COLLATERAL ASSIGNMENT OF LEASE

**ITEM 1**  
**FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

**Franchisor**

Our name is B&B WORLDWIDE, INC. Our principle business address is 336 Stradleigh Road, Wilmington, North Carolina 28403. To simplify the language in this Disclosure Document, "BITTY & BEAU'S COFFEE", "we," "us," or "our" means B&B Worldwide, Inc. "You" or "your" means the person or entity to which we grant a franchise. If the franchise is awarded to a legal or business entity, "you" or "your" means the legal or business entity and the owners of the legal or business entity.

We were formed July 8, 2020, as a North Carolina corporation, and began offering franchises on August 17, 2020 under the trade name BITTY & BEAU'S COFFEE. Our business is limited to offering the franchises that are described in this Disclosure Document. We do not offer other franchises or operate businesses of the type being franchised, and do not engage in any other line of business, nor have we done so before the issuance date of this Disclosure Document.

We have written this Disclosure Document in "plain English" in order to comply with legal requirements. Any differences in the language in this Disclosure Document describing the terms, conditions or obligations under the Franchise Agreement or any of the other Agreements is not intended to alter in any way your or our rights or obligations under the particular agreement.

Our agent authorized to receive service of process is listed in Attachment A of this Disclosure Document.

**Our Parents, Predecessors and Affiliates**

We do not have any parent companies.

We do not have any predecessors.

Our and affiliate Bitbeau, Inc., with a principal business address of 336 Stradleigh Road, Wilmington, NC 28403, provides certain products and services to our franchisees. Bitbeau, Inc. has conducted the type of business our franchisees operate since March, 2016, and performs coffee roasting and merchandising services for all BITTY & BEAU'S COFFEE Shops (as defined below). Bitbeau, Inc. does not currently offer, and has never offered, franchises of any kind.

The following six entities currently operate or plan to operate BITTY & BEAU'S COFFEE Shops, but are not our franchisees: (i) Original Beau's, LLC, a North Carolina limited liability company; (ii) WILSAVAN, LLC, a North Carolina limited liability company; (iii) Wilchar, Inc., a North Carolina corporation; (iv) Wilanna, Inc., a North Carolina corporation; (v) Wilcape, Inc., a North Carolina corporation; and (vi) Wilcino, LLC, a North Carolina limited liability company (collectively, the "**Existing Shops**").

Original Beau's, LLC operates a BITTY & BEAU'S COFFEE Shop located at 4949 New Centre Drive, Wilmington, NC 28403. WILSAVAN, LLC operates a BITTY & BEAU'S COFFEE Shop located at 319 W. Congress Street, Savannah, GA 31401. Wilchar, Inc. operates a BITTY & BEAU'S COFFEE Shop located at 159 Church Street, Charleston, SC 28403. Wilanna, Inc. operates a BITTY & BEAU'S COFFEE Shop located at 124 Dock Street, Annapolis, MD 21401. Wilcino, LLC operates a BITTY & BEAU'S COFFEE Shop located at 6770 Parker Farm



Drive, Wilmington NC 28405. Wilcape, Inc. does not currently operate a BITTY & BEAU'S COFFEE Shop.

Each of the Existing Shops is licensed to use the Marks (as described below). Each of Original Beau's, LLC, WILSAVAN, LLC, Wilchar, Inc., Wilanna, Inc., Wilcape, Inc., and Wilcino, LLC is jointly owned by Amy Wright and Ben Wright (See Item 2 below for additional information). None of the Existing Shops provide products or services to our franchisees, and none of the Existing Shops offers, or has ever offered, franchises of any kind.

### **Description of Franchise**

BITTY & BEAU'S COFFEE shops specialize in the sale of coffee, tea, chai, hot and cold beverages, baked goods, sandwiches, ice cream, smoothies, and similar goods, as well as the sale of certain promotional items, in accordance with our comprehensive and unique system (the "**Bitty & Beau's System**") which employs people with intellectual and developmental disabilities. The Bitty & Beau's System includes distinctive signage, interior and exterior design, decor and color scheme; special recipes and menu items (including proprietary products and ingredients); uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; inventory, management and financial control procedures; training and assistance; and advertising and promotional programs; all of which we may change, improve, and further develop, in our discretion. Certain aspects of the Bitty & Beau's System are more fully described in this Disclosure Document and the Manuals that are provided to you as a franchisee (as defined and described in Item 11). You will identify that you are a BITTY & BEAU'S COFFEE franchisee by exhibiting certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, such as "BITTY & BEAU'S COFFEE", and others (collectively, the "**Marks**"). We will refer to the shops which use our Bitty & Beau's System and Marks as "**BITTY & BEAU'S COFFEE Shop(s)**" or "**Shop(s)**."

BITTY & BEAU'S COFFEE Shops are typically located within popular urban locations which are acceptable to us. We may, however, consider sites such as sporting arenas, stadiums, United States Department of Defense locations, or other captive market spaces on a case-by-case basis ("**Non-Traditional Locations**"). Each Shop will be approximately one thousand five hundred (1,500) square feet, and will offer a menu selection featuring coffee and food items prepared according to our specified recipes and procedures.

We offer the right to establish and operate a Shop under the terms of a single unit franchise agreement (the "**Franchise Agreement**"), Exhibit B to this Disclosure Document. You may be an individual, corporation, partnership or other form of legal entity. Under the Franchise Agreement, certain parties are characterized as "**Principal**" and "**Guarantors**" of the franchisee. The Franchise Agreement is signed by us, by you, and by those individuals whom we designate as Principal and Guarantors. In most instances, we will designate your principal equity owners, executive officers, and certain affiliated entities as Principal and Guarantors. By signing the Franchise Agreement, your Principal and Guarantors agree to be individually bound by certain obligations in the Franchise Agreement, including covenants concerning confidentiality and non-competition, and to personally guarantee your performance under the Franchise Agreement (see Item 15). Depending on the type of business activities in which you or your Principal or Guarantors may be involved, we may require you or your Principal or Guarantors to sign additional confidentiality and non-competition agreements.

If you are an individual, you will be the Principal. If you are not an individual, you must designate a Principal. The Principal must sign the Franchise Agreement. The Principal must individually make certain covenants in the Franchise Agreement and must personally guarantee your performance under the Franchise Agreement.

### **Market and Competition**

BITTY & BEAU'S COFFEE franchises operate under distinctive and proprietary business formats, systems, methods, procedures, techniques, designs and specifications, specific marketing and sales procedures, all of which we may improve, further develop or otherwise modify from time to time. We currently plan to develop, promote, and award franchises to establish a franchised network of local owners across the United States which will conduct fast dining and take-out operations under the name BITTY & BEAU'S COFFEE using the Bitty & Beau's System. You must operate your franchise according to the Bitty & Beau's System.

The coffee shop market is well established and very competitive. You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains that offer menu selections featuring coffee and pastry items. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal and population fluctuation, and travel patterns. We believe our competitive position is enhanced by our concept, operational format and by the products offered by BITTY & BEAU'S COFFEE Shops. We plan to continue controlled expansion into areas that we determine can support the Shops to improve name recognition and the reputation of the Bitty & Beau's System.

### **Laws and Regulations**

The coffee shop industry is regulated on the federal, state, and local levels. The preparation and handling of food is federally regulated by the Pure Food and Drugs Act of 1906, the Federal Food, Drug and Cosmetic Act and by rules and policies of the Food and Drug Administration. State requirements relating to food safety typically pertain to sanitation and handling. Local inspectors may also enforce sanitation and handling rules created on the state and/or local level.

The federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation. Some areas have also adopted or are considering proposals that would regulate indoor air quality.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "**USA Patriot Act**"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U.S. government for criminal activity. You may review the USA Patriot Act and related regulations at:

<http://www.treasury.gov/offices/enforcement/lofac/sdn>

Among the licenses and permits you may need are: Zoning or Land Use Approvals, Sunday Sale Permits, Liquor Licenses, Sales and Use Tax Permits, Special Tax Stamps, Fire Department Permits, Food Establishment Permits, Health Permits, Alarm Permits, County Occupational Permits, Retail Sales Licenses, and Wastewater Discharge Permits. There may be other laws, rules

or regulations which affect your Shop, including minimum wage and labor laws, along with ADA, OSHA and EPA considerations. We recommend that you consult with your attorney for an understanding of them.

You must maintain your license(s) in good standing with the licensing authority for the entire term of the franchise agreement and all renewals.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Amy Wright**

*Director/President/CEO*

Born the oldest of five children, Amy has always had an entrepreneurial spirit. From an early age, Amy combined her love of the arts with an entrepreneurial streak by “producing” her own backyard talent shows. Eventually, her backyard talent shows were replaced with a stint on Broadway after she earned her BFA from the University of Cincinnati College-Conservatory of Music. Fortunately, along the way, she met and married “Mr. Wright.” Today, they’re the proud parents of four children – their two youngest having Down syndrome, and their oldest autism. As an advocate for the value, acceptance and inclusion of people with intellectual and developmental disabilities (“I/DD”), Amy has worked collaboratively with the Special Olympics and Best Buddies International producing music videos that promote their platforms. She is also a contributing writer for Maria Shriver’s “Architects of Change.” Amy helped develop the first business model for employing people with I/DD in the financial services sector at Dye Creek Capital, an independent advisory practice owned by her husband, Ben. She later founded ABLE to Work USA, a non-profit that helps people with I/DD find meaningful employment. Amy’s vision for changing the 80% national unemployment rate for people with I/DD led her to her most fulfilling business venture yet – founding Bitty & Beau’s Coffee. The shops are run by over 120 people with I/DD and have been featured on the Today Show, CNN, Good Morning America, BBC, Harry Show, Southern Living & People Magazine as well as the Rachael Ray Show, where the brand was named the OFFICIAL COFFEE of the Rachael Ray Show. Amy is the 2019 recipient of the Civitan International World Civitan Award, 2019 Salesforce Service Equality Award, 2018 William C. Friday Award, the Trillium Transformation of Lives Award, The National Inclusion Project Champion Award, the UNCW Citizen of the Year Award, ADAPT Leadership Award and was named 2017 CNN Hero of the Year. Bitty & Beau’s Coffee is headquartered in Wilmington, NC at its flagship store with additional shops in Charleston, SC, Savannah, GA and Annapolis, MD. Amy serves as President of: (i) Original Beau’s, LLC, January 2016 - present; (ii) Bitbeau, Inc., March 2016 - present; (iii) Wilchar, Inc., August 2017 - present; (iv) Wilcape, Inc., July 2019 - present; (v) Wilanna, Inc., March 2019 - present; (vi) WILSAVAN, LLC, May 2018 - present; and (vii) Wilcino, LLC, February 2020 - present.

### **Ben Wright**

*Director/Secretary and Treasurer/CFO*

At the age of 17, Ben began a successful career in the entertainment industry by originating the role of “Jack” in the Tony Award-winning Broadway musical, *Into the Woods*. Success on the big screen quickly followed with appearances in two major motion pictures, *Born on the Fourth of July* with Tom Cruise and *Renaissance Man* with Mark Wahlberg.

In spite of his success, Ben longed for a different career path, a higher education and above all else, he and his wife, Amy, wanted to start a family. In 1998, Ben graduated from the University of North Carolina at Wilmington with a Bachelor of Arts in Philosophy & Religion and then began his career in financial services. He has worked for both Smith Barney and Morgan Stanley as a Vice President - Investments and in 2007, he earned his CERTIFIED FINANCIAL PLANNER™ designation.

In 2013, he made a decision that would redefine his career and make his professional life as authentic as his personal life. As the proud father of four children – two with Down Syndrome – Ben was acutely aware of the challenges people with intellectual and developmental disabilities face in this world – most specifically their difficulty finding employment. Hoping to do something about it, he resigned as vice president at Morgan Stanley and opened Dye Creek Capital, a full service independent investment practice that employed eight adults living with intellectual and developmental disabilities as “Client Hospitality Associates.” After 7 successful years, Ben sold Dye Creek Capital to RKJ Group so he could devote one hundred percent of his time to growing the Bitty & Beau’s Coffee franchise.

Ben believes a balanced life is the essence of happiness. As such, he's dedicated to helping his community be a better place to work and live. He has served as President of the Board of Smart Start of New Hanover County and Treasurer of the Board of Directors and Chair of the Investment Committee for the National Down Syndrome Society. In 2016, he was appointed to the North Carolina ABLE Program Board of Trustees where he is currently serving his second term. Ben served as President of Dye Creek Capital, Inc. in Wilmington, NC from April 2013 – April 2020, and currently serves as Secretary and Treasurer of: (i) Original Beau's, LLC, January 2016 - present; (ii) Bitbeau, Inc., March 2016 - present; (iii) Wilchar, Inc., August 2017 - present; (iv) Wilcape, Inc., July 2019 - present; (v) Wilanna, Inc., March 2019 - present; (vi) WILSAVAN, LLC, May 2018 - present; and (vii) Wilcino, LLC, February 2020 – present.

### **Michael Gage**

*CAO*

Michael grew up in Erie, PA, and graduated from Lehigh University. He received his CPA certificate while working for Price Waterhouse & Co. in New York City. He then relocated to Erie, PA, where he was Treasurer of Erisco Industries, Inc. While raising a family of five children in Erie, he and his wife decided to move to North Carolina where he was Founder/President of Gage Carolina Metals Inc., a precision sheet metal fabricator. After selling that company, he became an owner and CFO of Costrotta Construction Management Inc., in Long Island, NY, a constructor of sites and towers for the wireless industry. He served as Controller of Triton Landscaping, LLC, in Pennsylvania, from 2015 - 2019. He is proud to serve in an advisory capacity as Chief Accounting Officer for B&B Worldwide, Inc. Michael also serves as Controller of: (i) Original Beau's, LLC, January 2016 - present; (ii) Bitbeau, Inc., March 2016 - present; (iii) Wilchar, Inc., August 2017 - present; (iv) Wilcape, Inc., July 2019 - present; (v) Wilanna, Inc., March 2019 - present; (vi) WILSAVAN, LLC, May 2018 - present; and (vii) Wilcino, LLC, February 2020 – present.

### **ITEM 3** **LITIGATION**

No litigation is required to be disclosed in this item.

**ITEM 4**  
**BANKRUPTCY**

No bankruptcy information is required to be disclosed in this item.

**ITEM 5**  
**INITIAL FEES**

**Franchise Agreement:** Upon signing the Franchise Agreement, you must pay us an initial franchise fee (the "**Initial Franchise Fee**") in the amount of Fifty Thousand and No/100 Dollars (\$50,000.00). The Initial Franchise Fee will be fully earned when paid and non-refundable in consideration of administrative and other expenses we incur in entering into the Franchise Agreement and for our lost or deferred opportunity to sign the Franchise Agreement with others.

You must pay the Initial Franchise Fee in full when you sign the Franchise Agreement. However, if you cannot obtain possession of an approved location for your Shop within six (6) months after you have signed your first Franchise Agreement, we have the right to terminate the Franchise Agreement. We may revoke this policy at any time.

**Initial Training Fee:** The initial training fee ("**Initial Training Fee**") is Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) and covers three (3) days of training for two (2) people. The initial training fee for each additional trainee is Three Hundred and No/100 Dollars (\$300.00) per person, per day ("**Additional Training Fee**"). The Initial Training Fee and Additional Training Fee represent our costs of providing the training, including the cost of materials and our administrative costs of making personnel available for training purposes, and is non-refundable. You must pay the Initial Training Fee and Additional Training Fee, if applicable, in full before training begins.

There are no additional payments to or purchases from us before you open your Shop for business.

**ITEM 6**  
**OTHER FEES**

| <b>Type of Fee <sup>(1)</sup></b>          | <b>Amount</b>                               | <b>Due Date</b>  | <b>Remarks</b>  |
|--|---|--|---|
| Royalty Fee <sup>(2)</sup>                 | 6% of weekly Gross Sales (as defined below) | Due by automatic debit every Wednesday each week (or any other day we may designate) | Amounts due will be withdrawn by electronic wire transfer from your designated bank account.  |
| Marketing/Advertising Funds <sup>(3)</sup> | 2% of monthly Gross Sales                   | Due by automatic debit every Wednesday each week (or any other day we may designate) | See Item 11 for a detailed discussion about this fund. Amounts due will be withdrawn by electronic wire transfer from your designated bank account. |

|   |   |  |   |
|---|---|--|---|
| Local Advertising   | \$25,000 minimum  | 1 year after the opening of the Shop       | Required minimum spend on local advertising during Franchisee's first year of business; advertising dollars spent prior to the opening of the Shop can be included toward the \$25,000 minimum (see Item 11).             |
| Cooperative Advertising <sup>(4)</sup>  | N/A   | N/A  | N/A   |
| Promotional Materials   | \$2,500   |  |   |
| Interest  | 18% or highest rate allowed by applicable services  | On demand                                  | Interest may be charged on all overdue amounts.   |
| Prohibited Product or Service Fine  | \$500.00 per day of use of unauthorized products or services  | When incurred                              | In addition to other remedies available to us.  |
| Initial Training (or training of additional or replacement and successor personnel) | \$2,500 for two (2) people for three (3) days; \$300 per day per additional trainee                                     | Before initial training                    |   |
| Opening Assistance Fee  | \$7,500   | Prior to the opening of Shop               |   |
| Additional Opening Assistance   | If you request additional opening assistance, you must pay \$300 per day, plus any associated travel costs and expenses | When billed                                | We provide certain opening assistance without additional charge (see Item 11). Any additional opening assistance you request is billed based on expenses incurred.  |
| Cash Register/Terminal  | \$2,500   |  | See Item 8, subheading "Bitty & Beau's System Information" for additional information.  |
| Transfer/Fee  | \$2,500 to reimburse us for our reasonable cost and expenses in reviewing the transfer application                      | Due with submittal of transfer application | No fee charged to an individual or partnership franchisee that transfers its rights to a corporation controlled by the same interest holder. A transfer fee of a similar amount is charged under the Franchise Agreement. |
| Public Offering   | N/A   | N/A  | N/A   |
| Additional or Remedial Training   | \$300 per day, plus associated travel costs and expenses  | Before additional or remedial training     | We reserve the right to charge this fee for additional or remedial training that is not mandatory. Cost will vary based on the staff, location, and type of training being offered.                                       |
| Vendor/Equipment Approval Fee   | \$1,000 to reimburse us for our reasonable costs and expenses in reviewing and approving vendor equipment               | As incurred                                | This fee is payable to us and covers the costs and expenses to evaluate a new vendor and equipment for your choice that is not currently on our approved vendor list.   |

|                               |                               |  |   |
|-------------------------------|-------------------------------|--|---|
| Audit Fee                     | Cost of audit                 | When billed  | Payable only if we find, after an audit, that you have understated any amount you owe to us by more than 2%.  |
| Late Payment or Reporting Fee | \$100.00 per day you are late | Daily  | Due for any payment that is not paid when due.  |
| Site Evaluation Fee           | Our expenses only             | When billed  | For those additional on-site evaluations, or if the Franchise Agreement does not relate to your first Shop, we reserve the right to charge a reasonable fee for each evaluation, as well as a fee for our reasonable expenses, including the cost of travel, lodging, meals, and wages. |
| Time Extension Fee            | No fee at this time           | Upon approval of extension to Development Schedule | The Time Extension shall run for an additional 90-day period commencing upon the expiration of the applicable development period, including any previous extensions.  |

*Notes:*

(1) All fees and expenses described in this Item 6 are non-refundable and uniformly imposed on all of our franchisees. Except as otherwise indicated in the preceding chart, we impose and collect all fees and expenses listed, and you must pay them to us. Except as specifically stated above, the amounts given may increase based on changes in market conditions, our cost of providing services, and future policy changes. At the present time, we have no plans to increase payments over which we have control.

(2) For the purposes of determining the royalties to be paid under the Franchise Agreement, "**Gross Sales**" shall mean all revenue from sale of all services and Products and all other income of every kind and nature related to, derived from, or originating from the Shop (including, without limitation, income related to (i) any sales or orders of food Products or food preparation services provided from or related to the Shop), and (ii) all proceeds of any business interruption insurance policies, in each case whether for cash or credit, and regardless of collection in the case of credit; *provided however*, that "**Gross Sales**" shall not include:

(a) sales taxes or other taxes collected from customers by franchisee and actually transmitted to the appropriate taxing authorities; or

(b) proceeds from isolated sales of trade fixtures not constituting any part of Products and services offered for resale at the Shop nor having any material effect upon the ongoing operation of the Shop required under the Franchise Agreement.

We may authorize certain other items to be excluded from Gross Sales. The royalty fee will be withdrawn from your designated bank account by electronic wire transfer every Wednesday of each week based on Gross Sales from the preceding accounting period (see Section 4.B. of the Franchise Agreement) unless we require otherwise. You are required to maintain a minimum of Five Thousand and No/100 Dollars (\$5,000.00) in your designated bank account for the Shop at all times.

(3) We have established and will administer a marketing/advertising fund on behalf of the Bitty & Beau's System (see Item 11) to provide national or regional creative materials for the benefit of the Bitty & Beau's System.

(4) Cooperatives, if established, will be comprised of all franchised Shops located in designated geographic areas. No cooperatives have been established as of the date of this Disclosure Document.

**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**

| <b>Type of Expenditure</b>   | <b>Amount (Low – High)</b>         | <b>Method of Payment</b> | <b>When Due</b>                     | <b>To Whom Payment is to be Made</b>  |
|--|------------------------------------|--------------------------|-------------------------------------|---------------------------------------|
| Initial Franchise Fee <sup>(1)</sup>   | \$50,000.00 - \$50,000.00          | Company Check            | On signing your Franchise Agreement | B&B Worldwide, Inc.                   |
| Initial Training Fee   | \$2,500.00 - \$4,300.00            | Company Check            | Prior to Opening                    | B&B Worldwide, Inc.                   |
| Leasehold improvements <sup>(2)</sup>  | \$200,000.00 - \$500,000.00        | Company Check            | Prior to Opening                    | Third Parties                         |
| Equipment FF&E <sup>(3)</sup>  | \$80,000.00 - \$90,000.00          | Company Check            | Prior to Opening                    | Approved Vendor                       |
| Signage <sup>(4)</sup>   | \$10,000.00 - \$20,000.00          | As Incurred              | Prior to Opening                    | Third Parties                         |
| Initial inventory and merchandise <sup>(5)</sup>   | \$50,000.00 - \$65,000.00          | As Invoiced              | As Arranged                         | Third Parties                         |
| Architectural/engineering <sup>(6)</sup>   | \$15,000.00 - \$20,000.00          | As Invoiced              | As Arranged                         | Third Parties                         |
| Office/POS equipment <sup>(7)</sup>  | \$4,000.00 - \$6,000.00            | As Invoiced              | Lump Sum                            | Third Parties;<br>B&B Worldwide, Inc. |
| Training inventory costs <sup>(14)</sup>   | \$300.00 - \$750.00                | Company Check            | Prior to Training                   | B&B Worldwide, Inc.                   |
| Legal and accounting   | \$2,500.00 - \$5,000.00            |                          |                                     |                                       |
| Travel, lodging and meals for initial training <sup>(8)</sup>  | \$1,750.00 - \$5,500.00            | As Incurred              | As Incurred                         | Third Parties                         |
| Opening assistance fee   | \$7,500.00 - \$7,500.00            | As Invoiced              | Prior to Opening                    | B&B Worldwide, Inc.                   |
| Business supplies (stationary, business cards, menus, gift cards, paper and other materials <sup>(9)</sup> | \$1,200.00 - \$2,500.00            | As Incurred              | As Incurred                         | Third Parties                         |
| Business licenses, permits, utility deposits, etc. (for first year) <sup>(10)</sup>                        | \$1,000.00 - \$3,000.00            | As Incurred              | As Incurred                         | Third Parties                         |
| Grand opening expenses   | \$2,500.00 - \$5,000.00            | As Incurred              | As Incurred                         | Third Parties                         |
| Insurance deposits and premiums <sup>(11)</sup>  | \$1,500.00 - \$2,500.00            | As Incurred              | As Incurred                         | Third Parties                         |
| Additional funds for first 3 months <sup>(12)</sup>  | \$35,000.00 - \$70,000.00          | As Incurred              | As Incurred                         | Third Parties                         |
| <b>TOTAL <sup>(13)</sup></b>   | <b>\$464,750.00 - \$857,050.00</b> |                          |                                     |                                       |



Footnotes:

In general, none of the expenses listed in the above chart are refundable, but any security deposits you are required to make may be refundable.

(1) You must pay an Initial Franchise Fee of Fifty Thousand and No/100 Dollars (\$50,000.00) when you sign a Franchise Agreement. The Initial Franchise Fee is non-refundable under the terms of the Franchise Agreement. However, we reserve the right to adjust this fee (see Item 5).

(2) The cost of leasehold improvements will vary depending on numerous factors, including: (i) the size and configuration of the premises; (ii) pre-construction costs (e.g., demolition of existing walls and removal of existing improvements and fixtures); and (iii) cost of materials and labor which may vary based on geography and location. These amounts are based on the cost of adapting our prototypical architectural and design plans to remodel and finish-out of the Shop and the cost of leasehold improvements. These figures are our best estimate based on remodeling/finish-out rates and conditions in the Wilmington, North Carolina metropolitan area and some estimates from other general contractors based in the United States. These amounts may vary substantially based on local conditions, including the availability and prices of labor and materials. The cost of leasehold improvements may also vary depending on whether certain expenses will be incurred by the landlord.

(3) You must utilize in the Shop equipment meeting our specifications, including, a microwave, convection oven, worktables, shelving, ice machine, and other related items. We have established relationships with equipment vendors for certain equipment that meets our specifications.

(4) These amounts represent your cost for menu boards, menu panels, logo sign, and descriptive signs. We require that you make use of our graphic designer to scale our interior and exterior graphics package to your Shop. Your landlord may impose restrictions on interior and exterior signage, which may affect your costs.

(5) These amounts represent your initial inventory of food supplies and paper goods, for use in the first three (3) months of operating the Shop.

(6) These fees are estimates of your costs in obtaining any architectural and design services necessary for the construction of the Shop. You must adapt our prototypical plans and specifications for the construction and design of the Shop.

(7) We require that you use the point-of-sale system specified by us, have high-speed Internet access and an email account to receive communications from us.

(8) These estimates include only your out-of-pocket costs associated with the training of these personnel members (including travel, room, and board). These amounts do not include any fees or expenses for training any other personnel. Training is for not less than three (3) days, which may not necessarily be consecutive days. These costs will vary depending on your selection of lodging and dining facilities and mode and distance of transportation.

(9) You must purchase business cards, brochures, and other written materials for use in the franchise business. You will typically purchase amounts that may last as long as six (6)

months. You may purchase these materials from independent vendors or us that have been approved by us.

(10) These are estimates of the costs for obtaining local business licenses, which typically remain in effect for one (1) year. These figures do not include occupancy and construction permits, which were included in the leasehold improvement costs. The cost of these permits and licenses will vary substantially depending on the location of the franchised business, and can vary from city to city and state to state. The estimates also include your utility deposits. Utility deposits may or may not be needed if you have another operating business.

(11) These figures represent an estimate, with respect to the first three (3) months of business, of the cost of the initial deposit and premiums for insurance you are required to obtain and maintain for the franchised business as described in Item 8.

(12) You must maintain a minimum of Five Thousand and No/100 Dollars (\$5,000.00) in your checking account for electronic wire transfer purposes and other costs at all times. Additional expenses include or relate to, among other things, rent, telephone systems (which may be cellular only), music systems, floor mats, in-store training, and uniforms. The amount set forth in column 2 represents our estimate of expenses for the start-up phase (first three (3) months) of your business, and we cannot determine the actual amount of such expenses with any certainty. Your actual costs will depend on factors such as your management skill, experience and business acumen, local economic conditions, the local market for products, the prevailing wage rate, competition, and sales levels reached during the start-up phase. These amounts do not include any estimates for debt service.

(13) This total represents the initial investment for a single Shop. The Initial Franchise Fee for each Shop will be paid upon the signing of each Franchise Agreement.

You should review these estimates carefully with a business advisor before making any decision to purchase the franchise.

## **ITEM 8**

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### **Required Purchases and Operation Standards**

You must purchase or lease and install all fixtures, furnishings, equipment (including tablet, computer hardware and software), decor items, signs and related items we require, all of which must conform to the standards and specifications in our Manuals or otherwise in writing, unless you have obtained our prior written consent to do otherwise. You may not install or permit to be installed on the Shop premises any fixtures, furnishings, equipment, decor items, signs, games, vending machines, or other items which do not comply with our specifications without our prior written consent. If you lease any real property or any of the personal property described above from a third party, we must approve the lease in writing before it is signed. We will not approve the lease unless it permits your interest in the lease to be assigned to us if the Franchise Agreement terminates or expires.

To ensure that the highest degree of quality and service is maintained, you must operate the Shop in strict conformity with the methods, standards and specifications that we prescribe in the Manuals or otherwise in writing. You must maintain in sufficient supply and use and sell at all times only those food and beverage items, ingredients, products, materials, supplies and paper

goods that meet our standards and specifications. You must purchase promotional material incorporating our Marks and proprietary products only from us. All menu items must be prepared using the procedures specified in the Manuals or other written materials. You must not deviate from these standards and specifications by using or offering for sale nonconforming items without obtaining our prior written consent. You must sell and offer for sale only those menu items, products and services that we have expressly approved for sale in writing. You must offer for sale all products and services required by us in the manner and style we require, including dine-in and carryout services. You must discontinue offering for sale any items, products and services we may disapprove in writing at any time. We can, and expect to, modify our standards and specifications as we deem necessary. We will provide you notice of any changes to the Manuals.

You must permit us or our agents, at any reasonable time, to remove a reasonable number of samples of food or non-food items from your inventory or from the Shop free of charge for testing by us or by an independent laboratory to determine whether the samples meet our then-current standards and specifications. Besides any other remedies we may have, we may require you to pay for the testing if we have not previously approved the supplier of the item or if the sample fails to conform to our specifications (see Item 6).

Except for proprietary products and promotional materials provided by us or our designated suppliers, you must obtain all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software), and other products used or offered for sale at the Shop solely from suppliers who demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards or in accordance with our standards and specifications (note: these supplier restrictions do not apply to the manufacturers or suppliers of vehicles that you may use in the operation of the Shop). Notwithstanding the foregoing or anything in this agreement to the contrary, you must purchase all coffee beans from us. Among other things, the suppliers must have adequate quality controls and the capacity to supply your needs promptly and reliably. If you wish to purchase, lease or use any products or other items from an unapproved supplier, you must submit a written request for approval, or must request the supplier do so. We have to approve any supplier in writing before you make any purchases from that supplier. A list of our criteria for approving suppliers is not available to you. We will provide notice of approval or denial of your use of any such supplier within thirty (30) days of our receipt of the required written request. We can require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory, for testing. You must pay the cost of the inspection, and the actual cost of the test must be paid by you or the supplier. We reserve the right to re-inspect the facilities and products of any approved supplier and to revoke our approval by written notice if the supplier fails to meet any of our then-current standards. Our supplier approval procedure does not obligate us to approve any particular supplier.

### **Proprietary Products and Marks**

We have and may continue to develop for use in the Bitty & Beau's System products that are prepared from confidential proprietary recipes and other proprietary products which bear our Marks. Because of the importance of quality and uniformity of production and the significance of those products in the Bitty & Beau's System, it is to our mutual benefit that we closely control the production and distribution of those products. Accordingly, if those products become a part of the Bitty & Beau's System, you will use only our proprietary recipes and other proprietary products and will purchase those items solely from us or from a source designated by us for all of your requirements for those products. After opening your BITTY & BEAU'S COFFEE Shop, you must

purchase from us for resale to your customers such merchandise containing our Marks (see Item 13) (e.g. BITTY & BEAU'S COFFEE promotional products) as we require, and at least in amounts sufficient to satisfy customer demand. As stated above, you may not purchase merchandise containing our Marks, or other promotional materials from anyone other than us.

All advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the Shop), and other items we designate must bear the Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements in the Manuals or which we otherwise communicate to you. You must obtain our approval before you use any advertising and promotional materials and plans if we have not prepared or approved them during the twelve (12) months before their proposed use.

### **Site Approval and Collateral Assignment of Lease**

You must obtain our prior written approval of the site for the Shop before you decide to acquire or lease the site. You must also obtain our prior written approval of any contract of sale or lease for the Shop before you execute the contract or lease. We will not approve any lease unless it includes a collateral assignment of the lease prepared by us, and signed by you, us, and the landlord (Attachment C). The collateral assignment of the lease will contain, in substance the following provisions:

1. The landlord agrees to give us copies of any and all letters and notices sent to you related to the lease and the premises at the same time such letters and notices are sent to you.
2. We may cure any default under the lease without being guilty of trespass or any other crime or tort.
3. If we exercise our option to assume your lease, you must assign the lease to us when the Franchise Agreement expires or terminates, and the landlord will consent to this assignment and will not charge any assignment fee or accelerate rent under the lease.
4. If the lease is assigned, we will agree to assume from the date of assignment all of your obligations remaining under the lease, and we will assume your occupancy rights, and the right to sublease the premises for the remainder of the term of the lease.

### **Insurance**

Before you open the Shop for business, you must obtain the insurance coverage specified in Attachment B. Such insurance coverage must be maintained during the term of the Franchise Agreement and must be obtained from a responsible carrier or carriers acceptable to us.

1. Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of Two Million and No/100 Dollars (\$2,000,000.00) combined single limit.
2. "All Risks" coverage for the full cost of replacement of the Shop premises and all other property in which we may have an interest with no coinsurance clause.

3. Crime insurance for employee dishonesty in the amount of Ten Thousand and No/100 Dollars (\$10,000.00) combined single limit.

4. Workers' compensation insurance in amounts provided by applicable law or, if permissible under applicable law, any legally appropriate alternative providing substantially similar compensation to injured workers, subject to the conditions stated in the Franchise Agreement.

5. Other insurance required by the state or locality in which the Shop is located and operated.

You may, after obtaining our prior written consent, elect to have reasonable deductibles under the coverage required under paragraphs 1-6 described above. Also, related to any construction, renovation or remodeling of the Shop, you must maintain builders risks insurance and performance and completion bonds in forms and amounts, and written by a carrier or carriers, satisfactory to us.

You must name B&B Worldwide, Inc. and any other party we may designate as additional insured under all of your insurance policies, at your cost. Prior to commencing business operations of your franchise Shop, and every year after that, you promise to submit to us a copy or certificate or other acceptable proof of such insurance with a copy of the Additional Insured Endorsement on your policy. On occasion, we may request complete copies of all insurance policies and the applications for those policies to ensure compliance with the insurance provisions of this contract. However, if proof of insurance is not provided to us as required, we may obtain, at our sole option and in addition to our other rights and remedies under the Franchise Agreement, any required insurance coverage on your behalf. We are under no obligation whatsoever to obtain such insurance, but if we do so, you must fully cooperate with us in our efforts and must promptly sign all forms required to obtain or maintain the insurance. Finally, you must pay us, on demand, any costs and premiums we incur in obtaining insurance on your behalf, along with an eighteen percent (18%) administrative fee. Neither your obligation to maintain insurance coverage nor our maintenance of insurance on your behalf will reduce or absolve you of any obligations of indemnification described in the Franchise Agreement.

### **Employees**

A majority of employees you hire, and a majority of employees working in your franchise Shop at any given time, must be individuals with an intellectual or developmental disability. In addition, you must pay each hourly employee at an hourly rate equal to or greater than that set forth at 29 U.S.C. § 206(a)(1).

### **Miscellaneous**

SQUARE is currently the only approved supplier of the Point-of-Sale system (see Item 11). All other supplies and products may be purchased from any supplier previously approved by us, provided they maintain and conform to our standards and specifications.

We may, from time to time when possible, negotiate purchase arrangements, including price terms, with designated and approved suppliers on behalf of the franchise system and us. We may receive discounts on some products used in the franchise system, such as purchases of electronic cash register and software from approved suppliers, Shop equipment, and materials displaying our Marks, such as cups, napkins, business cards, stationery, flyers, brochures and other

promotional materials. These discounts will be made available to you if you purchase through the approved suppliers offering the discounts. You must purchase from us, or sources designated by us, proprietary products and trademarked food products. We do not undertake any obligation to negotiate price reductions as each supplier has their own position on the granting of (and tracking/accounting for) price reductions and/or rebates (which are described below).

You must purchase or lease virtually all goods and services necessary to establish and operate the Shops from us or our designees, from suppliers approved by us, or in accordance with our specifications. We estimate that your purchases and leases from us and our approved suppliers will be approximately ninety percent (90%) to one hundred percent (100%) of your costs to establish and operate the franchised business.

## **ITEM 9** **FRANCHISEE'S OBLIGATIONS**

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

| <b>Obligation</b>                                      | <b>Section in Franchise Agreement</b>                            | <b>Disclosure Document Item</b>     |
|--|--|-------------------------------------|
| a. Site selection and acquisition/lease                | Section 2 of Franchise Agreement                                 | Items 8 and 11                      |
| b. Pre-opening purchases/leases                        | Sections 6, 7, and 8 of Franchise Agreement                      | Items 5, 6, 7, 8 and 11             |
| c. Site development and other pre-opening requirements | Sections 2 and 5 of Franchise Agreement                          | Items 1, 8 and 11                   |
| d. Initial and ongoing training                        | Section 6 of Franchise Agreement                                 | Items 5, 6 and 11                   |
| e. Opening   | Sections 5 and 6 of Franchise Agreement                          | Items 5, 6 and 11                   |
| f. Fees  | Sections 4, 7, 8, and 14 of Franchise Agreement                  | Items 5 and 6                       |
| g. Compliance with standards and policies/Manuals      | Sections 2, 3, 6, 7, 8, 9, 10, 11, and 12 of Franchise Agreement | Items 8, 11, 12, 13, 14, 15, and 16 |
| h. Trademarks and proprietary information              | Sections 9 and 10 of Franchise Agreement                         | Items 8, 11, 13, and 14             |
| i. Restrictions on products/services offered           | Section 7 of Franchise Agreement                                 | Items 8 and 16                      |
| j. Warranty and customer service requirements          | Section 7 of Franchise Agreement                                 | Item 8                              |
| k. Territorial development and sales quota             | Sections 1, 2 and 7 of Franchise Agreement                       | Items 11 and 12                     |
| l. Ongoing product/service purchases                   | Sections 7 of Franchise Agreement                                | Items 6, 8, and 16                  |
| m. Maintenance, appearance and remodeling requirements | Sections 2, 7 and 14 of Franchise Agreement                      | Items 8, 11, and 17                 |
| n. Insurance   | Section 12 of Franchise Agreement                                | Items 7 and 8                       |
| o. Advertising   | Section 8 of Franchise Agreement                                 | Items 6, 8 and 11                   |
| p. Indemnification                                     | Section 15 of Franchise Agreement                                | Item 6                              |
| q. Owner's participation/management/staffing           | Sections 6, 14, 15, and 19 of Franchise Agreement                | Items 1, 11 and 15                  |
| r. Records and Reports                                 | Sections 6, 7, and 11 of Franchise Agreement                     | Item 6                              |

|                                 |  |                   |
|---------------------------------|--|-------------------|
| s. Inspections and audits       | Sections 2, 7, and 11 of Franchise Agreement | Items 6, 8 and 11 |
| t. Transfer                     | Section 14 of Franchise Agreement            | Items 6 and 17    |
| u. Renewal                      | Section 3 of Franchise Agreement             | Items 6 and 17    |
| v. Post-termination obligations | Section 18 of Franchise Agreement            | Items 6 and 17    |
| w. Non-competition covenants    | Section 10 of Franchise Agreement            | Item 17           |
| x. Dispute Resolution           | Section 19 of Franchise Agreement            | Items 6 and 17    |
| y. Other- Photo/Video Release   | Section 19 of Franchise Agreement            | Item 11           |
| z. Employees/Hiring             | Section 8 of Franchise Agreement             | Item 8            |

**ITEM 10**  
**FINANCING**

We do not currently offer any financing arrangements to you. We do not guarantee your notes, leases or other obligations.

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

**Except as listed below, we are not required to provide you with any assistance.**  
**Pre-Opening Obligations:**

Before the opening of a Shop, we will provide the following assistance and services:

1. Our written site selection guidelines and the site selection assistance we deem advisable. (Franchise Agreement, Section 5.A.(1).) If you cannot obtain possession of an approved location for the Shop within six (6) months after you have signed the Franchise Agreement, we have the right to terminate the Franchise Agreement (see Item 5). (Franchise Agreement, Sections 2.F. and 4.A.).

2. One (1) on-site evaluation as we deem necessary, in our sole discretion, in response to your reasonable request for site approval. (Franchise Agreement, Section 5.A.(2).)

3. Provide access to one (1) set of prototypical architectural and design plans and specifications for a Shop for adaptation by you, at your expense; provided, we retain the right to approve any adaptation by you of such prototypical architectural and design plans and specifications. (Franchise Agreement, Section 5.A.(3).)

4. Provide access to one (1) set of confidential operations manuals and such other manuals and written materials as we have developed. (Franchise Agreement, Section 5.A.(4).)

5. A list of our approved suppliers. (Franchise Agreement, Section 5.A.(7).)

6. An initial training program for two (2) individuals for a three (3) day period at a cost of Two Thousand Five Hundred and No/100 Dollars (\$2,500.00). If you wish to have additional personnel trained, we may charge up to Three Hundred and No/100 Dollars (\$300.00) per person per day (see Item 6). (Franchise Agreement, Section 5.A.(8).)

7. Six (6) days of opening on-site assistance. (Franchise Agreement, Section 5.A.(9).)

We are not required to provide you any other service or assistance before the opening of the Shop. Franchisor reserves for itself and the Wright family the right to publicly speak at the Shop on the Opening Date, and to cut a ceremonial opening ribbon in front of the Shop.

**Post-Opening Obligations:**

We are obligated by the Franchise Agreement to provide the following services and assistance after the opening of the Shop:

8. As we reasonably determine necessary, visits to, and evaluations of, the Shop and the products and services provided there to ensure that the high standards of quality, appearance and service of the Bitty & Beau's System are maintained. (Franchise Agreement, Section 5.A.(5).)

9. Advertising and promotional materials for in-store marketing and local advertising for the Shop at a reasonable cost to you. (Franchise Agreement, Section 5.A.(6).)

10. Certain merchandise incorporating our Marks, including promotional products, for use in the Shop in quantities sufficient to meet store needs at a reasonable cost and time are made available to franchisees in the Bitty & Beau's System. (Franchise Agreement, Section 5.A.(6).)

11. Three (3) to five (5) days of post-opening management assistance via electronic communication. (Franchise Agreement, Sections 5.A.(9) and 6.F.(3).)

12. Training programs and seminars and other related activities regarding the operation of the Shop as we may conduct for you, or Shop personnel generally, which your Principal and other Shop personnel may be required to attend. (Franchise Agreement, Section 6.E.(2).)

13. On-site remedial training for your Shop as we find appropriate. If the remedial training is requested by you, we may require you to pay Three Hundred and No/100 Dollars (\$300.00) per day for our trained representatives to provide the training and our expenses in providing the training (see Item 6). (Franchise Agreement, Section 6.E.(4).)

14. Administration of the advertising fund and assist in any cooperatives, if requested. (Franchise Agreement, Section 8.C and Section 8.D.)

We are not required to provide any other service or assistance to you for the continuing operation of the Shop.

**Advertising:**

***Regional and National Advertising - The Marketing and Advertising Fund.*** In addition to the local advertising obligation described below, we have established a marketing and advertising fund for the Bitty & Beau's System on a regional and/or national basis ("**M/A Fund**"). All franchisees are required to contribute two percent (2%) of the Gross Sales of the Shop to the M/A Fund for each accounting period. Although your M/A Fund contribution obligations are in addition to the local advertising obligation (described below), for designated special promotions, we reserve the right to require you to allocate to the M/A Fund all or part of your required local advertising expenditures (including any cooperative contributions, as further described below).

We or our designated agent maintain and administer the M/A Fund as follows:



1. We direct all advertising programs and have sole discretion to approve the creative concepts, materials and media used therein, and in the placement of advertisements and allocation of advertising funds. You are not permitted to use your own advertising materials, and there is no advertising counsel composed of our franchisees that advises us on advertising policies. The M/A Fund is intended to maximize general public recognition and acceptance of the Marks and improve the collective success of all Shops operating under the Bitty & Beau's System. Therefore, we and our designated agents are not required to manage the M/A Fund so as to ensure (a) that your benefits from such expenditures are equivalent or proportionate to your contribution, or (b) that any particular franchisee benefits directly or pro rata from the placement of advertising.

2. The M/A Fund is operated solely as a conduit for collecting and expending the national and regional advertising fees, as outlined above. All sums you pay to the M/A Fund will be maintained in a designated account and used for advertising purposes, such as paying for the costs of maintaining, administering, directing, and preparing advertising materials and programs. This advertising may include Internet, email, television, radio, magazine, and newspaper advertising campaigns; direct mail and outdoor billboard advertising; public relations activities; employing advertising agencies; and costs of our personnel and other departmental costs for advertising that we administer or prepare internally. In addition to the advertising costs described above, we may use the M/A Fund to defray our reasonable administrative costs and any overhead that we may incur in the administration or direction of the M/A Fund and advertising programs. The M/A Fund and its earnings will not otherwise benefit us. Any sums paid to the M/A Fund that are not spent in the year they are collected will be spent in the following year or returned to the contributors, without interest, on the basis of their respective contributions.

3. We will prepare an annual statement of the operations of the M/A Fund that will be made available to you upon request. We are not required to have the M/A Fund statements audited.

4. Although the M/A Fund is intended to be perpetual, we may terminate the M/A Fund at any time; however, the M/A Fund will not be terminated until all monies in the M/A Fund have been spent for advertising or promotional purposes or returned to contributors on the basis described in paragraph 2 above.

5. During 2022, our use of the M/A Fund was divided into these approximate percentages: 1) production expenses – 14.5%; 2) media placement – 76.7%; 3) administrative expenses – 0%; and 4) loyalty program 8.8%.

***Local Advertising.*** Within one year of opening the Shop, you must spend a minimum of Twenty Five Thousand and No/100 Dollars (\$25,000) on local advertising. Advertising expenditures prior to the opening of the Shop can be included in this minimum spending requirement. After the Shop's first year in business, there is no requirement that you spend a minimum amount on local advertising, although we recommend that you continue to advertise locally. We must approve all advertising before you use it. You must not advertise or use our Marks in any fashion on the Internet, World Wide Web, or via other means of advertising through telecommunication.

***Advertising Cooperatives.*** There are presently no advertising cooperatives; however, we may designate any geographic area in which two (2) or more Shops are located as a region for purposes of establishing an advertising cooperative (a "**Cooperative**"). The members of the Cooperative for any area will consist of all Shops in that area, whether operated by us or franchised. We will determine in advance how each Cooperative will be organized and governed and when it

must start operation. We have the right to dissolve, merge or change the structure of the Cooperatives. Each Cooperative will be organized for the exclusive purposes of administering advertising programs and developing, subject to our approval, promotional materials for use by the members in local advertising. If a Cooperative has been established for a geographic area where your Shop is located when the Franchise Agreement is signed, or if any Cooperative is established during the term of the Franchise Agreement, you must sign all documents we request and become a member of the Cooperative according to the terms of the documents. A copy of the Cooperative documents applicable to the geographic area in which your Shop will be located will be provided to you if you request it.

If a Cooperative is formed in your area, you will be required to contribute to the Cooperative the amounts required by its governing documents; however, you will not be required to contribute more than one percent (1%) of your Gross Sales during each month to the Cooperative unless, subject to our approval, the members of the Cooperative agree to the payment of a larger fee. Under certain special promotional programs, we may require that Cooperative payments be contributed to the M/A Fund, as described above. Any Cooperative formed in your area will be required to maintain and administer your payments to the Cooperative in accordance with its governing documents. The Cooperative will be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above. No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without first obtaining our approval.

***General Advertising Information.*** Your total required contribution to the M/A Fund and the Cooperative will not exceed three percent (3%) of your Gross Sales.

Neither the National nor Regional M/A Funds nor any Cooperative will use any funds for advertising that is principally a solicitation for the sale of franchises for Shops.

The Franchise Agreement includes a general photo and video release, which provides you no compensation, to facilitate our production of advertising materials.

Except as described above, we are not obligated to spend any amount on advertising in the area where your Shop is located.

### **Training:**

No later than thirty (30) days before the date the Shop begins operation, your Principal must attend and complete, to our satisfaction, our initial training program. We will conduct this training at the store located at our corporate headquarters and it will be coordinated and led by one of our authorized trainers. Initial training programs will be offered at various times during the year depending on the number of new franchisees entering the Bitty & Beau's System, replacement of principals and other personnel needing training, the number of new Shops being opened, and the timing of the scheduled openings of Shops to be operated by our franchisees generally. It is anticipated that the initial training program will be offered five (5) or six (6) times a year. The initial training program will generally last approximately three (3) days. However, we will be flexible to Franchisees needs if additional training is needed. We will provide instructors and training materials for the initial training of your Principal. You may also have additional personnel trained by us for the Shop, although we may charge Three Hundred and No/100 Dollars (\$300.00) per person per day for that training. We will determine whether any training attendee has satisfactorily completed initial training. If your Principal does not satisfactorily complete the initial training program (or if we determine that these persons cannot satisfactorily complete the

training program), you will be required to designate a replacement to satisfactorily complete the training. Any Principal subsequently designated by you must also receive and complete the initial training. We reserve the right to charge a reasonable fee for the initial training we provide to a replacement or successor Principal if we have not approved you to provide the training. You will be responsible for all expenses you, your Principal, and other personnel incur for any training program, including costs of travel, lodging, meals and wages (see Item 6).

The Principal and other personnel must attend additional training programs and seminars we may consider necessary. For all of these programs and seminars, we will provide the instructors and training materials. If the training is mandatory, we will not charge you a fee for attending the training. We reserve the right to charge a reasonable fee for any additional training programs and/or seminars that we provide to you or your personnel at your request. You will also be responsible for all expenses you or your Principal and other personnel incur in participating in any additional training, including travel costs, lodging, meals, and wages (see Item 6).

For the opening of your first Shop, we will provide you with no less than one (1) of our trained representatives to be on standby providing in-person assistance. The trained representative will provide pre-opening and opening training, and management assistance to you for a combined total of six (6) days (this may or may not be consecutive). This training and assistance will be provided to you at no additional expense, beyond those identified in Item 6 above. For any additional assistance requested by you, and any similar assistance that we provide to a replacement Shop if the premises are destroyed or the Shop is required to be closed for any other reason, we reserve the right to require you to pay us the per diem fee then being charged to franchisees generally for trained representative assistance, including payment of any expenses the trained representative incurs, such as costs of travel, lodging, meals and wages (see Item 6).

We maintain a formal training staff who will be conducting the initial training. The minimum experience of our training staff with respect to the subject taught and our operations is one (1) years. We may also draw on the substantial experience of other Shop personnel in conducting Shop operations training. The instructional materials used in the initial training consist of our Operations Manual, marketing and promotion materials, programs related to the operation of the point of purchase Bitty & Beau's System, and other written directives related to the operation of the Shop (collectively, the "**Manuals**"). The Table of Contents for the Operations Manual is annexed as Exhibit E of this Disclosure Document.

The job training and instructions comprising the initial training program are described below:

### TRAINING PROGRAM

| Subject   | Hours of Classroom Training | Hours of On-the-Job Training | Location                              |
|---|-----------------------------|------------------------------|---------------------------------------|
| Licenses, Permits and Taxes<br><ul style="list-style-type: none"> <li>- Business Licenses and Permits</li> <li>- Tax Registration and Payments</li> <li>- State Informational Websites</li> <li>- Additional Resources</li> </ul> | .5                          | 0                            | 4949 New Centre Dr.<br>Wilmington, NC |
| Insurance Coverage<br><ul style="list-style-type: none"> <li>- General Insurance Requirements</li> <li>- Minimum Coverage Amounts</li> <li>- Insurance Company Requirements</li> </ul>  | .5                          | 0                            | 4949 New Centre Dr.<br>Wilmington, NC |
| Setting up Your Shop<br><ul style="list-style-type: none"> <li>- Required Fixtures, Furnishings and Equipment</li> <li>- POS and Computer Systems</li> </ul>  | 1                           | 0                            | 4949 New Centre Dr.<br>Wilmington, NC |

|  |    |    |                                       |
|--|----|----|---------------------------------------|
| <ul style="list-style-type: none"> <li>- Sign Requirements</li> <li>- Initial Inventory and Supplies</li> <li>- Utilities</li> <li>- Uniforms</li> </ul>   |    |    |                                       |
| Payroll <ul style="list-style-type: none"> <li>- Timeclock</li> <li>- Record Keeping</li> </ul>  | .5 | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Initial Inventory and Supplies <ul style="list-style-type: none"> <li>- Required Items</li> <li>- Approved Suppliers</li> <li>- Pricing</li> <li>- Placing Orders</li> <li>- Spreadsheets</li> <li>- Roasted Beans</li> </ul>                            | 1  | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Customer Service <ul style="list-style-type: none"> <li>- Understanding the Competition</li> <li>- Building Rapport</li> <li>- Identifying Customer's Needs</li> <li>- Handling Complaints</li> <li>- Competitive Advantage</li> </ul>                   | 1  | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Marketing <ul style="list-style-type: none"> <li>- Guidelines for Using Marks</li> <li>- Social Media</li> <li>- Local Advertising</li> <li>- Grand Opening</li> <li>- Photo/Video Release</li> </ul>  | .5 | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Public Relations <ul style="list-style-type: none"> <li>- Press Releases</li> <li>- Community Service</li> <li>- Sponsorships</li> </ul>   | .5 | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Technology <ul style="list-style-type: none"> <li>- POS</li> <li>- Inventory</li> <li>- Refunds</li> <li>- Receipts/Playing Cards</li> <li>- Alarm System</li> <li>- Time Clock</li> <li>- Gift Cards</li> <li>- Wifi</li> <li>- TV&amp; Roku</li> </ul> | 2  | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Policies <ul style="list-style-type: none"> <li>- Information Sharing</li> <li>- Press and Public Inquires</li> <li>- Website</li> <li>- Employee Handbook</li> <li>- Communications</li> </ul>  | 1  | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Hiring <ul style="list-style-type: none"> <li>- Interview Process</li> <li>- Identifying Talent</li> </ul> 4949 New Centre Dr.<br>Wilmington, NC <ul style="list-style-type: none"> <li>- Surprise Hires</li> </ul>                                      | 1  | 0  | 4949 New Centre Dr.<br>Wilmington, NC |
| Daily Procedures <ul style="list-style-type: none"> <li>- Opening/Closing Shop</li> <li>- Machine Maintenance</li> <li>- Cleaning</li> <li>- Ordering</li> <li>- Food Safety</li> <li>- Recipes</li> </ul>   | 0  | 13 | Shop premises                         |
| Training Your Team <ul style="list-style-type: none"> <li>- Positions</li> </ul>   | 1  | 0  | 4949 New Centre Dr.<br>Wilmington, NC |

|  |           |           |                                       |
|--|-----------|-----------|---------------------------------------|
| - Scheduling<br>- Cross Training   |           |           |                                       |
| Grand Opening<br>- Promoting<br>- Permits<br>- Invitations<br>- Ribbon Cutting | .5        | 0         | 4949 New Centre Dr.<br>Wilmington, NC |
| <b>Total</b>   | <b>11</b> | <b>13</b> |                                       |

The entire training program is subject to change due to updates in materials, methods, manuals and personnel without notice to you.

The subjects and time periods allocated to the subjects actually taught to a specific franchisee and its personnel may vary based on the experience of those persons being trained.

If you make a reasonable request or we deem appropriate, we may, during the term of the Franchise Agreement, subject to the availability of personnel, provide you with additional trained representatives who will provide on-site remedial training to your Shop personnel. Any additional training considered necessary by us must be attended by you (if an individual) and at least one (1) assistant manager. For additional training that you request, you may be required to pay Three Hundred and No/100 Dollars (\$300.00) per day for the services of our trained representatives, plus their costs of travel, lodging, meals, and wages. The Three Hundred and No/100 Dollars (\$300.00) daily fee will not be charged if the assistance is provided based on our determination that the training is necessary; however, we reserve the right to charge for our reasonable expenses incurred in providing the assistance.

**Site Selection:**

**General Obligations.** You must assume all costs, liabilities, expenses and responsibility for locating, obtaining and developing a site for the Shop within the assigned area and for constructing and equipping the Shop at the accepted site. Before you lease or purchase a site, you will select three (3) viable sites for the Shop which satisfy our site selection guidelines. You must submit to us for approval, in the form we specify, a description of each of the three (3) sites, including evidence that such sites satisfy our site selection guidelines, together with other information and materials that we may reasonably require, including letters of intent or other evidence that confirms your favorable prospects for obtaining the sites, and any final drawings related to site improvements. We have the right to approve in advance any such final drawings related to site improvements. The Shop may not be relocated without obtaining our prior written consent.

We will provide you with our current written site selection guidelines and any other site selection counseling and assistance we think 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 (including the population and income level of residents in the market area), aerial photography, size and other physical attributes of the location, shopping mall, tenant mix, proximity to residential neighborhoods and proximity to schools, shopping centers, entertainment facilities and other businesses that attract consumers and generate traffic.

We may, in our sole discretion, provide you an evaluation of the proposed site for your first Shop without charge. We will not, however, provide an evaluation for any proposed site

before receiving from you the materials described above. We will provide additional evaluations if you or we think such additional evaluations are necessary. For those additional evaluations, or if the Franchise Agreement does not relate to your first Shop, we reserve the right to charge a reasonable fee for each evaluation as well as a fee for our reasonable expenses including the costs of travel, lodging, meals and wages.

**Timing.** We will have thirty (30) days after we receive this information and materials from you to approve or disapprove the proposed site as the location for the Shop. If you cannot obtain possession of an approved location for the Shop within six (6) months after you have signed the Franchise Agreement, we have the right to terminate the Franchise Agreement (see Item 5).

We estimate that the time from obtaining your location to the commencement of operations of the Shop will be approximately six (6) months. This time may be shorter or longer depending on the time necessary to obtain an accepted site, to obtain financing, to obtain the permits and licenses for the construction and operation of the Shop, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Shop, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Shop, including purchasing inventory and supplies. You must open the Shop and begin business by the date set forth in the Franchise Agreement, unless you obtain a written extension of this time period from us. If you do not obtain a site that we approve and construct the Shop within the time periods required in Section 2 of the Franchise Agreement, we may terminate the Franchise Agreement and retain the Initial Franchise Fee.

### **Computer and Electronic Cash Register System:**

You must maintain your books and business records according to our required format. To assist you with your reporting obligations to us, you must purchase or lease the specific point-of-sale system ("**POS System**"), tablet, thermal printers, AC line filters, remote printer interface and Internet-based communications (collectively, the "**Computer System**") we have approved for use at your Shop. The Computer System will record all sales information with respect to the Shop. We require that your Computer System be set up and interfaced with our system so that we are able to pull your daily receipts figures from our headquarters at any time. We may require computer hardware and software upgrades in the future. The frequency of these upgrades could be as often as annually or bi-annually. The costs of incorporating any upgrades into your Shop(s) will be your financial obligation.

Our current POS System is Square. This is a cloud-based program. All sales of products and services must make use of the POS System; you may not accept cash purchases.

All data that you provide to us from your Computer System, as well as other information that we may otherwise collect from you, is owned exclusively by us, and we will have the right to use that data in any manner we deem appropriate without compensating you. You must keep your cash registers and Computer System in good repair, at your expense, and you must promptly install additions, changes, modifications, substitutions and replacements to the cash register and Computer System as we may reasonably require, if purchased. You will have the sole and complete responsibility for: (a) acquiring, operating, maintaining and upgrading your own cash register and Computer System; (b) the manner in which your cash register and Computer System interface with our Computer System, if any, and the Computer System of third parties; and (c) all consequences that may arise if your cash register and Computer System are not properly operated,

maintained and upgraded. We do specify the kind or type of Computer System that you must obtain and operate, and we do not take on any responsibility for maintaining or upgrading any computer equipment or cash registers that you operate. We cannot provide an estimate of the cost you will incur to obtain, maintain or upgrade the cash register and Computer System that you select.

## **ITEM 12** **TERRITORY**

### **Franchise Agreement:**

The Franchise Agreement grants you the right to operate a Shop at a single location that you select within the assigned area and that we approve ("**Primary Area of Responsibility**"). Attachment B to the Franchise Agreement lists the specific street address of the approved location ("**Approved Location**"). You must operate the Shop only at this Approved Location and may not relocate the Shop without obtaining our prior written consent. You may not establish or operate another Shop unless you enter into a separate Franchise Agreement.

During the term of the Franchise Agreement, if you are in compliance with the Franchise Agreement, we will not establish a Shop or authorize any other person or entity to establish a Shop within your Primary Area of Responsibility. Your Primary Area of Responsibility will be described in Attachment B to the Franchise Agreement and is your exclusive territory. We will provide you with information regarding our classification of each portion of your trade area as urban or suburban. If your Shop is located in an urban area, your Primary Area of Responsibility will include a five (5) mile radius. If your Shop is located in a suburban area, your Primary Area of Responsibility will include a five (5) mile radius from your Approved Location. If your Shop is located at a Reserved Site (such as mall food courts, airports, hospitals, cafeterias, commissaries, schools, hotels, office buildings and stadiums, arenas, ballparks, festivals, fairs, military bases, and other mass gathering locations or events), you will not be granted a Primary Area of Responsibility. It will generally consist of the contiguous property controlled by the landlord in which the Shop is located, such as the shopping mall, strip mall, university campus, or hospital. Your Primary Area of Responsibility may be limited to the specific physical space occupied by the Shop. In the event your Primary Area of Responsibility is limited to only the specific physical space occupied by the Shop, you will not be receiving an exclusive territory. In those cases, 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 will determine the Primary Area of Responsibility at the same time as your Approved Location is determined for your Shop.

We may also offer and sell and authorize others to offer and sell: (i) collateral products under the Marks, at or from any location, such as prepackaged food or beverage products, (ii) food and beverage services under the Marks at or through any BITTY & BEAU'S COFFEE Shop or other permanent, temporary or seasonal food service facility providing in whole or in part the products and services offered by a BITTY & BEAU'S COFFEE Shop in any Reserved Area (as defined below), and (iii) any products or food and beverage services under any other names and marks. A "**Reserved Area**" is defined as all airports, sporting arenas and stadiums, and United States Department of Defense locations, military installations, and other federal government agencies (including Navy, Marine Corps, Army, and Air Force bases and exchange service facilities). However, you may pursue, on a nonexclusive basis, opportunities to operate a Shop in an airport, sporting arena, or stadium located within the geographic borders of your Primary Area of Responsibility if you have secured all required permits and approvals from the necessary

authorities. After you have secured such permits and approvals, we may approve of your proposed location on the same terms and conditions as we would for a location outside of a Reserved Area.

This offering is generally for a Shop of approximately one thousand five hundred (1,500) square feet located in an inline space, strip shopping centers, or in other urban locations (such as shopping malls, university campuses or hospitals). Generally, our franchise sites will not vary significantly from the prototypes described above; however, we may consider other Non-Traditional Locations on a case-by-case basis.

You may sell our proprietary products and related merchandise to retail customers and prospective retail customers who live anywhere but who choose to dine in your Shop. You may not engage in any promotional activities or sell our proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, including toll-free numbers, directed to or received from customers or prospective customers located anywhere. You may not place advertisements in printed media and on television and radio that are targeted to customers and prospective customers located outside of your Primary Area of Responsibility. You may not sell our proprietary products to any business or other customer for resale (excluding sales to other Shops).

We have not established other franchises or company-owned outlets or another distribution channel selling or leasing similar products or services under a different trademark. We describe earlier in this Item 12 what we may do anywhere and at any time.

There are no options, rights of first refusal, or similar rights to acquire additional franchises.

We shall remain in control of all social media accounts and websites related to BITTY & BEAU'S COFFEE, including, but not limited to, Facebook, Instagram, and Twitter, and the BITTY & BEAU'S COFFEE website. You cannot create or maintain your own social media accounts or website advocating your shop or displaying the Proprietary Marks. All media inquiries and interview requests, formal or informal, whether from news outlets or otherwise, must be directed to us.

### **ITEM 13** **TRADEMARKS**

We license from BITBEAU, INC. the trademarks, service marks, trade names, logotypes, and numerical symbols listed in the table below for promotion, use, license, and sale. The Franchise Agreement grants you the non-exclusive right and license to operate your Shop(s) under the BITTY & BEAU'S COFFEE name and logo design depicted in the table below (United States Patent and Trademark Office registration numbers 5,262,176 and 5,262,177) and under any other trade names, trade dress, indicia, trademarks, service marks, logos currently used or that may be used in the operation of the Shop, as established by us from time to time (collectively, the "**Proprietary Marks**"). Your use of the Proprietary Marks is limited solely to the operation of the Shop at its Approved Location, and only in accordance with the Bitty & Beau's System.

| <b>Service Mark</b> | <b>Registration Date/<br/>Registration Number</b> | <b>Status of<br/>Application</b> |
|---------------------|---|----------------------------------|
|---------------------|---|----------------------------------|



|   |                             |   |
|---|-----------------------------|---|
| BITTY & BEAU'S COFFEE –<br>Word   | August 8, 2017<br>5,262,176 | Registered on<br>the Principal<br>Register. |
| BITTY & BEAU'S COFFEE –<br>Logo Design<br><br> | August 8, 2017<br>5,262,177 | Registered on<br>the Principal<br>Register. |

Registration of a mark or logo on the Principal Register of the United States Patent and Trademark Office ("USPTO") constitutes *prima facie* evidence of the validity of a mark and of the registrant's ownership of such mark, and of the registrant's exclusive right to use such mark in commerce and in connection with the goods and services as set forth in the registration, subject to any conditions or limitations identified in the applicable certificate of registration.

We have filed all Affidavits of Use necessary to protect and maintain the Licensed Marks. No registration of the Licensed Marks has yet been renewed.

No effective determination of the USPTO, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, of any pending infringement, dilution, opposition or cancellation proceeding or any pending material litigation that is relevant to the use of the Licensed Marks in any state is required to be disclosed in this Disclosure Document.

There is no pending material federal or state court litigation regarding our use or ownership rights in the Proprietary Marks.

There are no agreements currently in effect that significantly limit our rights within the United States to use, or license or sublicense the use of, the above-mentioned Proprietary Marks in any manner material to the Franchise. We are not aware of any superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks as described herein.

You will follow our rules when you use the Proprietary Marks. You may not use any Proprietary Marks (including the name BITTY & BEAU'S COFFEE) as a part of your corporate or legal business name or with modifying words, terms, designs, or symbols (except for those we license to you). You may not use any Proprietary Marks in selling any unauthorized services or products or in any other way we have not expressly authorized in writing. You must comply with our instructions in filing and maintaining trade name or fictitious name registrations. You must execute any documents we require to protect the Proprietary Marks or to maintain their continued validity and enforceability.

You must notify us immediately of any apparent or actual infringement or challenge to your use of any of the Proprietary Marks, or any claim by any person of any rights in any of the

Proprietary Marks. If an infringement, challenge, or claim occurs, you must not communicate with any person other than our attorneys, your attorneys, and us. We may take the action we deem appropriate and control exclusively any litigation, USPTO proceeding, or any other administrative or agency proceeding from the infringement, challenge, or claim or otherwise concerning any Proprietary Marks. You must execute any and all documents and take any action that, in the opinion of our attorneys, protects and maintains our interests in any litigation or USPTO or other proceeding.

If it becomes advisable at any time, in our sole discretion, for us to modify or discontinue using any Proprietary Mark and/or use one (1) or more additional or substitute trade or service marks, you will comply with our directions within a reasonable time after receiving notice. You must pay for any expenses related to the changing of the trademarked items. We will not reimburse you for any loss of revenue due to any modified or discontinued mark or for any expenditures you make to promote a modified or substitute trademark or service mark.

Except as provided above, we are not obligated by the Franchise Agreement to protect any rights granted to you to use the Proprietary Marks or to protect you against claims of infringement or unfair competition with respect to them. Although we are not contractually obligated to protect the Proprietary Marks or your right to use them, as a matter of corporate policy, we intend to defend the Proprietary Marks vigorously.

The license to use the Proprietary Marks granted in the Franchise Agreement is non-exclusive to you. We have and retain certain rights in the Proprietary Marks, including the following:

1. To grant other licenses for the use of the Proprietary Marks in addition to those licenses already granted to existing franchisees;
2. To develop and establish other systems using the Proprietary Marks or other names or marks, and to grant licenses or franchises in those systems without providing any rights to you; and
3. To engage, directly or indirectly, at wholesale, retail or otherwise, in: (a) the production, distribution, license and sale of products and services; and (b) the use of the Proprietary Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs, and other identifying characteristics we may develop for that purpose.

Bitbeau, Inc. is the lawful and sole owner of the domain names [www.bittyandbeauscoffee.com](http://www.bittyandbeauscoffee.com) and [www.bittyandbeaus.com](http://www.bittyandbeaus.com). You cannot register any of the Proprietary Marks that are now or in the future owned by us or any abbreviation, acronym or variation of the Proprietary Marks, or any other name that could be deemed confusingly similar as Internet domain names. We retain the sole right to advertise the Bitty & Beau's System on the Internet and to create, operate, maintain and modify, or discontinue use of websites using the Proprietary Marks. You may access our website. Except as authorized in writing in advance, however, you cannot: (i) link or frame the website; (ii) conduct any business or offer to sell or advertise any products or services on the worldwide web; or (iii) create or register any Internet domain names in connection with your Franchise.

## **ITEM 14**

### **PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

### **Patents and Copyrights:**

You do not receive the right to use any item covered by a patent. We do not own or claim any registered copyrights which are material to the franchise: however, we claim copyrights in the Manuals, advertising materials, business forms, videos, CD-Roms and other printed and advertising material used in operating the franchise Shop(s). We have not registered these copyrights with the United States Registrar of Copyrights. You must use these items only in the way we specify and only while operating your franchise(s).

### **Confidential Manuals:**

You must operate the Shop in accordance with the standards and procedures specified in the Manuals. Digital copies of the Manuals will be made available to you by us for the term of the Franchise Agreement.

You must treat the Manuals and any other manuals and documentation we create or approve for use in your operation of the Shop, and the information contained in them, as confidential. You must also use all reasonable efforts to maintain this information as secret and confidential, and you must not duplicate, copy, record or otherwise reproduce these materials, in whole or in part, or make them available to any unauthorized person. The Manuals remain our sole property and must be kept in a secure place on the Shop premises.

We may revise the contents of the Manuals, and you must comply with each new or changed standard. You must also insure that the Manuals are kept current at all times. If there is a dispute as to the contents of the Manuals, the terms of the master copy maintained by us at our home office will be controlling. You are required to return to us all digital/printed media that are replaced in the Manuals.

### **Confidential Information and Trade Secrets:**

We claim proprietary rights in certain of our recipes which are our trade secrets. You, your Principal and each of your Guarantors are prohibited, during and after the term of the Franchise Agreement, from communicating or using for the benefit of any other person or entity and, after the term of the Franchise Agreement, from using for your or their own benefit, any confidential information, knowledge or know-how concerning the methods of operation of the Shop that may be communicated to you, your Principal or any of your Guarantors or that any of the foregoing may learn about, including these trade secrets. You, your Principal and each of your Guarantors can divulge this confidential information only to your employees who must have access to it to operate the Shop. Neither you, your Principal nor your Guarantors are permitted at any time, without obtaining our prior written consent, to copy, record or otherwise reproduce the materials or information nor make them available to any unauthorized person. Any and all information, knowledge, know-how and techniques related to the Bitty & Beau's System that we communicate to you, including the Manuals, plans and specifications, marketing information and strategies, and site evaluation, selection guidelines and techniques are considered confidential.

If we ask, you must have any of your personnel who have received or will have access to confidential information execute similar covenants with regard to our confidential information (see Item 17.) The covenants will be substantially as stated in Section 10 of the Franchise Agreement. Your Principal and Guarantors also must execute these covenants.

If you or your Principal or Guarantors develop any new concept, process or improvement in the operation or promotion of the Shop, you must promptly notify us and give us all pertinent

and requested information, free of charge. You, your Principal and your Guarantors must acknowledge that any of these concepts, processes or improvements belong to us and constitute our property, and we may give the information to other franchisees.

**ITEM 15**  
**OBLIGATION TO PARTICIPATE**  
**IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS**

When you sign the Agreements, you must designate and retain at all times an individual to serve as the Principal under the Agreements. If you are an individual, you must perform all obligations of the Principal. If you are a corporation, partnership or other form of entity, unless we otherwise agree in writing, the Principal must own at least fifty-one percent (51%) of the entity and must continue to hold ownership interest in you or any entity that directly or indirectly controls you. Except as otherwise provided in the Agreements, the Principal's interest in you must remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest, or purchase right or option.

The Principal may, at his option, and subject to our approval, designate an individual to perform the duties and obligations of the Principal described in the Agreements and in this Disclosure Document. The Principal must take all necessary action to ensure that the designee conducts and fulfills all of the Principal's obligations and will remain fully responsible for his performance. The Principal (or his designee, if applicable) must devote substantial full time and best efforts to the supervision and performance of the Shop under the Agreement. The Principal must execute the Agreements, will individually guarantee all of your obligations, and will be jointly and severally bound by all of your obligations and the obligations of the Principal under the Agreements.

The Principal (and any designee) must meet our standards for these positions as provided in the Manuals or other written instructions. Under the Agreements, the Principal (or his designee) must satisfy the training requirements stated in the Franchise Agreement.

If during the term of the Agreements the Principal or any designee cannot serve as Principal or no longer qualifies, you must promptly notify us and designate a replacement within sixty (60) days after the Principal or designee stops serving or no longer meets the requirements. Any replacement must meet the same qualifications listed above. You must provide for interim management of the Shop until you designate a replacement. This interim management must be conducted in accordance with the Agreements.

As described in Item 1, we have identified certain persons under the Franchise Agreement that we refer to in this Disclosure Document as your Guarantors. Your Guarantors include your spouse, if you are a married individual. Your Guarantors also include your business entity's officers and directors (including the officers and directors of your general partner, if applicable) whom we designate as your Guarantors, and all holders of an ownership interest in you and in any entity that directly or indirectly controls you, and any other person or entity controlling, controlled by, or under common control with you.

You must also obtain covenants not to compete, including covenants applicable on the termination of the person's relationship with you, from any of your other personnel who have received or will have access to our training before employment, and any holder of a beneficial interest in you (except for any limited partners) who is not designated as Principal or a Guarantor

and does not sign the Franchise Agreement. You must require all of your management personnel to sign covenants that they will maintain the confidentiality of information they receive or have access to based on their relationship with you (see Item 14). These covenants will be substantially as stated in Section 10 of the Franchise Agreement. We reserve the right, in our discretion, to decrease the period of time or geographic scope of the non-competition covenants contained in the Agreements or eliminate the non-competition covenants altogether for any party that is required to sign an agreement as described in this paragraph (see Item 17).

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must comply with all of our standards and specifications relating to the purchase of all food, food products and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including electronic cash register, computer hardware and software), utensils and other kitchen items, and products used or sold at the Shop (see Item 8).

You must sell or offer for sale all menu items, food products, and other products and services we require, in the manner and style we require, including dine-in and carryout, as expressly authorized by us in writing. You must sell and offer for sale only the menu items and other products and services that we have expressly approved in writing to our specifications. You must not deviate from our standards and specifications without obtaining our prior written consent. You must discontinue selling and offering for sale any menu items, products or services that we may disapprove in writing at any time. We have the right to change the types of menu items, products and services offered by you at the Shop at any time, and there are no limits on our right to make those changes.

You must maintain in sufficient supply and use and sell only the food and beverage items, ingredients, products, materials, supplies, and paper goods that conform to our standards and specifications. You must prepare all menu items in accordance with our procedures for preparation contained in the Manuals or other written instructions, including the measurements of ingredients. You must not deviate from our standards and specifications set forth in the Manuals by the use or offer of nonconforming items or differing amounts of any items without obtaining our prior written consent.

You must obtain and pay for any new or additional equipment, including electronic cash registers, computer hardware and software, fixtures, supplies and other products and materials that we require you to have in order to offer and sell new menu items from the Shop or to provide the Shop's services by alternative means, such as through carryout.

We may ask you to make other improvements to modernize the Shop premises, equipment, including electronic cash registers, computer hardware and software, signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required to operate the Shop, to our then-current standards and specifications. You will be required at our request to make the capital improvements or modifications described in the Franchise Agreement (Section 3, Item 2) (i) on or before the sixth anniversary of the date you signed the Franchise Agreement, or (ii) at any time during the term of the Franchise Agreement, when a majority of the Shops that we operate have made or are exercising their best efforts to make the improvements or modifications.

We may offer guidance concerning the selling price for the goods, products and services offered from your Shop. Except for maximum prices described below, you are in no way bound

to adhere to any such recommended or suggested price. Other than with respect to promotional materials and merchandise containing our Marks, you have the right to sell your products and provide services at any price that you determine, except that we reserve the right to establish maximum prices for any given product or service nationwide or within an advertising market (as determined by us). You must not exceed any maximum price we establish, but you at all times remain free to charge any price below the maximum we establish. You must execute any instruments or other writings we require to facilitate the provision of such products and services. If you elect to sell any or all of your products or merchandise at any price recommended by us, we make no guarantees or warranties that offering such products or merchandise at the recommended price will enhance your sales or profits. All promotional materials and all merchandise containing our Marks must be sold at prices set by us

We have developed certain products for use in the Bitty & Beau's System that are prepared from confidential recipes and that are trade secrets of ours, and certain products that bear our Proprietary Marks. Because of the importance of quality and uniformity of production, and the significance of the proprietary recipe and trademarked products in the Bitty & Beau's System, it is to our and your benefit that we closely control the production and distribution of the products. You must use our proprietary recipe products. You must purchase all of your requirements for these products only from us or from sources designated by us.

All advertising and promotional materials, signs, decorations, and paper goods used in the Shop and on any Shop and other items that we designate must have the Proprietary Marks in the form, color, location and manner we specify.

We may make available and may require you to purchase from us for resale to your customers certain prepackaged food products and promotional merchandise, such as t-shirts and promotional cups, in amounts sufficient to meet your customer demand.

We do not impose any other restrictions in the Franchise Agreement or otherwise as to the goods or services that you may offer or sell or as to the customers to whom you may offer or sell, except as provided in Item 12.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

**This table lists certain important provisions of the Franchise Agreement and the other Agreements pertaining to renewal, termination, transfer and dispute resolution. You should read these provisions in the Agreements attached to this Disclosure Document.**

**THE FRANCHISE RELATIONSHIP**

| Provision   | Section in Franchise Agreement | Summary  |
|---|--------------------------------|--|
| a. Length of the term of the franchise            | Section 3.A                    | Term continues for 10 years from the Opening Date.   |
| b. Renewal or extension of the term               | Section 3.B                    | Agreement may be renewed at your option for additional consecutive 5 year terms  |
| c. Requirements for franchisee to renew or extend | Section 3.B(1)-(7)             | You must give notice not less than 8 months nor more than 12 months in advance, repair and update equipment and Shop premises, not be in material breach of any agreement with us, have satisfied all monetary obligations to us, have the right to remain in possession of Shop premises, execute a general release, and comply with current qualification and training requirements. |

| <b>Provision</b>  | <b>Section in Franchise Agreement</b> | <b>Summary</b>  |
|---|---------------------------------------|---|
| d. Termination by franchisee  | Not applicable                        | You may terminate the Franchise Agreement on any grounds available by law.  |
| e. Termination by franchisor without cause                              | Not applicable                        | We may not terminate the Franchise Agreement without cause.   |
| f. Termination by franchisor with cause                                 | Section 17                            | Each of your obligations under the Franchise Agreement is a material and essential obligation, the breach of which may result in termination.   |
| g. "Cause" defined – curable defaults                                   | Section 17                            | We may terminate you for cause if you fail to cure certain defaults, including: if you fail to comply with the Franchise Agreement or fail to carry out its terms in good faith, fail to maintain or observe any of the standards, specifications, or procedures proscribed by us in the Franchise Agreement or otherwise in writing, or fail, refuse or neglect to obtain our prior written consent in each case as required by the Franchise Agreement.   |
| h. "Cause" defined – defaults which cannot be cured                     | Section 17                            | We may terminate you for cause if you fail to cure certain defaults, including if you: become insolvent, make a general assignment for benefit of creditors, file a petition or have a petition initiated against you under federal bankruptcy laws, have outstanding judgments against you for over 60 days, operate a Shop at an unapproved location, fail to acquire an approved location for the Shop within the required time period, fail to construct the Shop in accordance with the plans and specifications provided to you, fail to open the Shop in the required time period, abandon the Shop or lose the right to possession of the Shop premises, or the Principal or a Guarantor is convicted of a felony or a crime of moral turpitude, cause a threat or danger to public health or safety, fail to propose a qualified replacement or successor General Manager within the required time periods, purport to transfer any rights under the Franchise Agreement or an any interest in the Shop to a third party without our consent or offering us a right of first refusal, fail to pay monies owed to us or submit financial or other information required by us, or the Principal or a Guarantor fails to comply with the restrictive covenants in the Franchise Agreement, disclose our confidential information to a third party, transfer an interest in the Franchise Agreement or Shop other than in accordance with the Franchise Agreement, fail to maintain or falsify required books and records, make any false representation or warranty or breach any covenant in Section 6 of the Franchise Agreement, fail to procure the required insurance coverage in the specified time periods, misuse or make unauthorized use of our Marks, commit three material events of default in any twelve (12) month period, fail to comply with any sublease or related agreement between you us, or your assets are blocked under any law relating to terrorist activities or you otherwise violate such laws. |
| i. Franchisee's obligations on termination/non-renewal                  | Section 18                            | Obligations include: You must cease operating the Shop and using the Marks and Bitty & Beau's System and completely de-identify the business, pay all amounts due to us, return all Manuals and software and other proprietary materials, comply with confidentiality requirements, and at our option, sell or assign to us your rights in the Shop premises and the equipment and fixtures used in the business.   |
| j. Assignment of contract by Franchisor                                 | Section 14.A                          | We have the right to transfer or assign the Franchise Agreement to any person or entity without restriction.  |
| k. "Transfer" by franchisee – defined                                   | Section 14.B(1)                       | Includes sale, assignment, conveyance, pledge, mortgage or other encumbrance of any interest in the Franchise Agreement, the Shop or you (if you are not a natural person).   |
| l. Franchisor approval of transfer by franchisee                        | Section 14.B(2)                       | You must obtain our prior written consent before transferring any interest. We will not unreasonably withhold our consent.  |
| m. Conditions for franchisor approval of transfer                       | Section 14.B(2)                       | Conditions include: You must pay all amounts due us, not otherwise be in breach of the Franchise Agreement, execute a general release, and pay a transfer fee. Transferee must meet our criteria, attend training and execute current Franchise Agreement.  |
| n. Franchisor's right of first refusal to acquire franchisee's business | Section 14.D                          | Within 30 days after notice, we have the option to purchase the transferred interest on the same terms and conditions.  |

| <b>Provision</b>  | <b>Section in Franchise Agreement</b> | <b>Summary</b>  |
|---|---------------------------------------|---|
| o. Franchisor's option to purchase franchisee's business                  | Sections 18.K and 14.D                | Other than with respect to the Shop's assets on termination or non-renewal of the Franchise Agreement, or in connection with our right of first refusal described in Section 14.D, we have no right or obligation to purchase your business.  |
| p. Death or disability of franchisee                                      | Section 14.E                          | If you, the Principal or a Guarantor are a natural person, upon death or permanent disability, distribution must be approved by us, or franchise must be transferred to someone approved by us within 12 months after death or within 6 months after notice of permanent disability.  |
| q. Non-competition covenants during the term of the franchise             | Section 10.C(1)                       | You are prohibited from operating or having an interest in a similar business.  |
| r. Non-competition covenants after the franchise is terminated or expires | Section 10.C(2)                       | You, your Principal and the Guarantors are prohibited from operating or having an interest in a similar business which is located, or is intended to be located, within a 10-mile radius of any Shop in existence or under construction for 2 years, as of the earlier of (i) the expiration or termination of, or the transfer of all of your interest in, the Franchise Agreement, or (ii) the time a Guarantor ceases to satisfy the definition of a Guarantor, as applicable. |
| s. Modification of the agreement  | Sections 10.A(5) and 19.B             | Except as explicitly set forth therein, the Franchise Agreement may not be modified unless mutually agreed to in writing. You must comply with Manuals as amended from time to time.  |
| t. Integration/merger clause  | Section 19.B                          | Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding.   |
| u. Dispute resolution by arbitration or mediation                         | Sections 19.G, H, I, J and K          | Except for actions brought by us for monies owed, injunctive or extraordinary relief, or actions involving real estate, all disputes must be arbitrated at our headquarters or arbitrated in New Hanover County, North Carolina.  |
| v. Choice of forum  | Section 19.G, H, I                    | The venue for all proceedings related to or arising out of the Franchise Agreement is in New Hanover County, North Carolina, unless otherwise brought by us.  |
| w. Choice of Law  | Section 19.H                          | The Franchise Agreement is to be interpreted, governed and construed under North Carolina law.  |
| x. Use of Shop Premises   |                                       | You may not make use of the Shop premises to host special events, and you may not make use of the Shop premises for commercial purposes other than during normal hours of operation.  |

## **ITEM 18** **PUBLIC FIGURES**

No compensation or other benefit is given or promised by us to any public figure in connection with promoting our franchise. No public figure is involved in our management or control.

## **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.

The following numbers represents financial performance over our two (2) most recent fiscal years, January 1, 2021 to December 31, 2022. Each representation includes ten (10) Shops, which were all of the Shops operating in the System as of December 31, 2022.



| <b>Annualized Average Unit Volume</b>  |                |
|--|----------------|
| Average across all Shops               | \$620,572.00   |
| Highest Shop                           | \$1,280,666.00 |
| Lowest Shop                            | \$235,395.00   |
| <b>Average Ticket Price</b>            |                |
| Average across all Shops               | \$11.15        |
| Highest Shop                           | \$17.64        |
| Lowest Shop                            | \$8.92         |
| <b>Merchandise Percentage of Sales</b> |                |
| Average across all Shops               | 27.30%         |
| Highest Shop                           | 47.40%         |
| Lowest Shop                            | 19.30%         |

Notes:

1. The first Shop opened on August 28, 2021. As of December 31, 2022, the most recent Shop opened on December 10, 2022. As of December 31, 2022, the average number of days each Shop has been open was 279 days.
2. **Annualized Average Unit Volume** illustrates the annualization of gross sales from the opening of each Shop through December 31, 2022. For each Shop, the total gross sales during the period from the applicable opening date through December 31, 2022 were divided by the number of days the Shop was open to arrive at a daily gross sales average for each Shop. The daily average for each shop was then multiplied by 365 to obtain an annualized gross sales average for each Shop. The annualized gross sales averages for all Shops were added together and then divided by ten (10) (i.e., the number of total Shops open as of December 31, 2022) to obtain the \$620,572.00 Average across all Shops. The Highest Shop and Lowest Shop numbers were calculated in this same manner but stopped short of adding the annualized gross sales averages for all Shops together and then dividing by ten (10). Five (5) of the ten (10) Shops exceeded the \$620,572.00 Average across all Shops for Annualized Average Unit Volume.
3. **Average Ticket Price** is obtained by dividing the total Franchisee gross sales between January 1, 2021 and December 31, 2022 by the total number of tickets sold during that time period. Ticket prices include gift cards, but do not include taxes and tips. Five (5) of the ten (10) Shops exceeded the \$11.15 Average Ticket Price across all Shops.
4. **Merchandise Percentage of Sales** is the percentage of revenue derived from the sale of merchandise and apparel compared to total revenue for the time

period between January 1, 2022 and December 31, 2022. Merchandise includes all non-consumables, including all branded merchandise and apparel. Eight (8) of the ten (10) Shops exceeded the 27.30% Average Merchandise Percentage of Sales across all Shops.

Written substantiation for this financial performance representation will be made available to a prospective franchisee upon reasonable request. This data is based on reports submitted to us and has not been verified or audited.

**SOME OUTLETS HAVE SOLD THIS AMOUNT. YOUR INDIVIDUAL RESULTS MAY DIFFER. THERE IS NO ASSURANCE THAT YOU WILL SELL AS MUCH OR SELL MERCHANDISE AT A CERTAIN PERCENTAGE.**

We recommend that prospective franchisees make their own independent investigation to determine whether the franchise may be profitable and consult with an attorney and other advisors prior to executing the Franchise Agreement.

Other than the preceding financial performance representation, B&B Worldwide, Inc. 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 Amy Wright, at 336 Stradleigh Road, Wilmington, NC 28403, phone number (910) 769-1252, the Federal Trade Commission, and the appropriate state regulatory agencies.

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**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**  
**Systemwide Outlet Summary Operating As Bitty & Beau's Coffee Shop Franchises**  
**For years 2020, 2021 and 2022**

| <b>Outlet Type</b> | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|--------------------|-------------|---|---------------------------------------|-------------------|
| Franchised         | 2020        | 0                                       | 0                                     | 0                 |
|                    | 2021        | 0                                       | 5                                     | 5                 |
|                    | 2022        | 5                                       | 10                                    | 5                 |
| Company-Owned      | 2020        | 0                                       | 0                                     | 0                 |
|                    | 2021        | 0                                       | 0                                     | 0                 |
|                    | 2022        | 0                                       | 0                                     | 0                 |
| Total Outlets      | 2020        | 0                                       | 0                                     | 0                 |
|                    | 2021        | 0                                       | 5                                     | 5                 |
|                    | 2022        | 5                                       | 10                                    | 5                 |

**Table No. 2**  
**Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)**  
**For years 2020, 2021 and 2022**

| <b>State</b>    | <b>Year</b> | <b>Number of Transfers</b> |
|-----------------|-------------|----------------------------|
| North Carolina  | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| South Carolina  | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Georgia         | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Florida         | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Pennsylvania    | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Alabama         | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Arkansas        | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Arizona         | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Colorado        | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Connecticut     | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Delaware        | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Washington D.C. | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Idaho           | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Kansas          | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Kentucky        | 2020        | 0                          |
|                 | 2021        | 0                          |
|                 | 2022        | 0                          |
| Louisiana       | 2020        | 0                          |
|                 | 2021        | 0                          |

|               |      |   |
|---------------|------|---|
|               | 2022 | 0 |
| Massachusetts | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Michigan      | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Missouri      | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Montana       | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Mississippi   | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Nebraska      | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Nevada        | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| New Hampshire | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| New Jersey    | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| New Mexico    | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Ohio          | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Tennessee     | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Texas         | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Utah          | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Vermont       | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| West Virginia | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |
| Wyoming       | 2020 | 0 |
|               | 2021 | 0 |
|               | 2022 | 0 |

**Table No. 3**  
**Status of Franchised Outlets**  
**For years 2020, 2021 and 2022**

| State           | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Reacquired by Franchisor | Ceased Operations – Other Reasons | Outlets at End of the Year |
|-----------------|------|--------------------------|----------------|--------------|--------------|--------------------------|-----------------------------------|----------------------------|
| North Carolina  | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
|                 | 2022 | 1                        | 1              | 0            | 0            | 0                        | 0                                 | 2                          |
| South Carolina  | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Georgia         | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
|                 | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
| Florida         | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| Pennsylvania    | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
|                 | 2022 | 1                        | 0              | 0            | 0            | 0                        | 0                                 | 1                          |
| Alabama         | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| Arkansas        | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Arizona         | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Colorado        | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Connecticut     | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Delaware        | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Washington D.C. | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 1              | 0            | 0            | 0                        | 0                                 | 1                          |
| Idaho           | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Kansas          | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2021 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
|                 | 2022 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |
| Kentucky        | 2020 | 0                        | 0              | 0            | 0            | 0                        | 0                                 | 0                          |

|               |      |   |   |   |   |   |   |   |
|---------------|------|---|---|---|---|---|---|---|
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Louisiana     | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Massachusetts | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Missouri      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Montana       | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mississippi   | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Michigan      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nevada        | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Hampshire | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Jersey    | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Mexico    | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ohio          | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tennessee     | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas         | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 1 | 0 | 0 | 0 | 0 | 1 |
| Utah          | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vermont       | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| West Virginia | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

|         |      |   |   |   |   |   |   |   |
|---------|------|---|---|---|---|---|---|---|
|         | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wyoming | 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|         | 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|         | 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
|         |      |   |   |   |   |   |   |   |

**Table No. 4**  
**Status of Company-Owned Outlets**  
**For years 2020, 2021 and 2022**

| State           | Year | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets and End of the Year |
|-----------------|------|--------------------------|----------------|------------------------------------|----------------|----------------------------|-----------------------------|
| North Carolina  | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| South Carolina  | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Georgia         | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Florida         | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Pennsylvania    | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Alabama         | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Arkansas        | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Arizona         | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Colorado        | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Connecticut     | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Delaware        | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Washington D.C. | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
| Idaho           | 2020 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2021 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |
|                 | 2022 | 0                        | 0              | 0                                  | 0              | 0                          | 0                           |



|               |      |   |   |   |   |   |   |
|---------------|------|---|---|---|---|---|---|
| Kansas        | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Kentucky      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Louisiana     | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Massachusetts | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Michigan      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Missouri      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Montana       | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Mississippi   | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nebraska      | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Nevada        | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Hampshire | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Jersey    | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| New Mexico    | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ohio          | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tennessee     | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Texas         | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Utah          | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Vermont       | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |

|               |      |   |   |   |   |   |   |
|---------------|------|---|---|---|---|---|---|
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| West Virginia | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| Wyoming       | 2020 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2021 | 0 | 0 | 0 | 0 | 0 | 0 |
|               | 2022 | 0 | 0 | 0 | 0 | 0 | 0 |
| <b>Total</b>  |      | 0 | 0 | 0 | 0 | 0 | 0 |

**Table No. 5**  
**Projected Openings as of December 31, 2022**

| States          | Franchise Agreements Signed But Shop Not Opened | Projected New Franchised Shop Openings in 2023 | Projected New Company-Owned Shop Openings in 2023 |
|-----------------|---|--|---|
| North Carolina  | 0   | 0  | 0   |
| South Carolina  | 0   | 0  | 0   |
| Georgia         | 0   | 0  | 0   |
| Florida         | 0   | 0  | 0   |
| Pennsylvania    | 1   | 1  | 0   |
| Alabama         | 1   | 1  | 0   |
| Arkansas        | 0   | 0  | 0   |
| Arizona         | 0   | 0  | 0   |
| Colorado        | 1   | 1  | 0   |
| Connecticut     | 0   | 0  | 0   |
| Delaware        | 0   | 0  | 0   |
| Washington D.C. | 0   | 0  | 0   |
| Idaho           | 0   | 0  | 0   |
| Kansas          | 0   | 0  | 0   |
| Kentucky        | 0   | 0  | 0   |
| Louisiana       | 0   | 0  | 0   |
| Massachusetts   | 0   | 0  | 0   |
| Michigan        | 0   | 0  | 0   |
| Mississippi     | 0   | 0  | 0   |
| Missouri        | 0   | 0  | 0   |
| Montana         | 0   | 0  | 0   |
| Nebraska        | 0   | 0  | 0   |
| Nevada          | 0   | 0  | 0   |
| New Hampshire   | 0   | 0  | 0   |
| New Jersey      | 0   | 0  | 0   |
| New Mexico      | 0   | 0  | 0   |
| Ohio            | 0   | 0  | 0   |
| Tennessee       | 0   | 0  | 0   |
| Texas           | 2   | 2  | 0   |
| Utah            | 0   | 0  | 0   |
| Vermont         | 0   | 0  | 0   |
| West Virginia   | 0   | 0  | 0   |
| Wyoming         | 0   | 0  | 0   |
| <b>Totals</b>   | 5   | 5  | 0   |

A list of the names of all Bitty & Beau's Coffee franchisees and the addresses and telephone numbers of their businesses is provided in Exhibit C to this Disclosure Document.

The name, city, state and current business telephone number (or if unknown, the last known home telephone number) of every franchisee who had a business terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within ten (10) weeks of the issuance date of this disclosure document are listed on Exhibit D to this Disclosure Document. **If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise.**

In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with the Bitty & Beau's System. You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you.

There are no trademark-specific organizations formed by our franchisees that are associated with the BITTY & BEAU'S COFFEE.

## **ITEM 21** **FINANCIAL STATEMENTS**

We were formed July 8, 2020 and our consolidated, audited financial statements for fiscal years 2021 and 2022 are attached and included in Exhibit A. **We have not been in business for three (3) years or more, and therefore cannot disclose a copy of our statements of operations, stockholders equity, and cash flows for the last three (3) fiscal years.**

Our fiscal year end is December 31.

## **ITEM 22** **CONTRACTS**

Attached as Exhibits to this Disclosure Document are the following contracts and their attachments:

- |    |                     |           |
|----|---------------------|-----------|
| 1. | Franchise Agreement | Exhibit B |
|----|---------------------|-----------|

## **ITEM 23** **RECEIPTS**

The final page of this Disclosure Document is a detachable document acknowledging your receipt of the Disclosure Document. If that page, or any other pages or exhibits are missing from your copy, please notify us immediately. Please return one (1) signed copy to us and retain the other for your records.

## **STATE EFFECTIVE DATES**

The following states 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, Oregon, 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

| <b>STATE</b> | <b>EFFECTIVE DATE</b> |
|--------------|-----------------------|
| Michigan     | April 21, 2021        |
| Wisconsin    | July 5, 2022          |

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.

## RECEIPT

### (RETURN ONE COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all the Agreements carefully.

If B&B Worldwide, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement or make a payment to the franchisor in connection with the proposed franchise sale or sooner if required by applicable state law.

If B&B Worldwide, Inc. does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and State law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the state agency listed on Attachment A.

**Maryland, 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 agreement, or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon, Washington and Wisconsin require 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 that relates to the franchise relationship, whichever occurs first.**

Amy Wright, of B&B Worldwide, Inc. acts as our franchise salesperson. Her address is 336 Stradleigh Road, Wilmington, NC 28403, phone number is (910) 769-1252, and email address is franchise@bittyandbeauscoffee.com.

The issuance date of this disclosure document is: April 30, 2023.

B&B Worldwide, Inc. authorizes the agents listed in Attachment A to receive service of process for it.

I have received a disclosure document included the following Exhibits:

- A. Financial Statements
- B. Franchise Agreement
- C. Franchisee List
- D. List of Franchisees who have Left
- E. Table of Contents of Operations Manual
- F. Franchisee Disclosure Acknowledgment Statement

Attachment A: List of State Administrators/Agents for Service of Process

Attachment B: Suggested Insurance Coverage

Attachment C: Collateral Assignment of Lease

Date

Received: \_\_\_\_\_  
(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

# RECEIPT

## (RETURN ONE COPY TO US)

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If B&B Worldwide, Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar-days before you sign a binding agreement or make a payment to the franchisor in connection with the proposed franchise sale or sooner if required by applicable state law.

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**Maryland, 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 agreement, or the payment of any consideration that relates to the franchise relationship. Michigan, Oregon, Washington and Wisconsin require 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 that relates to the franchise relationship, whichever occurs first.**

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The issuance date of this disclosure document is: April 30, 2023.

B&B Worldwide, Inc. authorizes the agents listed in Attachment A to receive service of process for it.

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- D. List of Franchisees who have Left
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Attachment A: List of State Administrators/Agents for Service of Process

Attachment B: Suggested Insurance Coverage

Attachment C: Collateral Assignment of Lease

Date

Received: \_\_\_\_\_

(Do not leave blank)

\_\_\_\_\_  
Signature of Prospective Franchisee

\_\_\_\_\_  
Print Name

**EXHIBIT A TO THE DISCLOSURE STATEMENT  
FINANCIAL STATEMENTS**

See Attached.

**B&B Worldwide, Inc.**

*Financial Statements*  
*For the Years Ended*  
*December 31, 2022 and 2021*





*Certified Public Accountants*

## **INDEPENDENT AUDITOR'S REPORT**

To the Members of  
B&B Worldwide, Inc.

### **Opinion**

We have audited the accompanying financial statements of B&B Worldwide, Inc. (a North Carolina Subchapter S Corporation), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations and members' equity and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of B&B Worldwide, Inc. as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of B&B Worldwide, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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*Earney & Company, L.L.P., 710 Military Cutoff Road, Suite 250 Wilmington, NC 28405  
T: (910) 256 9995, F: (910) 256 2829, www.earney.net.com*

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of B&B Worldwide, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about B&B Worldwide, Inc.'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.

*Eamy & Company, L.L.P.*

Wilmington, North Carolina  
February 16, 2023

**B&B Worldwide, Inc.**  
**Balance Sheets**  
**As of December 31, 2022 and 2021**

---

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| <b>ASSETS</b>                                   |                   |                   |
| Current Assets                                  |                   |                   |
| Cash & cash equivalents                         | \$ 518,947        | \$ 584,261        |
| Royalty receivable (Note 2)                     | <u>5,658</u>      | <u>3,287</u>      |
| Total Current Assets                            | <u>524,605</u>    | <u>587,548</u>    |
| Property & equipment, net (Note 2)              | <u>47,243</u>     | <u>22,273</u>     |
| Intangible assets, net (Note 2)                 | <u>35,000</u>     | <u>-</u>          |
| Total Assets                                    | <u>\$ 606,848</u> | <u>\$ 609,821</u> |
| <b>LIABILITIES &amp; MEMBERS' EQUITY</b>        |                   |                   |
| Current Liabilities                             |                   |                   |
| Accounts payable                                | \$ 24,569         | \$ 12,183         |
| Franchise marketing fund                        | <u>16,855</u>     | <u>12,869</u>     |
| Total Current Liabilities                       | <u>41,424</u>     | <u>25,052</u>     |
| Deferred revenue - franchise contracts (Note 2) | <u>376,104</u>    | <u>568,170</u>    |
| Total Liabilities                               | <u>417,528</u>    | <u>593,222</u>    |
| Members' Equity                                 | <u>189,320</u>    | <u>16,599</u>     |
| Total Liabilities & Members' Equity             | <u>\$ 606,848</u> | <u>\$ 609,821</u> |

The Accompanying Notes are an Integral Part of these Financial Statements

**B&B Worldwide, Inc.**  
**Statements of Operations and Members' Equity**  
**For the Years Ended December 31, 2022 and 2021**

|                                    | <u>2022</u>        | <u>2021</u>        |
|------------------------------------|--------------------|--------------------|
| <b>SALES</b>                       |                    |                    |
| Franchise fees                     | \$ 392,065         | \$ 148,080         |
| Royalty fees (Note 1)              | 178,635            | 49,626             |
| Training fees                      | 27,001             | 30,000             |
| Other income                       | 4,850              | 342                |
| Total Sales                        | <u>602,551</u>     | <u>228,048</u>     |
| <br>Cost of sales                  | <br><u>242,795</u> | <br><u>140,371</u> |
| Gross Profit                       | <u>359,756</u>     | <u>87,677</u>      |
| <b>OPERATING EXPENSES</b>          |                    |                    |
| Advertising                        | -                  | 2,799              |
| General & administrative           | 13,184             | 8,288              |
| Insurance                          | 16,997             | 14,646             |
| Consulting                         | -                  | 16,000             |
| Legal & professional fees          | 66,604             | 39,152             |
| Training                           | 47,036             | 20,041             |
| Other                              | 34,563             | 11,892             |
| Depreciation                       | 6,151              | 7,161              |
| Amortization                       | 2,500              | -                  |
| Total Operating Expenses           | <u>187,035</u>     | <u>119,979</u>     |
| <b>Net Operating Income (Loss)</b> | <u>172,721</u>     | <u>(32,302)</u>    |
| <b>NON-OPERATING INCOME (LOSS)</b> |                    |                    |
| Loss on sale of fixed assets       | -                  | 3,651              |
| <b>Net Income (Loss)</b>           | <u>172,721</u>     | <u>(35,953)</u>    |
| <b>Members' Equity, Beginning</b>  | 16,599             | 52,552             |
| Distributions to members           | -                  | -                  |
| <b>Members' Equity, Ending</b>     | <u>\$ 189,320</u>  | <u>\$ 16,599</u>   |

The Accompanying Notes are an Integral Part of these Financial Statements

- 4 -

Exhibit A-6

**B&B Worldwide, Inc.**  
**Statements of Cash Flows**  
**For the Years Ended December 31, 2022 and 2021**

|   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| <b>Cash Flows From Operating Activities</b>   |                   |                   |
| Cash Collections for:   |                   |                   |
| Franchise fees  | \$ 199,999        | \$ 520,000        |
| Royalty fees  | 176,264           | 46,339            |
| Training fees   | 27,001            | 42,869            |
| Other income  | 4,850             | 342               |
| Less: Cash Payments for:  |                   |                   |
| Operating expenses  | <u>(404,807)</u>  | <u>(241,006)</u>  |
| Net Cash Provided (Used) By Operating Activities  | <u>3,307</u>      | <u>368,544</u>    |
| <b>Cash Flows From Investing Activities</b>   |                   |                   |
| Disposal of property  | -                 | 3,500             |
| Purchase of property  | (31,121)          | (3,111)           |
| Purchase of intangible assets   | <u>(37,500)</u>   | <u>-</u>          |
| Net Cash Provided (Used) By Investing Activities  | <u>(68,621)</u>   | <u>389</u>        |
| <b>Cash Flows From Financing Activities</b>   |                   |                   |
| Distributions to members  | -                 | -                 |
| Net Cash Provided (Used) By Financing Activities  | <u>-</u>          | <u>-</u>          |
| <b>Net Increase (Decrease) in Cash</b>  | (65,314)          | 368,933           |
| <b>Cash &amp; Cash Equivalents, Beginning</b>   | <u>584,261</u>    | <u>215,328</u>    |
| <b>Cash &amp; Cash Equivalents, Ending</b>  | <u>\$ 518,947</u> | <u>\$ 584,261</u> |
| <b>Reconciliation of Change in Net Operating Income (Loss) to Cash Provided (Used) By Operating Activities:</b> |                   |                   |
| Net operating income (loss)   | \$ 172,721        | \$ (32,302)       |
| Adjustments to Reconcile to Net Cash Provided (Used) By Operating Activities:                                   |                   |                   |
| Depreciation  | 6,151             | 7,161             |
| Amortization  | 2,500             | -                 |
| Change in Operating Assets & Liabilities:   |                   |                   |
| Royalty receivable  | (2,371)           | (3,287)           |
| Accounts payable  | 12,386            | 12,183            |
| Franchise marketing fund  | 3,986             | 12,869            |
| Deferred revenue - franchise contracts  | <u>(192,066)</u>  | <u>371,920</u>    |
| Net Cash Provided (Used) By Operating Activities  | <u>\$ 3,307</u>   | <u>\$ 368,544</u> |
| <b>Supplemental Disclosure</b>  |                   |                   |
| Interest paid   | <u>\$ -</u>       | <u>\$ 6</u>       |
| Income taxes paid   | <u>\$ -</u>       | <u>\$ -</u>       |

The Accompanying Notes are an Integral Part of these Financial Statements

**B&B Worldwide, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**1. ORGANIZATION**

B&B Worldwide, Inc. (the "Company") was organized and began operations on July 8, 2020 under the laws of the state of North Carolina. The Company has two members who are also its managers and have equal ownership rights. Bitty & Beau's Coffee is a trademark used by the Company, which has a license to sell franchises generally in the United States of America. The Company generates revenue from fees charged to franchisees that include an initial non-refundable fee of \$40,000 for each franchise, a 6% of gross revenue royalty fee, and a 2% of gross revenue advertising fee.

**2. SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The Company prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (U.S. GAAP) using the accrual basis of accounting. Accordingly, revenue is recognized when earned and expenses are recorded when incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Company's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Company's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash held in checking, savings, and money market accounts and certificates of deposit with maturities of less than three months. From time to time during the periods presented, the Company has had cash balances in financial institutions that have exceeded federal depository insurance limits. The Company deposits its cash with high quality institutions, and management believes the Company is not exposed to significant credit risk on those amounts.

Accounts Receivable

Accounts receivable are for royalty revenue and are shown at their net realizable value. Management uses their experience to analyze balances and then applies an appropriate estimate for uncollectible accounts. As of December 31, 2022 and 2021, there were no allowances for doubtful accounts.

**B&B Worldwide, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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Property and Equipment

Land, buildings, and equipment are reported in the balance sheets at cost if purchased and at fair value at the date of donation if donated. All land and buildings are capitalized. Equipment is capitalized if it has a cost of \$500 or more and a useful life when acquired of more than one year. Repairs and maintenance that do not significantly increase the useful life of the asset are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Machinery & equipment      5 years

Land, buildings, and equipment are reviewed for impairment when a significant change in the asset's use or another indicator of possible impairment is present. No impairment losses were recognized in the financial statements in the periods presented. The following is a summary of property accounts as of December 31:

|                                | <u>2022</u>      | <u>2021</u>      |
|--------------------------------|------------------|------------------|
| Machinery & equipment          | \$ 58,767        | \$ 27,646        |
| Less: Accumulated depreciation | <u>(11,524)</u>  | <u>(5,373)</u>   |
| Property & Equipment, Net      | <u>\$ 47,243</u> | <u>\$ 22,273</u> |

Intangible Assets

Intangible assets consist of copyrights related to the architectural design of Bitty & Beau's Coffee shops totaling \$37,500. The copyrights are amortized on a straight-line basis over a period of fifteen years. As of December 31, 2022, the total accumulated amortization is \$2,500.

Indirect Marketing Costs

Indirect marketing expenses, such as marketing strategy development, advertising, administrative, and overhead costs, are expensed as incurred.

The Company collects 2% of gross revenue from the franchisees for advertising expenses and deposits it into a separate bank account. The Company nets the deposit in the bank account with a liability account and reverses the entry as related expenses are incurred.

Revenue Recognition – Royalty Fees

The 6% of sales royalty fee is recognized as revenue weekly in accordance with the franchise agreements.

**B&B Worldwide, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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Revenue Recognition

Franchise fees consist of initial franchise fees from franchise agreements. Under franchise agreements, the Company provides franchises with (i) a franchise license, which includes a license to use the Company's intellectual property; (ii) pre-opening services, such as site evaluation and visits, training, opening assistance, manual, and initial marketing; and (iii) ongoing services, such as inspections and equipment and advertising approval, and additional training and assistance. The Company has identified the following six distinct performance obligations in relation to its franchise agreements: the franchise rights, site selection assistance, operations manual, architectural review, Zoom training calls, and hiring support.

The Company recognizes the revenue from these performance obligations as follows: Fees related to the franchise rights are recognized over the term of the franchise contract, which is generally five, seven, or ten years. The fees for the site selection assistance, operations manual, architectural review, Zoom training calls, and hiring support are recognized before the franchisee commences operations as each performance obligation is satisfied. The franchise fees are generally payable up front upon entering into the contract and are nonrefundable. Upfront fees are deferred until the Company satisfies its performance obligations.

Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported members' equity.

Income Taxes

The Company elected, by unanimous consent of its members to be taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company does not pay federal or North Carolina corporate income taxes on its taxable income nor is it allowed a net operating loss carryover or carryback as a deduction. Instead, the members include their respective shares of the Company's net operating loss or taxable income in their individual federal income tax returns. The financial statements will not include a provision for income taxes (credit) as long as the S corporation election remains in effect.

Management has evaluated the Company's tax positions as of December 31, 2022 and 2021 and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of recognition and measurement of uncertain tax positions required by the Income Taxes Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC).



**B&B Worldwide, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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Subsequent Events

Subsequent events have been evaluated through February 16, 2023, which is the date the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

**3. CONTINGENCIES**

Certain conditions may exist which may result in a loss to the Company, but will only be resolved when one or more future events occur or fail to occur. The Company's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingent related to legal proceedings that are pending against the Company, or unasserted claims that may result in such proceedings, the Company's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, the estimated liability would be accrued in the Company's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they arise from guarantees, in which case the guarantees would be disclosed.

**4. RELATED PARTY TRANSACTIONS**

During 2022, the Company began reimbursing Bitbeau, Inc. for marketing expenses incurred by the franchises. As of December 31, 2022, the Company reimbursed Bitbeau, Inc. \$47,251 for these expenses. The companies are related through common ownership as the owners of Bitbeau, Inc. are also the owners of the Company.

**B&B Worldwide, Inc.**  
**Notes to Financial Statements**  
**December 31, 2022 and 2021**

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**5. RISK MANAGEMENT**

The Company is exposed to various risks of loss in the ordinary course of business as a result of torts, theft of, damage to, or destruction of assets, business interruption, allegations of liability, natural disasters, employee and officer errors and omissions, and employee workers' compensation and medical claims.

In 2022, the Company was insured for workers' compensation and employer's liability per claim with a limit of \$500,000 for each injury by accident or disease. The Company has a directors and officers liability policy for \$1,000,000 each occurrence with a \$2,000,000 aggregate. The Company has a miscellaneous professional liability insurance policy with an aggregate limit of \$1,000,000. The policy also carries a maximum amount of \$25,000 for disciplinary proceeding expenses per policy period.

No claim payment has exceeded insurance coverage since business inception on July 8, 2020 where insurance coverage applies, subject to the deductibles and retentions.

**EXHIBIT B TO THE DISCLOSURE STATEMENT**

**FRANCHISE AGREEMENT**

See Attached.

# **B&B WORLDWIDE, INC.**

**BITTY & BEAU'S COFFEE**

**FRANCHISE AGREEMENT**



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FRANCHISEE

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DATE

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ATTACHMENTS

- A - GUARANTY OF PRINCIPAL AND GUARANTORS
- B - APPROVED LOCATION, AREA OF PRIMARY RESPONSIBILITY AND OPENING DATE
- C - COLLATERAL ASSIGNMENT OF LEASE
- D - STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEE'S PRINCIPAL AND GUARANTORS
- E - ELECTRONIC TRANSFER AUTHORIZATIONS
- F - POWER OF ATTORNEY (TAX & TELEPHONE)
- G- FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT

**B&B WORLDWIDE, INC.  
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT ("**Agreement**") is made and entered into by and between B&B WORLDWIDE, INC., a North Carolina corporation (together with its successors and assigns, the "**Franchisor**"), and \_\_\_\_\_, a \_\_\_\_\_ [corporation/limited liability company/partnership] (the "**Franchisee**"), on the date this Agreement is executed by Franchisor below (the "**Effective Date**").

WITNESSETH:

WHEREAS, Franchisor, as the result of the expenditure of time, skill, effort and money, has developed and owns a distinctive system (the "**Bitty & Beau's System**") relating to the establishment, development and operation of coffee shops that operate in buildings that display Franchisor's interior and exterior trade dress (each, a "**Shop**") in the sale of coffee, tea, chai, hot and cold beverages, baked goods, sandwiches, ice cream, smoothies, and similar products, as well as merchandise, apparel and similar branded products (the "**Products**"), and which operate under Franchisor's Bitty & Beau's System and the Marks (as defined below), all of which Franchisor may periodically change, improve, and/or further develop; and,

WHEREAS, the distinguishing characteristics of the Bitty & Beau's System include, without limitation, distinctive interior and exterior sign design and arrangement, decor, fixtures and furnishings; menus and recipes; quality and uniformity of products and services offered; standards, specifications, methods, techniques, procedures for operations, inventory and management; training and assistance; record keeping and reporting; and marketing and advertising; all of which may be changed, improved and further developed by Franchisor from time to time; and,

WHEREAS, Franchisor identifies the Bitty & Beau's System and Shops by means of certain trade names, service marks, trademarks, emblems and indicia of origin, including, but not limited to, the marks covered by U.S. Registration Numbers 5,262,176 and 5,262,177, and such other proprietary marks as Franchisor may periodically designate in writing (collectively, the "**Marks**"); and,

WHEREAS, Franchisor grants to qualified persons the opportunity to own and operate Shops offering and selling the Products as well as other products and services authorized and approved by Franchisor and utilizing Franchisor's Bitty & Beau's System and Marks; and,

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearance and service, and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications; and,

WHEREAS, Franchisee desires to use the Bitty & Beau's System in connection with the operation of a Shop at the location specified in Attachment B hereto, and receive the training and other assistance provided by Franchisor in connection therewith.

NOW, THEREFORE, the parties, in consideration of the mutual undertakings and commitments set forth herein, the receipt and sufficiency of which are hereby acknowledged, agree as follows:

Exhibit B-4

## 1. GRANT

A. In reliance on the representations and warranties of Franchisee and its "**Principal**" (as defined in Section 6.C) and the "**Guarantors**" (as defined in Section 19.R) contained in this Agreement, Franchisor hereby grants to Franchisee the right, and Franchisee hereby accepts the obligation, all according to the terms and conditions in this Agreement, to establish and operate a Shop and to use, solely in connection therewith, the Marks and the Bitty & Beau's System, as they may be changed, improved, and further developed from time to time, at the Approved Location (as defined below).

B. The specific street address of the Shop location accepted by Franchisor is set forth in Attachment B (the "**Approved Location**"). Franchisee shall not relocate the Shop without the express prior written consent of Franchisor, which consent shall not be unreasonably withheld. This Agreement does not grant to Franchisee the right or license to operate the Shop (or to offer or sell any products or services described under this Agreement) at or from any other location.

C. If Franchisee is unable to continue the operation of the Shop at the Approved Location because of the occurrence of a Force Majeure event (as described in Section 17.A(3)(e)), then Franchisee may request approval of Franchisor to relocate the Shop to another location in the Primary Area of Responsibility, as that term is defined below. Any other request to relocate the Shop due to circumstances reasonably beyond the control of Franchisee (including, without limitation, the lack of profitability at a particular location) shall also be subject to the same procedures. If Franchisor elects to grant Franchisee the right to relocate the Shop, then Franchisee shall comply with the site selection and construction procedures set forth in Section 2.

D. At the time the Shop's Approved Location is determined, Franchisor will also assign Franchisee a primary area of responsibility which will be located within \_\_\_\_\_, and include a five (5) mile radius of the Shop's Approved Location, as more specifically described in Attachment B (the "**Primary Area of Responsibility**" or "**PAR**") attached hereto. Except as provided in this Agreement, and subject to Franchisee's and the Principal's and Guarantors' full compliance with this Agreement, any other agreement among Franchisee or any of its affiliates (defined as any entity that is controlled by, controlling, or under common control with such other entity) and Franchisor, neither Franchisor shall not establish or authorize any other person or entity other than Franchisee to establish a Shop in the Primary Area of Responsibility during the term of this Agreement.

E. Notwithstanding the generality of the foregoing section, Franchisor retains all other rights, and, therefore, Franchisor shall have the right (among others) on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein, to:

(1) Establish, and license others to establish, Shops and otherwise sell the food and beverage Products under the Marks at any location outside the Primary Area of Responsibility.

(2) Sell and distribute, directly or indirectly, or license others to sell and distribute, directly or indirectly, any collateral products under the Marks (*e.g.*, prepackaged food and beverage Products and memorabilia/apparel) from any location to any purchaser by any method or channel of distribution (including, without limitation, the Internet, mail order, and/or retail locations whether located within or outside of the PAR) so long as such sales are not conducted from a Shop operated from a location inside the PAR.

## 2. SITE SELECTION, PLANS, AND CONSTRUCTION

A. Franchisee assumes all cost, liability, expense and responsibility for locating, obtaining and developing a site for the Shop within the PAR and for constructing and equipping the Shop at such site. Franchisee shall not make any binding commitment to a prospective vendor or lessor of real estate with respect to a site for the Shop unless the site is accepted as set forth below. Franchisee acknowledges that the location, selection, procurement and development of a site for the Shop is Franchisee's responsibility, and that Franchisor's approval of a prospective site and the rendering of assistance in the selection of a site does not constitute a representation, promise, warranty or guarantee, express or implied, by Franchisor that the Shop operated at that site will be profitable or otherwise successful.

B. (1) Prior to acquiring by lease or purchase a site for the Shop, Franchisee shall locate three (3) sites for the Shop that satisfy the site selection guidelines provided to Franchisee by Franchisor pursuant to Section 5.A.(1) and shall submit to Franchisor, in the form specified by Franchisor, a description of the sites, including evidence satisfactory to Franchisor demonstrating that the sites satisfy Franchisor's site selection guidelines, together with such other information and materials as Franchisor may reasonably require, including, but not limited to, letters of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the sites. Franchisor shall have fifteen (15) days after receipt of this information and materials to approve or disapprove, in its reasonable discretion, the three (3) proposed sites as the location for the Shop. No site may be used for the location of the Shop unless it is first accepted in writing by Franchisor.

(2) If Franchisee elects to purchase the premises for the Shop, Franchisee shall submit a copy of the proposed contract of sale to Franchisor for its written approval prior to its execution and shall furnish to Franchisor a copy of the executed contract of sale within ten (10) days after execution. If Franchisee occupies the premises of the Shop under a lease, Franchisee shall submit a copy of the lease to Franchisor for written approval prior to its execution and shall furnish to Franchisor a copy of the executed lease within ten (10) days after execution. No lease for the Shop premises shall be accepted by Franchisor unless a Collateral Assignment of Lease prepared by Franchisor and executed by Franchisor, Franchisee and the lessor, in substantially the form attached as Attachment C, is attached to the lease and incorporated therein.

(3) After a location for the Shop is accepted by Franchisor and acquired by Franchisee pursuant to this Agreement, the location shall be described in Attachment B.

C. Franchisee shall be responsible for obtaining all zoning classifications and clearances which may be required by state or local laws, ordinances or regulations or which may be necessary as a result of any restrictive covenants relating to the Shop premises. Prior to beginning the construction of the Shop, Franchisee shall (i) obtain all permits, licenses and certifications required for the lawful construction or remodeling and operation of the Shop, and (ii) certify in writing to Franchisor that the insurance coverage specified in Section 12 is in full force and effect and that all required approvals, clearances, permits and certifications have been obtained. Upon request, Franchisee shall provide to Franchisor additional copies of Franchisee's insurance policies or certificates of insurance and copies of all such approvals, clearances, permits and certifications.

D. Franchisee must obtain any architectural, engineering and design services it deems necessary for the construction of the Shop at its own expense from an architectural design firm reasonably approved by



Franchisor, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, Franchisee hereby agrees to make use of a graphic designer selected by Franchisor for the purpose of scaling to the Shop Franchisor's standard interior and exterior graphics package. Franchisee shall adapt the prototypical architectural and design plans and specifications for construction of the Shop provided to Franchisee by Franchisor in accordance with Section 5.A.(3) as necessary for the construction of the Shop and shall submit such adapted plans to Franchisor for review. If Franchisor determines, in its reasonable discretion, that any such plans are not consistent with the best interests of the Bitty & Beau's System, Franchisor may prohibit the implementation of such plans, and in this event will notify Franchisee of any objection(s) within ten (10) days of receiving such plans. If Franchisor fails to notify Franchisee of an objection to the plans within this time period, Franchisee may use such plans. If Franchisor objects to any such plans, it shall provide Franchisee with a reasonably detailed list of changes necessary to make the plans acceptable. Franchisor shall, upon a resubmission of the plans with such changes, notify Franchisee within ten (10) days of receiving the resubmitted plans whether the plans are acceptable. If Franchisor fails to notify Franchisee of any objection within such time period, Franchisee may use the resubmitted plans. Franchisee acknowledges that Franchisor's review of such plans relates only to compliance with the Bitty & Beau's System and that acceptance by Franchisor of such plans does not constitute a representation, warranty, or guarantee, express or implied, by Franchisor that such plans are accurate or free of error concerning their design or structural application.

E. Franchisee shall commence and diligently pursue construction or remodeling (as applicable) of the Shop. Commencement of construction shall be defined as the time at which any site work is initiated by or on behalf of Franchisee at the location accepted for the Shop. Site work includes, without limitation, paving of parking areas, installing outdoor lighting and sidewalks, extending utilities, demising of interior walls and demolishing of any existing premises. During the time of construction or remodeling, Franchisee shall provide Franchisor with such periodic reports regarding the progress of the construction or remodeling as may be reasonably requested by Franchisor. In addition, Franchisor may make such on-site inspections as it may deem reasonably necessary to evaluate such progress. Franchisee shall notify Franchisor of the scheduled date for completion of construction or remodeling no later than thirty (30) days prior to such date. Within a reasonable time after the date of completion of construction or remodeling, Franchisor may, at its option, conduct an inspection of the completed Shop. Franchisee acknowledges and agrees that Franchisee will not open the Shop for business without the written authorization of Franchisor and that authorization to open shall be conditioned upon Franchisee's strict compliance with this Agreement.

F. Franchisee acknowledges that time is of the essence. Subject to Franchisee's compliance with the conditions stated below, Franchisee shall open the Shop and commence business within the twelve (12) months from the date this Agreement is executed unless Franchisee obtains an extension of such time period from Franchisor in writing; provided, however, if Franchisee cannot obtain possession of an approved location for the Shop within six (6) months after the Effective Date, Franchisor may terminate this Agreement as set forth in Section 17. The date the Shop opens for business to the public is set forth in Attachment B (the "**Opening Date**"). Prior to opening, Franchisee shall complete all exterior and interior preparations for the Shop, including installation of equipment, fixtures, furnishings and signs, pursuant to the plans and specifications approved by Franchisor, and shall comply with all other pre-opening obligations of Franchisee, including, but not limited to, those obligations described in Sections 6.B.-G., to Franchisor's reasonable satisfaction. If Franchisee fails to comply with any of such obligations, except for a Force Majeure act, Franchisor shall have the right to prohibit Franchisee from commencing

business. Franchisee's failure to open the Shop and commence business in accordance with the foregoing shall be deemed a material event of default under this Agreement.

### **3. TERM AND RENEWAL**

A. Unless sooner terminated as provided in Section 17 hereof, the term of this Agreement shall continue from the date stated on the first page hereof until the earlier of (i) ten (10) years from Opening Date or (ii) the expiration or termination of Franchisee's right to possess the Shop premises.

B. Franchisee may, at its option, renew the rights under this Agreement for additional consecutive terms of five (5) years each (provided that such renewal term shall automatically terminate upon the expiration or termination of Franchisee's right to possess the Shop premises), subject to any or all of the following conditions which must, in Franchisor's sole discretion, be met prior to and at the time of renewal:

(1) Franchisee shall give Franchisor written notice of its election to renew not less than eight (8) months nor more than twelve (12) months prior to the end of the initial term or renewal term, as applicable;

(2) Franchisee shall repair or replace, at Franchisee's cost and expense, equipment (including computer hardware or software systems inclusive of any software upgrades required of Franchisee), signs, interior and exterior decor items, fixtures, furnishings, supplies and other products and materials required for the operation of the Shop as Franchisor may reasonably require, and shall obtain, at Franchisee's cost and expense, any new or additional equipment, fixtures, supplies and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Shop, and shall otherwise modernize the Shop premises, equipment (including computer hardware or software systems), signs, interior and exterior decor items, fixtures, furnishings, if applicable, supplies and other products and materials required for the operation of the Shop, as reasonably required by Franchisor to reflect the then-current standards and image of the Bitty & Beau's System and as contained in the Manuals (as defined in Section 5.A.(4)) or otherwise provided in writing by Franchisor;

(3) Franchisee shall not be in material default of any provision of this Agreement, any amendment hereof or successor hereto, or any other written agreement between Franchisee or any of its affiliates and Franchisor during any twenty-four (24) month period during the Term of this Agreement, whether or not such defaults were cured; and Franchisee shall have substantially and timely complied with all the terms and conditions of such agreements during the terms thereof,

(4) Franchisee shall have satisfied all monetary obligations owed by Franchisee to Franchisor under this Agreement and any other agreement between Franchisee or any of its affiliates and Franchisor at the time of any renewal and shall have timely met those obligations throughout the terms thereof,

(5) Franchisee shall present satisfactory evidence that Franchisee has the right to remain in possession of the Shop premises or obtain Franchisor's approval of a new site for the operation of the Shop for the duration of the renewal term of this Agreement;

(6) Franchisor, Franchisee, the Principal and the Guarantors shall execute a general release, in a form reasonably satisfactory to each, of any and all claims against each other, their affiliates, and their respective partners, officers, directors, shareholders, agents, representatives, independent contractors, servants and employees of each of them, in their corporate and individual capacities, including, without

limitation, claims arising under this Agreement or under federal, state or local laws, rules and regulations or orders; and

(7) Franchisee shall comply with Franchisor's then-current financial qualifications and training requirements.

#### 4. FEES

A. In consideration for the rights granted hereunder, Franchisee shall pay Franchisor a franchise fee of Fifty Thousand and No/100 Dollars (\$50,000.00) (the "**Initial Franchise Fee**"). The Initial Franchise Fee for each Shop shall be paid upon the execution of this Agreement. The Initial Franchise Fee shall be deemed fully earned and non-refundable in consideration of the administrative and other expenses incurred by Franchisor in granting the franchise hereunder and for its lost or deferred opportunity to grant such franchise to any other party. If this Agreement is the initial Franchise Agreement between Franchisor and Franchisee, and Franchisee is unable to obtain possession of an approved location for the Shop within six (6) months from the Effective Date, Franchisor shall have the right, but not the obligation, to terminate this Agreement.

B. (1) During the term of this Agreement, Franchisee shall pay Franchisor a continuing weekly royalty fee equal to six percent (6%) of the Shop's "**Gross Sales**" (as such term is defined in Section 4.C. below) during the preceding week (the "**Royalty Fee**"). The Royalty Fee shall be due and payable each week (each, an "**Accounting Period**"), and the first such Accounting Period shall begin on the Opening Date and end on the last day of the week. As more fully described in Section 4.B(3) below, the Royalty Fee shall be paid to Franchisor by immediately available funds or electronic fund transfer on each Wednesday following the end of each Accounting Period provided that such day is a Business Day. A "**Business Day**" means any day other than Saturday, Sunday or the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas. If the date on which such payments would otherwise be due is not a Business Day, then payment shall be due on the next Business Day.

(2) Each Royalty Fee payment to Franchisor shall be preceded by a royalty report itemizing the Gross Sales for the preceding Accounting Period (each, a "**Royalty Report**") and any other reports required hereunder.

(3) For purposes of Royalty Fee collection, Franchisee agrees that Franchisor shall have the right, but is not required, to withdraw such funds from Franchisee's designated bank account by electronic funds transfer ("**EFT**"). EFT withdrawals shall be drawn on the Wednesday of each week, and shall be in an amount equal to the Royalty Fee set forth on the Royalty Report received by Franchisor for the prior week. If the Royalty Report has not been received by Franchisor within the time period required by this Agreement, then Franchisor may process an EFT payment based on (a) information regarding Gross Sales for the preceding Accounting Period obtained by Franchisor in the manner contemplated by Section 7.E.(8) of this Agreement, or (b) the most recent Royalty Report provided to Franchisor by Franchisee. If a Royalty Report for the subject Accounting Period is subsequently received by Franchisor and reflects that the actual amount of the Royalty Fee due was (i) more than the amount of the EFT processed by Franchisor, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (ii) less than the amount of the EFT by Franchisor, then Franchisor shall either return the excess amount to Franchisee or credit the excess amount to the payment

of Franchisee's future royalty obligations. Franchisee shall, upon execution of this Agreement or at any time thereafter at Franchisor's request, execute such documents or forms as Franchisor determines are necessary for Franchisor to process EFT payments. Should any EFT payment not be honored by Franchisee's bank for any reason, Franchisee agrees that it shall be responsible for that payment plus a service charge applied by the bank, if any. Franchisee further agrees that it shall at all times throughout the term of this Agreement maintain a minimum balance of Five Thousand and No/100 Dollars (\$5,000.00) in the Franchisee's bank account against which such EFT payments are to be drawn. If Royalty Fees are not received when due, interest may be charged by Franchisor in accordance with Section 4.B.(4) below. Upon written notice to Franchisee, Franchisee may be required to pay such Royalty Fees directly to Franchisor in lieu of EFT, at Franchisor's sole discretion. Any and all amounts due and payable by Franchisee to Franchisor for products and/or services rendered shall also be subject to payment by EFT.

(4) Franchisee shall not be entitled to withhold payments due to Franchisor under this Agreement on grounds of alleged non-performance by Franchisor hereunder. Any payment or report not actually received by Franchisor on or before the date due shall be deemed overdue. Time is of the essence with respect to all payments to be made by Franchisee to Franchisor. All unpaid obligations under this Agreement shall bear interest from the date due until paid at the lesser of (i) eighteen percent (18%) per annum, or (ii) the maximum rate allowed by applicable law. Notwithstanding anything to the contrary contained herein, no provision of this Agreement shall require the payment or permit the collection of interest in excess of the maximum rate allowed by applicable law. If any excess of interest is provided for herein, or shall be adjudicated to be so provided in this Agreement, the provisions of this paragraph shall govern and prevail, and neither Franchisee nor its Principal or Guarantors shall be obligated to pay the excess amount of such interest. If for any reason interest in excess of the maximum rate allowed by applicable law shall be deemed charged, required or permitted, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid accordingly.

(5) If the Royalty Fee or Royalty Reports required by Section 4.B.(2) are not received by Franchisor as required by this Section and has exceeded a five (5) day period past the due date, Franchisee may be required to pay Franchisor, in addition to the overdue amount, a fee of One Hundred and No/100 Dollars (\$100.00) per day until the Royalty Fee is paid or the Royalty Report is received. This fee is reasonably related to Franchisor's costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee's failure to pay the Royalty Fee and/or submit Royalty Reports in accordance with the terms of this Agreement. If for any reason the fee of One Hundred and No/100 Dollars (\$100.00) is deemed to be interest charged, required or permitted in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts which may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid accordingly.

C. As used in this Agreement, "**Gross Sales**" shall mean all revenue from the sale of all services and Products and all other income of every kind and nature related to, derived from, or originating from the Shop, including, without limitation, income related to (i) any sales or orders of beverage and food Products or food preparation services provided from or related to the Shop, and (ii) all proceeds of any business

interruption insurance policies, in each case whether for cash or credit, and regardless of collection in the case of credit; provided, however, that "Gross Sales" shall not include:

(1) sales taxes or other taxes collected from customers by Franchisee and actually transmitted to the appropriate taxing authorities; or

(2) proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's Products and services offered for resale at the Shop nor having any material effect upon the ongoing operation of the Shop required under this Agreement.

## 5. FRANCHISOR'S OBLIGATIONS

A. Franchisor agrees to provide the following services described below with regard to the Shop:

(1) Provide Franchisee with Franchisor's written site selection guidelines and provide such site selection assistance as Franchisor may deem advisable;

(2) Provide Franchisee with such on-site evaluation as Franchisor may deem necessary on its own initiative or in response to Franchisee's reasonable request for site evaluation; *provided, however*, that Franchisor shall not provide an on-site evaluation for any proposed site prior to the receipt of all required information and materials concerning such site prepared pursuant to Section 2. Franchisor (or its designee) may, in its sole discretion, provide at no additional charge to Franchisee one (1) on-site evaluation for the Shop if such evaluation is for the first Shop operated by Franchisee or its affiliate. If this Agreement does not relate to the first Shop operated by Franchisee or its affiliate, Franchisor reserves the right to charge a reasonable fee for such on-site evaluation based upon the reasonable expenses incurred by Franchisor (or its designee) in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging, meals and wages (the "**Site Evaluation Fee**"). If additional on-site evaluations are deemed appropriate by Franchisor, or upon Franchisee's reasonable request, Franchisor reserves the right to charge the Site Evaluation Fee for each of such evaluations.

(3) Loan Franchisee one (1) set of prototypical architectural and design plans and specifications for a Shop. Franchisee shall independently, and at Franchisee's expense, have such architectural and design plans and specifications adapted for construction of the Shop in accordance with Section 2.

(4) Provide access to Franchisee one (1) set of confidential operations manuals and such other manuals and written materials as Franchisor shall have developed for use in the Bitty & Beau's System (as the same may be revised by Franchisor from time to time, the "**Manuals**"), as more fully described in Section 10.A.

(5) Make visits to the Shop and provide evaluations of the Products sold and services rendered therein from time to time as reasonably determined by Franchisor, as more fully described in Section 7.E.(6).

(6) Make available to Franchisee and the general public, including Franchisee's customers, certain merchandise identifying the Bitty & Beau's System, such as memorabilia and promotional Products containing the Marks, in sufficient amounts to meet demand.

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(7) Provide Franchisee with a list of approved suppliers as described in Section 7.D from time to time as Franchisor deems appropriate.

(8) Conduct an initial training program for Franchisee's Principal, and such other Shop personnel reasonably deemed appropriate by Franchisor, all in accordance with the provisions of Section 6.E.(1), (2) and (4).

(9) Provide three (3) days of pre-opening and three (3) days of post-opening management assistance on-site (with neither period necessarily being consecutive days) in accordance with the provisions of Section 6.E.(3). The Franchisee shall pay to Franchisor an amount equal to Seven Thousand Five Hundred and No/100 Dollars (\$7,500.00).

(10) Establish and administer an M/A Fund (as such term is described in Section 8.C.) and/or advertising cooperatives in accordance with Section 8.

## **6. FRANCHISEE'S AGREEMENTS, REPRESENTATIONS, WARRANTIES AND COVENANTS**

A. Franchisee (together with the Principal and the Guarantors) covenants and agrees that it shall make all commercially reasonable efforts to operate the Shop so as to achieve optimum sales.

B. If Franchisee is a corporation, limited liability company or partnership, Franchisee, the Principal and the Guarantors represent, warrant and covenant that:

(1) Franchisee is duly organized and validly existing under the state law of its formation;

(2) Franchisee is duly qualified and is authorized to do business in each jurisdiction in which its business activities or the nature of the properties owned by it require such qualification;

(3) Franchisee's corporate charter, operating agreement, or written partnership agreement shall at all times provide that the activities of Franchisee are confined exclusively to the operation of the Shop, unless otherwise consented to in writing by Franchisor;

(4) The execution of this Agreement and the consummation of the transactions contemplated hereby are (i) within Franchisee's corporate power, if Franchisee is a corporation, (ii) permitted under its operating agreement, if Franchisee is a limited liability company, or (iii) permitted under Franchisee's written partnership agreement, if Franchisee is a partnership; and have been duly authorized by Franchisee;

(5) If Franchisee is a corporation or a limited liability company, copies of Franchisee's articles of incorporation, bylaws, operating agreement, other governing documents, any amendments thereto, resolutions of the Board of Directors authorizing entry into and performance of this Agreement, and any certificates, buy-sell agreements or other documents restricting the sale or transfer of stock of the corporation, and any other documents as may be reasonably required by Franchisor shall be furnished to Franchisor prior to the execution of this Agreement, or, if Franchisee is a partnership, copies of Franchisee's written partnership agreement, other governing documents, and any amendments thereto shall be furnished to Franchisor prior to the execution of this Agreement, including evidence of consent

or approval of the entry into and performance of this Agreement by the requisite number or percentage of partners, if such approval or consent is required by Franchisee's written partnership agreement;

(6) If Franchisee is a corporation, partnership or other form of legal entity other than an individual, the ownership interests in Franchisee are accurately and completely described in Attachment D. Further, if Franchisee is a corporation, Franchisee shall maintain at all times a current list of all owners of record and all beneficial owners of any class of voting securities in Franchisee; or, if Franchisee is a partnership or other form of legal entity, Franchisee shall maintain at all times a current list of all owners of an interest in the partnership or entity. Franchisee shall immediately provide a copy of the updated list of all owners to Franchisor upon the occurrence of any change of ownership and otherwise make its list of owners available to Franchisor upon request;

(7) If Franchisee is a corporation, Franchisee shall maintain stop-transfer instructions against the transfer on its records of any of its equity securities and each stock certificate representing stock of the corporation shall have conspicuously endorsed upon it a statement in a form satisfactory to Franchisor that it is held subject to all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section shall not apply to the transfer of equity securities of a corporation with outstanding shares listed on a national securities exchange in the United States (a "**Publicly Held Corporation**"). If Franchisee is a partnership, its written partnership agreement shall provide that ownership of an interest in the partnership is held subject to all restrictions imposed upon assignments by this Agreement;

(8) Franchisee represents and warrants to Franchisor that no material liabilities, adverse claims, commitments or obligations of any nature exist as of the date of this Agreement, whether accrued, unliquidated, absolute, contingent or otherwise. Upon request, Franchisee must provide Franchisor with its most recent financial statements. Such financial statements must present fairly the financial position of Franchisee, as well as the results of its operations and its cash flow for the years then ended. Franchisee agrees that at all times during the term of this Agreement, it shall maintain sufficient working capital to fulfill its obligations under this Agreement. Each of the financial statements mentioned above shall be certified as true, complete and correct and shall have been prepared in conformity with generally accepted accounting principles applied on a consistent basis;

(9) If after the execution of this Agreement, any person ceases to be a Principal or Guarantor, or if any individual succeeds to or otherwise comes to occupy a position which would qualify him as a Principal or Guarantor under the terms of this Agreement, Franchisee shall notify Franchisor within ten (10) days after any such change and, upon designation of such person by Franchisor as a Principal or Guarantor, such person shall execute such documents and instruments (including, as applicable, this Agreement) as may be required by Franchisor;

(10) The Principal and Guarantors shall, jointly and severally, guarantee Franchisee's performance of all of Franchisee's obligations, covenants and agreements hereunder pursuant to the terms and conditions of the "Guaranty of Principals and Guarantors" attached hereto as Attachment A (the "**Guaranty**"), and shall otherwise bind themselves to the terms of this Agreement as stated herein; and

(11) Franchisee, the Principal, and the Guarantors acknowledge and agree that the representations, warranties and covenants set forth above in Sections 6.B.(1)-(10) are continuing obligations of Franchisee, the Principal, and the Guarantors, as applicable, and that any failure to comply with such representations,

warranties and covenants shall constitute a material event of default under this Agreement. Franchisee, the Principals and the Guarantors will cooperate with Franchisor in any efforts made by Franchisor to verify compliance with such representations, warranties and covenants.

C. Upon the execution of this Agreement, Franchisee shall designate and retain an individual, subject to Franchisor's reasonable discretion, to "serve" as the Principal of the Shop (the "**Principal**"). If Franchisee is an individual, Franchisee shall perform all obligations of the Principal. The Principal shall, during the entire period he or she serves as such, meet the following qualifications:

(1) Except as may otherwise be provided in this Agreement, the Principal's interest in Franchisee shall be and shall remain free of any pledge, mortgage, hypothecation, lien, charge, encumbrance, voting agreement, proxy, security interest or purchase right or options.

(2) The Principal shall execute this Agreement and the Guaranty, and shall be individually, jointly and severally bound by all the obligations contained herein and therein.

(3) The Principal shall meet Franchisor's reasonable standards and criteria for such individual, as set forth in the Manuals as defined herein or otherwise in writing by Franchisor.

D. Upon the execution of this Agreement, Franchisee shall designate and retain an individual, subject to Franchisor's reasonable discretion, to "serve" as the General Manager of the Shop (the "**General Manager**"). The General Manager shall be responsible for the daily operation of the Shop. The General Manager shall, during the entire period he serves as General Manager, meet the following qualifications:

(1) The General Manager shall satisfy Franchisor's educational and business experience criteria as set forth in the Manuals, as defined in Section 5.A.(4) above, or otherwise in writing by Franchisor;

(2) The General Manager shall devote full time and best efforts to the supervision and management of the Shop;

(3) The General Manager shall be an individual reasonably acceptable to Franchisor; and

(4) The General Manager shall satisfy the training requirements set forth in Section 6.E. If during the term of this Agreement the General Manager is not able to continue to serve in such capacity or no longer qualifies to act as such in accordance with this Section, Franchisee shall promptly notify Franchisor and designate a replacement within sixty (60) days after the General Manager ceases to serve, such replacement being subject to the same qualifications listed above (including the completion of all training and obtaining all certifications required by Franchisor). Franchisee shall provide for interim management of the Shop until such replacement is so designated, such interim management to be conducted in accordance with the terms of this Agreement. Any failure to comply with the requirements of this Section 6.D. shall be deemed a material event of default under Section 17.A.(3)(o) hereof.

E. Franchisee agrees that it is necessary to the continued operation of the Bitty & Beau's System and the Shop that Franchisee's Principal and General Manager receive such training as Franchisor may require, and accordingly agrees as follows:



(1) No later than thirty (30) days prior to the Opening Date of the Shop, Franchisee's Principal and General Manager shall attend and complete, to Franchisor's reasonable satisfaction, Franchisor's initial training program. Franchisor or its designee shall conduct training of such persons and training shall take place at Franchisee's location. Franchisor shall provide instructors and training materials for the initial training of the Principal and General Manager at a cost of Two Thousand Five Hundred and No/100 Dollars (\$2,500.00). Franchisor shall have the right to charge a reasonable fee for such training of any additional managers or Shop personnel. Franchisor shall determine, in its reasonable discretion, whether the Principal and General Manager have satisfactorily completed the initial training program. If the initial training program is not satisfactorily completed by the Principal and General Manager, or if Franchisor in its reasonable business judgment based upon the performance of the Principal and/or General Manager, determines that the training program cannot be satisfactorily completed by any such persons, Franchisee shall designate a replacement to satisfactorily complete such training. Any Principal or General Manager subsequently designated by Franchisee shall also receive and complete such initial training. Franchisor reserves the right to charge a reasonable fee for any initial training provided by Franchisor to any initial General Manager or any other Shop personnel for any Shop subsequently developed by Franchisee and otherwise for any initial training provided to a replacement or successor General Manager. Franchisee shall be responsible for any and all expenses incurred by Franchisee or Franchisee's Principal, General Manager and/or other Shop personnel in connection with any initial training program, including, without limitation, costs of travel, lodging, meals and wages.

(2) Franchisee's Principal, General Manager, and such other Shop personnel as Franchisor shall designate, shall attend such additional training programs and seminars as Franchisor may offer from time to time, if Franchisor requires such attendance. For all such programs and seminars, Franchisor will provide the instructors and training materials. However, Franchisor reserves the right to impose a reasonable fee for such additional training programs and seminars that are not mandatory. Franchisee shall be responsible for any and all expenses incurred by Franchisee, its Principal, General Manager and/or other Shop personnel in connection with such additional training, including, without limitation, costs of travel, lodging, meals, and wages.

(3) In connection with the opening of the Shop, Franchisor shall provide Franchisee with opening assistance by a trained representative of Franchisor or its designee. The trainer will provide pre-opening and post-opening management and opening assistance training on-site for a period of three (3) days.

(4) Upon the reasonable request of Franchisee or as Franchisor shall deem appropriate, Franchisor shall, during the term hereof, subject to the availability of personnel, provide Franchisee with additional trained representatives who shall provide on-site remedial training and assistance to Franchisee's Shop personnel. For additional training and assistance requested by Franchisee, Franchisee shall pay Three Hundred and No/100 Dollars (\$300.00) per day for the services of such trained representatives, plus their costs of travel, lodging, meals, and wages. The per diem fee will not be charged if such assistance is provided based on Franchisor's determination that such training and assistance is necessary; however, Franchisor reserves the right to charge for its reasonable expenses incurred in connection with such training and assistance.

F. Franchisee, the Principal and the Guarantors understand that compliance by all franchisees operating under the Bitty & Beau's System with Franchisor's training, development and operational requirements is an essential and material element of the Bitty & Beau's System and that franchisees operating under the Bitty & Beau's System consequently expend substantial time, effort and expense in

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training management personnel for the development and operation of their respective Shops. Accordingly, Franchisee, the Principal and the Guarantors agree that if Franchisee or the Principal shall, during the term of this Agreement, designate as General Manager or employ in a managerial position any individual who is at the time or was within the preceding ninety (90) days employed in a managerial or supervisory position by Franchisor including, but not limited to, individuals employed to work in Shops operated by Franchisor or by any other franchisee, then such former employer of such individual shall be entitled to be compensated for the reasonable costs and expenses, of whatever nature or kind, incurred by such employer in connection with the training of such employee. The parties hereto agree that such expenditures may be uncertain and difficult to ascertain and, therefore, agree that the compensation specified herein reasonably represents such expenditures and is not a penalty. An amount equal to the compensation of such employee for the six (6) month period (or such shorter time, if applicable) immediately prior to the termination of his employment with such former employer shall be paid by Franchisee prior to such individual assuming the position of General Manager or other managerial position unless otherwise agreed with the former employer. In seeking any individual to serve as General Manager or in such other managerial position, Franchisee, the Principal, and the Guarantors shall not discriminate in any manner whatsoever to whom the provisions of this Section apply, on the basis of the compensation required to be paid hereunder, if Franchisee, the Principal or a Guarantor designates or employs such individual. The parties hereto expressly acknowledge and agree that no current or former employee of Franchisor, Franchisee, or of any other entity operating under the Bitty & Beau's System shall be a third party beneficiary of this Agreement or any provision hereof. Notwithstanding the above, solely for purposes of bringing an action to collect payments due under this Section, such former employer shall be a third party beneficiary of this Section 6.F. Franchisor hereby expressly disclaims any representations and warranties regarding the performance of any employee or former employee of Franchisor or any franchisee under the Bitty & Beau's System who is designated as Franchisee's General Manager or employed by Franchisee, the Principal or a Guarantor in any capacity, and Franchisor shall not be liable for any losses of whatever nature or kind incurred by Franchisee, the Principal or a Guarantor in connection therewith.

G. Franchisee shall comply with all requirements of federal, state and local laws, rules, regulations, and orders, including, but not limited to, obtaining the appropriate alcoholic beverage licenses required by Franchisee's local or state government. Without limiting the generality of the foregoing, Franchisee hereby agrees to pay each hourly employee of Franchisee at an hourly rate equal to or greater than that set forth at 29 U.S.C. § 206(a)(1).

H. Except as approved by Franchisor in writing, Franchisee shall not make use of the Shop premises to host special events. Franchisee shall obtain Franchisor's prior written consent to any use of the Shop premises other than for day to day operation of the Shop to sell Products, as contemplated by this Agreement.

I. Franchisee shall comply with all other requirements and perform such other obligations as provided hereunder.

## **7. FRANCHISE OPERATIONS**

A. Franchisee understands the importance of maintaining uniformity among all of the Shops and the importance of complying with all of Franchisor's standards and specifications relating to the operation of the Shop.

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B. Franchisee shall maintain the Shop in a high degree of sanitation, repair and condition, and in connection therewith shall make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment (including, but not limited to, computer hardware and software systems), and decor as Franchisor may reasonably direct in order to maintain system wide integrity and uniformity. Franchisee shall also obtain, at Franchisee's cost and expense, any new or additional equipment (including computer hardware and software systems), fixtures, supplies and other products and materials which may be reasonably required by Franchisor for Franchisee to offer and sell new menu items from the Shop or to provide the Shop services by alternative means, such as through carryout. Except as may be expressly provided in the Manuals, no alterations or improvements or changes of any kind in design, equipment, signs, interior or exterior decor items, fixtures or furnishings shall be made in or about the Shop or its premises without the prior written approval of Franchisor.

C. To assure the continued success of the Shop, Franchisee shall, upon the request of Franchisor, make other improvements to modernize the Shop premises, equipment (including computer hardware and software systems), signs, interior and exterior decor items, fixtures, furnishings, supplies and other Products and materials required for the operation of the Shop to Franchisor's then-current system wide standards and specifications. Improvements or modifications may cost up to Four Hundred Thousand and No/100 Dollars (\$400,000.00).

D. Franchisee shall comply with all of Franchisor's standards and specifications relating to the purchase of all food and beverage items, ingredients, supplies, materials, fixtures, furnishings, equipment (including computer hardware and software systems) and other Products used or offered for sale at the Shop. Except as provided in Sections 7.F. and 7.G. with respect to certain materials bearing the Marks and proprietary Products, Franchisee shall obtain such items from suppliers (including manufacturers, distributors and other sources) who continue to demonstrate the ability to meet Franchisor's then-current standards and specifications and who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved in writing by Franchisor prior to any purchases by Franchisee from any such supplier, and who have not thereafter been disapproved by Franchisor. If Franchisee desires to purchase, lease or use any products or other items from an unapproved supplier, Franchisee shall submit to Franchisor a written request for such approval, or shall request the supplier itself to do so. Franchisee shall not purchase or lease from any supplier until and unless such supplier has been approved in writing by Franchisor. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered either to Franchisor or to an independent laboratory designated by Franchisor for testing. A charge not to exceed the reasonable cost of the inspection and the actual cost of the test shall be paid by Franchisee or the supplier. Franchisor reserves the right, at its option, to re-inspect from time to time the facilities and products of any such approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's then-current criteria. Nothing in the foregoing shall be construed to require Franchisor to approve any particular supplier.

E. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Shop in strict conformity with such methods, standards and specifications of Franchisor set forth in the Manuals and as may from time to time otherwise be prescribed in writing. In particular, Franchisee also agrees:

(1) To sell or offer for sale all menu items, Products and services required by Franchisor and in the method, manner and style of distribution prescribed by Franchisor only as expressly authorized by Franchisor in writing in the Manuals or otherwise. Franchisee agrees to comply with the terms of any such distribution program and in connection therewith to execute such documents or instruments that Franchisor may deem necessary to such program.

(2) To sell and offer for sale only the menu items, Products and services that have been expressly approved for sale in writing by Franchisor; to refrain from deviating from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue selling and offering for sale any menu items, products or services which Franchisor may, in its sole discretion, disapprove in writing at any time.

(3) To maintain in sufficient supply and to use and sell at all times only such food and beverage items, ingredients, Products, materials, supplies and paper goods that conform to Franchisor's standards and specifications; to prepare all menu items in accordance with Franchisor's recipes and procedures for preparation contained in the Manuals or other written directives, including, but not limited to, the prescribed measurements of ingredients; and to refrain from deviating from Franchisor's standards and specifications by the use or offer of non-conforming items or differing amounts of any items, without Franchisor's prior written consent.

(4) To permit Franchisor or its agents, during normal business hours, to remove a reasonable number of samples of food or non-food items from Franchisee's inventory or from the Shop, without payment therefore, in amounts reasonably necessary for testing by Franchisor or an independent laboratory to determine whether such samples meet Franchisor's then-current standards and specifications. In addition to any other remedies it may have under this Agreement, Franchisor may require Franchisee to bear the cost of such testing if the supplier of the item has not previously been approved by Franchisor or if the sample fails to conform with Franchisor's specifications.

(5) To purchase or lease and install, at Franchisee's expense, all fixtures, furnishings, equipment (including computer hardware and software systems), décor items, signs, catering or delivery vehicles, and related items as Franchisor may reasonably direct from time to time in the Manuals or otherwise in writing; and to refrain from installing or permitting to be installed on or about the Shop premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, décor items, signs, games, vending machines or other items not previously approved as meeting Franchisor's standards and specifications. If any of the property described above is leased by Franchisee from a third party, such lease shall be approved by Franchisor in writing prior to execution. Unless otherwise consented to in writing by Franchisor, Franchisor's approval shall be conditioned upon such lease containing a provision that permits any interest of Franchisee in the lease to be assigned to Franchisor upon the termination or expiration of this Agreement and which prohibits the lessor from imposing an assignment or related fee upon Franchisor in connection with such assignment.

(6) To grant Franchisor and its agents the right to enter upon the Shop premises during normal business hours for the purpose of conducting inspections; to cooperate with Franchisor's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents and without limiting Franchisor's other rights under this Agreement, to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined

by Franchisor, Franchisor shall have the right and authority (without, however, any obligation to do so) to correct such deficiencies and charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable by Franchisee immediately upon demand.

(7) To maintain a competent, conscientious, trained staff and to take such steps as are necessary to ensure that its employees preserve good customer relations and comply with such dress code as Franchisor may reasonably prescribe from time to time.

(8) To install and maintain equipment, Internet connectivity, and a telecommunications line in accordance with Franchisor's specifications to permit Franchisor to access and retrieve by Internet or telecommunication any information stored on any computer hardware and software Franchisee is required to utilize at the Shop premises as specified in the Manuals, thereby permitting Franchisor to inspect and monitor electronically information concerning Franchisee's Shop, Gross Sales and such other information as may be contained or stored in such equipment and software. Franchisee shall obtain and maintain Internet access or other means of electronic communication as specified by Franchisor from time to time. It shall be a material default under this Agreement if Franchisee fails to maintain such equipment, lines and communication methods in operation and accessible to Franchisor at all times throughout the term of this Agreement. Franchisor shall have access as provided herein at such times and in such manner as Franchisor shall from time to time specify.

(9) To honor all credit, charge, courtesy or cash cards or other credit devices required or approved by Franchisor. The Franchisee must obtain the written approval of Franchisor prior to honoring any previously unapproved credit, charge, courtesy or cash cards or other credit devices.

(10) To not issue gift certificates, coupons, scrip or other cash equivalent certificates or devices for use at its Shop without the prior written approval of Franchisor. Franchisee must accept all Franchisor-issued or Franchisor-approved gift cards and/or certificates presented by customers for purchase of goods or services.

(11) To obtain, at its sole expense, and maintain at all times during the term of this Agreement, such 24-hour monitored security system equipment and services as may from time to time be required by Franchisor for the protection of the Shop and the Franchisee's employees and customers. All security system equipment and services must meet the then-current standards and specifications established by Franchisor.

F. Franchisee acknowledges and agrees that Franchisor has and may continue to develop for use in the Bitty & Beau's System certain Products which are prepared from confidential proprietary recipes and which are trade secrets of Franchisor and other proprietary Products bearing the Franchisor's Marks. Because of the importance of quality and uniformity of production and the significance of such Products in the Bitty & Beau's System, it is to the mutual benefit of the parties that Franchisor closely controls the production and distribution of such Products. Accordingly, Franchisee agrees that if such Products become a part of the Bitty & Beau's System, Franchisee shall use only Franchisor's proprietary and non-proprietary Products and shall purchase solely from Franchisor or from a source designated by Franchisor all of Franchisee's requirements for such Products. Franchisee further agrees to purchase from Franchisor for resale to Franchisee's customers certain merchandise identifying the Bitty & Beau's System as Franchisor shall require, such as memorabilia and promotional Products containing the Marks, in amounts sufficient to satisfy Franchisee's customer demand.

G. Franchisee shall require all advertising and promotional materials, signs, decorations, paper goods (including menus and all forms and stationery used in the franchised business), and other items that may be designated by Franchisor to bear the Marks in the form, color, location and manner prescribed by Franchisor.

H. Franchisee shall process and handle all consumer complaints connected with or relating to the Shop, and shall promptly notify Franchisor by telephone and in writing of all of the following complaints: (i) food related illnesses, (ii) safety or health violations, (iii) claims exceeding One Hundred and No/100 Dollars (\$100.00), and (iv) any other material claims against or losses suffered by Franchisee. Franchisee shall maintain for Franchisor's inspection any inspection reports affecting the Shop or equipment located in the Shop during the term of this Agreement and for thirty (30) days after the expiration or earlier termination hereof.

I. Upon the execution of this Agreement or at any time thereafter, Franchisee shall, at the option of Franchisor, execute such forms and documents as Franchisor deems necessary to appoint Franchisor its true and lawful attorney-in-fact with full power and authority for the sole purpose of assigning to Franchisor only upon the termination or expiration of this Agreement, as required under Section 18.N., all rights to the telephone numbers of the Shop and any related and other business listings. Franchisee agrees that it has no authority to and shall not establish any website or listing on the Internet or World Wide Web, including, without limitation, any social media sites. All media inquiries and interview requests, formal or informal, whether from news outlets or otherwise, must be directed to Franchisor.

J. In the event Franchisee sells any food, beverage, Products, premiums, novelty items, clothing, souvenirs or performs any services that Franchisor has not prescribed, approved or authorized, Franchisee shall, following notice from Franchisor: (i) cease and desist offering or providing the unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or from performing such services, and (ii) pay to Franchisor on demand a prohibited product or service fine equal to Five Hundred and No/100 Dollars (\$500.00) per day for each day such unauthorized or unapproved food, beverage, product, premium, novelty item, clothing, souvenir or service is offered or provided by Franchisee. The prohibited product or service fine shall be in addition to all other remedies available to Franchisor under this Agreement or at law.

K. Franchisee shall sell or otherwise issue gift cards or certificates (together "**Gift Cards**") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another Shop. Franchisee shall sell, issue, and redeem (without any offset against any Royalty Fees) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manuals or otherwise in writing, including those relating to procedures by which Franchisee shall (i) request reimbursement for Gift Cards issued by other Shops, and (ii) make timely payments to Franchisor, other operators of Shops, and/or third-party service providers for Gift Cards issued from the Shop that are later honored by a Shop owned or otherwise controlled by Franchisor or another Shop operator.

L. A majority of employees hired by Franchisee shall be individuals with an I/DD (as defined herein). Further, at all times, a majority of employees working at Franchisee's Shop shall be individuals with an

I/DD. For purposes of this Agreement, an "I/DD" is a disability characterized by significant limitations in both intellectual functioning and in adaptive behavior, which originates before the age of eighteen (18).

## **8. ADVERTISING AND RELATED FEES**

Recognizing the value of advertising and the importance of the standardization of advertising programs to the furtherance of the goodwill and public image of the Bitty & Beau's System, the parties agree as follows:

A. Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all Shops operating under the Bitty & Beau's System. Franchisee shall participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including, without limitation, the type, quantity, timing, placement and choice of media, market areas and advertising agencies, the standards and specifications established by Franchisor shall be final and binding upon Franchisee.

B. Franchisor reserves the right to establish and administer a marketing/advertising fund for the purpose of advertising the Bitty & Beau's System on a regional or national basis (the "**M/A Fund**"). Franchisee agrees to contribute two percent (2%) of the Shop's weekly Gross Sales of the Shop for each week to the M/A Fund, such fee to be paid to Franchisor by EFT on each Wednesday following each Accounting Period, provided that such day is a Business Day. If that date is not a Business Day, then payment shall be due on the next Business Day. Franchisor may in its sole discretion require Franchisee to allocate to the M/A Fund all or any portion of Franchisee's required contributions to a Cooperative as described in Section 8.C. Notwithstanding the foregoing, Franchisee shall provide Franchisor with such information on each Wednesday following the Accounting Period (or next Business Day if Wednesday is not a Business Day) electronically or, if not reasonably available, by facsimile transmission, or such other method specified by Franchisor. Franchisee agrees that the M/A Fund shall be maintained and administered by Franchisor or its designee as follows:

(1) Franchisor shall direct all advertising programs and shall have sole discretion to approve or disapprove the creative concepts, materials and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the M/A Fund is intended to maximize customer service and brand awareness, quality control, general public recognition and acceptance of the Marks, and enhance the collective success of all Shops operating under the Bitty & Beau's System. Franchisor shall, with respect to Shops operated by Franchisor, contribute to the M/A Fund generally on the same basis as Franchisee. In administering the M/A Fund, Franchisor and its designees undertake no obligation to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution or to ensure that any particular franchisee benefits directly or pro rata from the placement of advertising.

(2) Franchisee agrees that the M/A Fund may be used to satisfy any and all costs of maintaining, administering, directing and preparing any advertising efforts (including, without limitation, the cost of preparing and conducting general advertising campaigns, public relations activities, employing advertising agencies to assist therein, and costs of Franchisor's personnel and other departmental costs for advertising and quality control measures that are internally administered or prepared by Franchisor). All sums paid by Franchisee to the M/A Fund shall be maintained in a separate account by Franchisor and

may be used to defray any of Franchisor's general operating expenses, if any, as Franchisor may incur in activities reasonably related to the administration or direction of the M/A Fund programs for franchisees and the Bitty & Beau's System. The M/A Fund and its earnings shall not otherwise inure to the benefit of Franchisor. The M/A Fund is operated solely as a conduit for collecting and expending the advertising fees as outlined above.

(3) A statement of the operations of the M/A Fund shall be prepared annually by Franchisor and shall be made available to Franchisee upon request. Franchisor does not use the M/A Fund to solicit new franchise sales. Any M/A Fund dollars not spent in the year in which they accrue are carried over to be used in the M/A Fund in the following year(s).

(4) Although the M/A Fund is intended to be of perpetual duration, Franchisor may terminate the M/A Fund. The M/A Fund shall not be terminated, however, until all monies in the M/A Fund have been expended as contemplated above or returned to contributing franchised businesses or those operated by Franchisor, without interest, on the basis of their respective contributions.

C. Franchisee agrees that Franchisor shall have the right, in its reasonable discretion, to designate any geographic area in which two (2) or more Shops are located as a region for purposes of establishing an advertising cooperative (each, a "**Cooperative**"). Each Cooperative shall be organized and governed in a form and manner, and shall commence operation on a date, determined in advance by Franchisor in its reasonable discretion. Each Cooperative shall be organized for the exclusive purposes of administering advertising programs and developing, subject to Franchisor's approval pursuant to Section 8.F., promotional materials for use by the members in local advertising. If at the time of the execution of this Agreement a Cooperative has been established for a geographic area that encompasses the Shop, or if any such Cooperative is established during the term of this Agreement, Franchisee shall execute such documents as are required by Franchisor immediately upon the request of Franchisor and shall become a member of the Cooperative pursuant to the terms of those documents. Franchisee shall participate in the Cooperative as follows:

(1) Subject to Section 8.C., Franchisee shall contribute to the Cooperative such amounts required by the documents governing the Cooperative; *provided, however*, Franchisee will not be required to contribute more than one percent (1%) of Franchisee's Gross Sales during each Accounting Period to the Cooperative unless, subject to Franchisor's reasonable approval, the members of the Cooperative agree to the payment of a larger fee;

(2) Franchisee shall submit to the Cooperative and to Franchisor such statements and reports as may be required by Franchisor or by the Cooperative. All contributions to the Cooperative shall be maintained and administered in accordance with the documents governing the Cooperative. The Cooperative shall be operated solely as a conduit for the collection and expenditure of the Cooperative fees for the purposes outlined above; and

(3) No advertising or promotional plans or materials may be used by the Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 8.E.

D. Regardless of whether Franchisor establishes a M/A Fund under Section 8.B. or a Cooperative is established under Section 8.C. applicable to the Shop, the total required advertising contributions or



payments by Franchisee under this Section 8 to (i) the M/A Fund, and (ii) the Cooperative, shall never exceed three percent (3%) of Franchisee's Gross Sales.

E. All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manuals. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee shall submit such unapproved plans and materials to Franchisor, and Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof, which approval shall not be unreasonably withheld. Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Franchisee shall not advertise or use the Marks in any fashion on the Internet, World Wide Web, or via other means of electronic advertising, including, but not limited to, social medial sites.

F. With respect to the offer and sale of all menu and beverage Products, Franchisor may from time to time offer guidance with respect to the selling price for such goods, Products and services. Except with respect to maximum prices set forth below, Franchisee is in no way bound to adhere to any such recommended or suggested price. Franchisee shall have the right to sell its Products and provide services at any price that Franchisee may determine, except that Franchisor reserves the right to establish maximum prices for any given Product or service nationwide or within an advertising market (as determined by Franchisor). Franchisee shall not exceed any maximum price established by Franchisor, but at all times remains free to charge any price below the maximum established by Franchisor. Franchisee shall execute any instruments or other writings required by Franchisor to facilitate the provision of such Products and services. If Franchisee elects to sell any or all of its Products at any price recommended by Franchisor, Franchisee acknowledges that Franchisor has made no guarantee or warranty that offering such Products at the recommended price will enhance Franchisee's sales or profits.

G. In the event that any volume discounts, rebates, allowances, or other similar discounts are received by the Franchisor from any manufacturer or other supplier designated by the Franchisor on account of purchases made by the Franchisor for its account or for the account of the Franchisee, or by the Franchisee directly for his/her own account, the Franchisor shall have the option of remitting same to the M/A Fund or retaining the full amount of the said volume discounts, rebates, allowances, or other similar discounts.

## **9. MARKS**

A. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the Bitty & Beau's System and related standards and specifications.

B. Franchisee expressly understands and acknowledges that:

(1) As between Franchisor and Franchisee, Franchisor is the licensee of the owner of all right, title and interest in and to the Marks, and the goodwill associated with and symbolized by them.

(2) Franchisee, the Principal, and the Guarantors shall not take any action that would prejudice or interfere with the validity of Franchisor's rights with respect to the Marks. Nothing in this Agreement

shall give the Franchisee any right, title, or interest in or to any of the Marks or any service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the Bitty & Beau's System in accordance with the terms and conditions of this Agreement for the operation of the Shop and only at or from its Approved Location or in approved advertising related to the Shop.

Franchisee understands and agrees that the limited license to use the Marks granted hereby applies only to such Marks as are designated by Franchisor, and which are not subsequently designated by Franchisor as being withdrawn from use, together with those which may hereafter be designated by Franchisor in writing. Franchisee expressly understands and agrees that it is bound not to represent in any manner that it has acquired any ownership or equitable rights in any of the Marks by virtue of the limited license granted hereunder, or by virtue of Franchisee's use of any of the Marks.

(3) Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the Bitty & Beau's System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks.

(4) Franchisee shall not contest the validity of, or Franchisor's interest in, the Marks or assist others to contest the validity of, or Franchisor's interest in, the Marks.

(5) Franchisee acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's rights in the Marks and a material event of default hereunder. Franchisee agrees that it shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks.

(6) If it becomes advisable at any time, in the discretion of Franchisor, to modify or discontinue use of any Mark and/or to adopt or use one or more additional or substitute proprietary marks, then Franchisee shall be obligated to comply with any such instruction by Franchisor. Franchisor shall have no obligation in such event to reimburse Franchisee for its documented expenses of compliance. Franchisee waives any other claim arising from or relating to any Mark change, modification or substitution. Franchisor will not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any Mark addition, modification, substitution or discontinuation. Franchisee covenants not to commence or join in any litigation or other proceeding against Franchisor for any of these expenses, losses or damages.

C. With respect to Franchisee's franchised use of the Marks pursuant to this Agreement, Franchisee further agrees that:

(1) Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Shop only under the name "BITTY & BEAU'S COFFEE", each without prefix or suffix. Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of such corporate or other legal name prior to filing it with the applicable state authority.

(2) During the term of this Agreement and any renewal hereof, Franchisee shall identify itself as the owner of the Shop in conjunction with any use of the Marks, including, but not limited to, uses on invoices, order forms, receipts and contracts, as well as the display of a notice in such content and form and at such conspicuous locations on the premises of the Shop or any catering or delivery vehicle as Franchisor may designate in writing.

(3) Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor;

(4) Franchisee shall comply with Franchisor's instructions in filing and maintaining the requisite trade name or fictitious name registrations, and shall execute any documents deemed necessary by Franchisor or its counsel to obtain protection of the Marks or to maintain their continued validity and enforceability.

D. Franchisee shall notify Franchisor immediately by telephone and thereafter in writing of any apparent infringement of or challenge to Franchisee's use of any Mark, of any claim by any person of any rights in any Mark, and Franchisee, the Principal and the Guarantors shall not communicate with any person other than Franchisor, their counsel and Franchisee's counsel in connection with any such infringement, challenge or claim. Franchisor shall have complete discretion to take such action as it deems appropriate in connection with the foregoing, and the right to control exclusively, of any settlement, litigation or Patent and Trademark Office or other proceeding arising out of any such alleged infringement, challenge or claim or otherwise relating to any Mark. Franchisee agrees to execute any and all instruments and documents, render such assistance, and do such acts or things as may, in the opinion of Franchisor, reasonably be necessary or advisable to protect and maintain the interests of Franchisor in any litigation or other proceeding or to otherwise protect and maintain the interests of Franchisor or any other interested party in the Marks. Franchisor will indemnify Franchisee and hold it harmless from and against any and all claims, liabilities, costs, damages and reasonable expenses for which Franchisee is held liable in any proceeding arising out of Franchisee's use of any of the Marks (including settlement amounts), provided that the conduct of Franchisee, the Principal and the Guarantors with respect to such proceeding and use of the Marks is in full compliance with the terms of this Agreement.

E. The right and license of the Marks granted hereunder to Franchisee is non-exclusive, and Franchisor has and retains the following rights, among others, subject only to the limitations of Section 1:

(1) To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees;

(2) To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to Franchisee; and

(3) To engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (a) the production, distribution, license and sale of Products and services, and (b) the use in connection with such production, distribution and sale of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Franchisor.

## 10. CONFIDENTIALITY AND NON-COMPETITION COVENANTS

A. (1) To protect the reputation and goodwill of Franchisor and to maintain high standards of operation under Franchisor's Marks, Franchisee shall conduct its business in accordance with the Manuals, other written directives which Franchisor may issue to Franchisee from time to time whether or not such directives are included in the Manuals, and any other manuals and materials created or approved by Franchisor for use in the operation of the Shop (collectively, the "**Confidential Information**").

(2) Franchisee, the Principal and the Guarantors shall at all times treat and maintain the Confidential Information as private and confidential in accordance with this Section 10. Franchisee, the Principal and the Guarantors shall divulge and make available Confidential Information only to those employees of Franchisee that must have access to it in order to operate the Shop. Franchisee, the Principal and the Guarantors shall not at any time copy, duplicate, record or otherwise reproduce any of the materials comprising the Confidential Information, in whole or in part, or otherwise make the same available to any person other than those authorized above.

(3) The Manuals, digital or otherwise, and all other Confidential Information shall at all times remain the sole property of Franchisor, shall at all times be kept secure in the Shop premises, and shall be returned to Franchisor immediately upon request or upon termination or expiration of this Agreement.

(4) The Manuals, digital or otherwise, and all other Confidential Information shall supplement and be deemed part of this Agreement.

(5) Franchisor may from time to time revise the contents of the Manuals, digital or otherwise, the Videos, and/or any other materials containing Confidential Information and created or approved for use in the operation of the Shop. Franchisee expressly agrees to comply with each new or changed standard promulgated by the Franchisor. Franchisee shall remove and return to Franchisor all pages of any printed Manuals that have been replaced or updated by Franchisor and shall return to Franchisor all Videos that are replaced with updated copies.

(6) Franchisee shall at all times ensure that the Manuals, digital or otherwise, are kept current and up to date. In the event of any dispute as to the contents of the Manuals, the terms of the master copy of the Manuals maintained by Franchisor at Franchisor's corporate office shall control.

B. (1) Franchisee, Principal and the Guarantors shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, persons, partnership, association or corporation and, following the expiration or termination of this Agreement, they shall not use for their own benefit any Confidential Information, knowledge or know-how concerning the methods of operation of the Shop which may be communicated to them or of which they may be apprised in connection with the operation of the Shop under the terms of this Agreement. Any and all information, knowledge, know-how, techniques and any materials used in or related to the Bitty & Beau's System which Franchisor provides to Franchisee in connection with this Agreement shall be deemed confidential for purposes of this Agreement. The covenants in this Section 10 shall survive the expiration, termination or transfer of this Agreement or any interest herein and shall be perpetually binding upon Franchisee, the Principal and each of the Guarantors.

(2) If Franchisee, the Principal or the Guarantors develop any new concept, process product, recipe, or improvement in the operation or promotion of the Shop, Franchisee is required to promptly notify Franchisor and provide Franchisor with all necessary related information, without the benefit of compensation. Franchisee, the Principal and the Guarantors acknowledge that any such concept, process product, recipe, or improvement will become the property of Franchisor, and Franchisor may use or disclose such information to other franchisees as it determines to be appropriate, also without the benefit of compensation.

C. (1). Franchisee, the Principal and the Guarantors specifically acknowledge that, pursuant to this Agreement, Franchisee, the Principal and the Guarantors will receive valuable training, trade secrets and Confidential Information, including, without limitation, information regarding the operational, sales, promotional and marketing methods and techniques of Franchisor and the Bitty & Beau's System which are beyond the present skills and experience of Franchisee, the Principal, the Guarantors and Franchisee's managers and employees. Franchisee, the Principal and the Guarantors acknowledge that such specialized training, trade secrets and Confidential Information provide a competitive advantage and will be valuable to them in the development and operation of the Shop, and that gaining access to such specialized training, trade secrets and Confidential Information is, therefore, a primary reason why they are entering into this Agreement. In consideration for such specialized training, trade secrets, Confidential Information and rights, Franchisee, the Principal and the Guarantors covenant that during the term of this Agreement (or with respect to each of the Guarantors, during the term of this Agreement for so long as such individual or entity satisfies the definition of a "Guarantor" as described in Section 19.R. of this Agreement), except as otherwise approved in writing by Franchisor, neither Franchisee, the Principal nor the Guarantors shall, either directly or indirectly, for themselves or through, on behalf of, or in conjunction with any person(s), partnership or corporation:

(a) Divert, or attempt to divert, any business or customer of the Shop to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the Bitty & Beau's System.

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist, or make loans to any business located within the Relevant Market (as defined below), in which Franchisor has used, sought registration of, or registered the same or similar Marks or operates or licenses others to operate a business under the same or similar Marks, which business is of a character and concept similar to the Shop, including a coffee shop or business which primarily specialize in the sale of coffee, tea, chai, hot and cold beverages, baked goods, sandwiches, ice cream, smoothies, and similar products; *provided, however*, the foregoing restriction shall not apply to a restaurant or other related business that derives twenty-five percent (25%) or less of its annual revenue from the sale coffee, tea, chai, hot and cold beverages, baked goods, sandwiches, ice cream, smoothies, and similar products. So long as Franchisee, the Principal and the Guarantors adhere to the confidentiality restrictions set forth in this Agreement and in each of the Other Agreements (as defined in Section 17.C.) signed in connection with this Agreement, the restrictions contained in this Section 10.C.(1)(b) shall also not apply to any restaurants owned and operated by entities in which Franchisee, a Principal or Guarantor owns a minority, passive, and non-voting equity interest. The term "**Relevant Market**" shall be defined as any state in which a Shop is located.

(2) For a continuous, uninterrupted period commencing upon the expiration, termination, or transfer of all of Franchisee's interest in this Agreement (or, with respect to each of the Guarantors, the time such individual or entity ceases to satisfy the definition of a "Guarantor" as described in Section 19.R. of this Agreement) and continuing for two (2) years thereafter, neither Franchisee nor the Principal or any Guarantor shall, directly or indirectly, for themselves, or through, on behalf of, or in conjunction with any person, persons, partnership, or corporation:

(a) Divert, or attempt to divert, any business or customer of the Shop hereunder to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Marks and the Bitty & Beau's System.

(b) Own, maintain, operate, engage in, or have any financial or beneficial interest in (including any interest in corporations, partnerships, trusts, unincorporated associations or joint ventures), advise, assist or make loans to any business that is of a character and concept similar to the Shop (including, but not limited to, a coffee shop or business which primarily offers and sells coffee, tea, chai, hot and cold beverages, baked goods, ice cream, smoothies, and similar products) which business is, or is intended to be, located within the PAR or within a ten (10) mile radius of the location of any Shop in existence or under construction at any given time during such period.

(3) The parties acknowledge and agree that each of the covenants contained herein are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor. The parties agree that each of the covenants herein shall be construed as independent of any other covenant or provision of this Agreement. If all or any portion of a covenant in this Section is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which Franchisor is a party, Franchisee, the Principal and the Guarantors expressly agree 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.

(a) Franchisee, the Principal and the Guarantors understand and acknowledge that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Section 10.C. in this Agreement, or any portion thereof, without their consent, effective immediately upon notice to Franchisee; and Franchisee, the Principal and the Guarantors agree that they shall comply with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 19.B. hereof.

(b) Franchisee, the Principal and the Guarantors expressly agree that the existence of any claims they may have against Franchisor (arising from this Agreement or otherwise) shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section.

(c) Sections 10.C.(1)(b) and 10.C.(2)(b) shall not apply to ownership of less than a five percent (5%) beneficial interest in the outstanding equity securities of any Publicly Held Corporation.

D. Franchisee, the Principal and the Guarantors acknowledge that any failure to comply with the requirements of this Section shall constitute a material event of default under Section 17 hereof. Franchisee, the Principal and the Guarantors acknowledge that a violation of the terms of this Section would result in irreparable injury to Franchisor for which no adequate remedy at law may be available,

and Franchisee, the Principal and the Guarantors accordingly consent to the issuance of an injunction prohibiting any conduct by Franchisee, the Principal or the Guarantors in violation of the terms of this Section. Franchisee, the Principal and the Guarantors agree to pay all court costs and reasonable attorneys' fees incurred by Franchisor in connection with the enforcement of this Section, including payment of all costs and expenses for obtaining specific performance of, or injunctive relief against the violation of, the requirements of such Section.

## 11. BOOKS AND RECORDS

A. Franchisee shall maintain during the term of this Agreement, and shall preserve for at least three (3) years from the dates of preparation, full, complete and accurate books, records and accounts (including, but not limited to, sales slips, coupons, purchase orders, payroll records, check stubs, bank statements, sales tax records and returns, cash receipts and disbursements, journals and ledgers, records of EFT transactions, and backup or archived records of information maintained on any computer system) in accordance with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

B. In addition to the remittance reports required by Sections 4. and 8. hereof, Franchisee shall comply with the following reporting obligations:

(1) Franchisee shall, at its own expense, submit to Franchisor a profit and loss statement for the Shop in the form prescribed by Franchisor (a "**P&L Statement**") for the most recently concluded one (1) month period (the "**Statement Period**") within fifteen (15) days after the end of each Statement Period during the term hereof. Each P&L Statement may be unaudited, but must be signed by Franchisee's treasurer or chief financial officer or comparable officer attesting that it is true, complete and correct;

(2) Franchisee shall, at its own expense, provide Franchisor with a complete annual financial statement of the Shop, which has been prepared by an independent certified public accountant (an "**Annual Statement**") within ninety (90) days after the end of each fiscal year. The Annual Statement shall accurately reflect the results of operations of the Shop during such fiscal year and may be unaudited; *provided, however*, that Franchisor reserves the right, pursuant to Section 20.0 hereof, to require that the Annual Statement be audited by an independent certified public accountant at Franchisee's cost and expense if an inspection discloses an understatement of two percent (2%) or more; and

(3) Franchisee shall also submit to Franchisor, for review or audit, such other forms, reports, records, information and data as Franchisor may reasonably designate and which pertain to the Shop, in the form and at the times and places reasonably required by Franchisor, upon request and as specified by Franchisor from time to time in writing.

C. Franchisor or its designees shall have the right to review, audit, examine and copy any or all of Franchisee's books and records relating to the Shop at any time during the Shop's normal business hours. Franchisee shall make such books and records available to Franchisor or its designees immediately upon request. If any required Royalty Fees to Franchisor are delinquent, or if an inspection should reveal that such payments have been understated in any Royalty Report, then Franchisee shall immediately pay Franchisor the amount overdue or understated upon demand with interest determined in accordance with the provisions of Section 4.B.(4). If an inspection discloses an understatement in any report of two percent (2%) or more, Franchisee shall, in addition, reimburse Franchisor for all costs and expenses connected

with the inspection (including, without limitation, reasonable accounting and attorneys' fees). These remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

D. Franchisee understands and agrees that the receipt or acceptance by Franchisor of any Royalty Reports furnished or Royalty Fees paid to Franchisor (or the cashing of any royalty checks or processing of any EFT payments) shall not preclude Franchisor from questioning the correctness thereof at any time and, in the event that any inconsistencies or mistakes are discovered in such statements or payments, they shall immediately be rectified by the Franchisee and the appropriate payment shall be made by the Franchisee.

E. Franchisee hereby authorizes (and agrees to execute any other documents deemed necessary to effect such authorization) all banks, financial institutions, businesses, suppliers, manufacturers, contractors, vendors and other persons or entities with which Franchisee does business to disclose to Franchisor any requested financial information in their possession relating to Franchisee or the Shop. Franchisee authorizes Franchisor to disclose data from Franchisee's reports, if Franchisor determines in its sole discretion that such disclosure is necessary or advisable, which disclosure may include disclosure to prospective or existing franchisees or other third parties.

F. Franchisee hereby appoints Franchisor its true and lawful attorney-in-fact with full power and authority for the sole purpose of obtaining any and all returns and reports filed by Franchisee with any state and/or federal taxing authority pertaining to the Shop. This power of attorney shall survive the expiration or termination of this Agreement.

## **12. INSURANCE**

A. (1) Franchisee shall procure, upon execution of this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement at Franchisee's expense, an insurance policy or policies protecting Franchisee and Franchisor (together with its affiliates, successors and assigns, and their respective partners and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of each of them) against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Shop.

(2) Such policy or policies shall be written by a responsible carrier or carriers reasonably acceptable to Franchisor and shall include, at a minimum (except as additional coverages and higher policy limits may reasonably be specified by Franchisor from time to time), in accordance with standards and specifications set forth in writing, the following:

(a) Comprehensive General Liability Insurance, including broad form contractual liability, broad form property damage, personal injury, advertising injury, completed operations, products liability and fire damage coverage, in the amount of Two Million and No/100 Dollars (\$2,000,000.00) combined single limit;

(b) "All Risks" coverage for the full cost of replacement of the Shop premises and all other property in which Franchisee may have an interest with no coinsurance clause for the premises;



(c) Crime insurance for employee dishonesty in the amount of Ten Thousand and No/100 Dollars (\$10,000.00) combined single limit.

(d) Worker's compensation insurance in amounts provided by applicable law or, if permissible under applicable law, a legally appropriate alternative providing substantially similar compensation for injured workers satisfactory to Franchisor, provided that Franchisee: (i) maintains an excess indemnity or "umbrella" policy covering employer's liability and/or a medical disability policy covering medical expenses for on-the-job accidents, which policy or policies shall contain such coverage amounts as Franchisee and Franchisor shall mutually agree upon, and (ii) conducts and maintains a risk management and safety program for its employees as the Franchisee and Franchisor shall mutually agree is appropriate.

(e) Such other insurance as may be required by the state or locality in which the Shop is located and operated.

(f) Franchisee may, with the prior written consent of Franchisor, elect to have reasonable deductibles in connection with the coverage required under Sections 12.A(2)(a)-(e) hereof. All such policies shall also include a waiver of subrogation in favor of Franchisor, any partners of Franchisor and their respective officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them.

(3) In connection with any construction, renovation, refurbishment or remodeling of the Shop, Franchisee shall maintain "Builder's Risks"/installation insurance in forms and amounts, and written by a carrier or carriers, reasonably satisfactory to Franchisor.

(4) Franchisee's obligation to obtain and maintain the foregoing policy or policies in the amounts specified shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 15 of this Agreement.

(5) All general liability and property damage policies shall contain a provision that Franchisor (together with their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them), although named as insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its servants, agents or employees by reason of the negligence of Franchisee or its servants, agents or employees.

(6) Upon execution of a lease for the Shop, this Agreement, and thereafter in accordance with Section 4 hereof and thirty (30) days prior to the expiration of any such policy, Franchisee shall deliver to Franchisor certificates of insurance evidencing the existence and continuation of proper coverage with limits not less than those required hereunder. In addition, if requested by Franchisor, Franchisee shall deliver to Franchisor a copy of the insurance policy or policies required hereunder. All insurance policies required hereunder, with the exception of workers' compensation, shall name Franchisor, their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of each of them, as additional insureds, as their interests may appear, and shall expressly provide that any interest of same therein shall not be affected by any breach by Franchisee of any policy provisions. Further, all insurance policies required hereunder shall expressly

provide that no less than thirty (30) days' prior written notice shall be given to Franchisor in the event of a material alteration to or cancellation of the policies.

(7) Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in writing, Franchisor shall have the right and authority, but not the obligation, to immediately procure such insurance and charge the same to Franchisee, which shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have at law or in equity.

### **13. DEBTS AND TAXES**

A. Franchisee shall promptly pay when due all Taxes (as defined below), levied or assessed, and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the franchised business under this Agreement. Without limiting the provisions of Section 15, Franchisee shall be solely liable for the payment of all Taxes and shall indemnify Franchisor for the full amount of all such Taxes and for any liability (including penalties, interest and expenses) arising from or concerning the payment of Taxes actually owed by Franchisee. Franchisee shall submit a copy of all tax filings sent to federal, state and local tax authorities to Franchisor within ten (10) Business Days after such filing has been made with the appropriate taxing authority.

B. Each payment to Franchisor required under this Agreement shall be made free and clear and without deduction for any Taxes. As used herein, the term "**Taxes**" means any present or future taxes, levies, imposts, duties or other charges of whatsoever nature, including any interest or penalties thereon, imposed by any government or political subdivision of such government on or relating to the operation of the Shop.

C. In the event of any bona fide dispute as to Franchisee's liability for Taxes assessed or other indebtedness, Franchisee 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 Franchisee permit or otherwise cause a tax sale or seizure by levy of execution or similar writ or warrant or attachment by a creditor to occur against the premises of the Shop or any improvements thereon.

D. Franchisee 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 conduct of the Shop, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, fire clearances, health permits, certificates of occupancy and any permits, certificates or licenses required by any environmental law, rule or regulation.

E. Franchisee shall notify Franchisor 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 Shop.

### **14. TRANSFER OF INTEREST**

A. Franchisor shall have the right, without the need for Franchisee's consent, to assign, transfer and/or sell its rights under this Agreement to any person, partnership, corporation or other legal entity, provided

that the transferee agrees in writing to assume all obligations undertaken by Franchisor herein and Franchisee receives a statement from both Franchisor and its transferee to that effect. Upon such assignment and assumption, Franchisor shall be under no further obligation hereunder, except for accrued liabilities, if any. Franchisee further agrees and affirms that Franchisor may: (i) go public, (ii) engage in a private placement of some or all of its securities, (iii) merge, acquire other corporations, or be acquired by another corporation, and/or (iv) undertake a refinancing, recapitalization, leveraged buyout or other economic or financial restructuring. Franchisee specifically waives any and all other claims, demands or damages arising from or related to the foregoing activities, including, without limitation, any claim of divided loyalty, breach of fiduciary duty, fraud, breach of contract or breach of the implied covenant of good faith and fair dealing. Franchisee further agrees that Franchisor has the right, now or in the future, to purchase, merge, acquire or affiliate with an existing competitive or non-competitive franchise network, chain or any other business regardless of the location of that chain's or business' facilities, and to operate, franchise or license those businesses and/or facilities as Shops operating under the Marks or any other marks following Franchisor's purchase, merger, acquisition or affiliation, regardless of the location of these facilities, *provided, however*, Franchisor agrees that it shall not convert any acquired facility located within the PAR, if any, into a Shop. If Franchisor assigns its rights in this Agreement, nothing herein shall be deemed to require Franchisor to remain in the restaurant business or to offer or sell any Products or services to Franchisee.

B. (1) Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted rights under this Agreement in reliance on the business skill, financial capacity and personal character of Franchisee, the Principal and the Guarantors. Accordingly, neither Franchisee nor the Principal or a Guarantor, nor any successor or assign of Franchisee, the Principal or a Guarantor, shall sell, assign (including, but not limited to, by operation of law such as an assignment under bankruptcy or insolvency laws, in connection with a merger, divorce or otherwise), transfer, convey, give away, pledge, mortgage or otherwise encumber any direct or indirect interest in this Agreement, in the Shop and/or all or substantially all of the Shop's material assets, in Franchisee, Principal, or any Guarantor that is an entity, in each case without the prior written consent of Franchisor. Any purported assignment or transfer, by operation of law or otherwise, made in violation of this Agreement shall be null and void and shall constitute a material event of default under this Agreement.

(2) If Franchisee, Principal or a Guarantor wishes to (i) transfer all or part of its interest in this Agreement, the Shop, or all or substantially all of the Shop's material assets, or (ii) transfer any ownership interest in Franchisee or in a Guarantor that is an entity, then in each such case (any or all of which are referred to in this Section 14 as a "**Restricted Transfer**"), the transferor and the proposed transferee shall first apply to Franchisor for its consent and may concurrently request a waiver of Franchisor's rights under Section 14.D. Without limiting its rights under Section 14.D, Franchisor agrees that it shall not unreasonably withhold its consent to a Restricted Transfer; *provided, however*, Franchisor may require any or all of the following as conditions to its approval:

(a) All of the accrued monetary and other outstanding obligations of Franchisee (or any of its affiliates) to Franchisor arising under this Agreement or any other agreement shall have been satisfied in a timely manner, and Franchisee shall have satisfied all trade accounts and other debts, of whatever nature or kind, in a timely manner;

(b) Franchisee and its affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee (or any of its affiliates) and Franchisor at the time of the transaction;

(c) Franchisor, the transferor, and its principals (if applicable) shall execute a general release, in a form reasonably satisfactory to Franchisor, of any and all claims against Franchisor, and its designees, including, without limitation, claims arising under this Agreement, any agreement directly or indirectly related to this Agreement, and all applicable federal, state and local laws;

(d) The transferee shall demonstrate to Franchisor's reasonable satisfaction that it meets the criteria considered by Franchisor when reviewing a prospective franchisee's application for a franchise, including, but not limited to: (i) Franchisor's educational, managerial, and business standards; (ii) transferee's good moral character, business reputation, and credit rating; (iii) transferee's aptitude and ability to properly operate the Shop (as may be evidenced by prior related business experience or otherwise); (iv) transferee's financial resources and capital for operation of the Shop; and (v) the geographic proximity and number of other Shops owned or operated by transferee;

(e) The transferee shall enter into a written agreement, in a form satisfactory to Franchisor, assuming full, unconditional, joint, and several liability for, and agreeing to perform from the date of the transfer, all obligations, covenants, and agreements contained in this Agreement; and if transferee is a corporation or a partnership, transferee's shareholders, partners, or other investors, as applicable, shall execute such other agreements as Franchisor requires in order to guarantee the performance of all such obligations, covenants, and agreements;

(f) The transferee shall execute a Franchise Agreement having terms substantially similar in all material respects to this Agreement (i.e., the fees, protected territory, and renewal rights), together with such other ancillary agreements substantially similar to the forms attached hereto (and if the transferee is a corporation or partnership, transferee's shareholders, partners, or other investors, as applicable, shall also execute such agreements as Franchisor requires in order to guarantee the performance of all such obligations, covenants, and agreements);

(g) The transferee, at its expense, shall renovate, modernize and otherwise upgrade the Shop to conform to the then-current standards and specifications of the Bitty & Beau's System, and shall complete the upgrading and other requirements which conform to the Bitty & Beau's System-wide standards within the time period reasonably specified by Franchisor;

(h) The transferor shall remain liable for all of the obligations to Franchisor in connection with the Shop incurred prior to the effective date of the transfer and shall execute any and all instruments reasonably requested by Franchisor to evidence such liability;

(i) At the transferee's expense, the transferee, the transferee's principal, general manager (as applicable), and/or any other applicable Shop personnel shall complete any training programs then in effect for franchisees of Shops upon such terms and conditions as Franchisor may reasonably require;

(j) Franchisee shall pay a transfer fee of Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) to Franchisor to reimburse Franchisor for reviewing the application to transfer, including, without limitation, legal and accounting fees; and

(k) If the transferee is a corporation, limited liability company, or a partnership, the transferee shall make and will be bound by any or all of the representations, warranties, and covenants set forth in Section 6 as Franchisor requests. Transferee shall provide to Franchisor evidence satisfactory to Franchisor that the terms of such Section have been satisfied and are true and correct on the date of transfer.

(3) Franchisee shall not grant a security interest in the Shop or in any of Franchisee's assets without Franchisor's prior written consent, which shall not be unreasonably withheld. In connection therewith, the secured party will be required by Franchisor to agree that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option to be substituted as obligor to the secured party and to cure any default of Franchisee.

(4) Franchisee acknowledges and agrees that each condition that must be met by the transferee is reasonable and necessary to assure such transferee's full performance of the obligations hereunder.

C. In the event the proposed transfer is from one (1) or more individuals to a corporation or other legal entity formed solely for the convenience of ownership, Franchisor's consent may be conditioned upon any of the requirements set forth at Section 14.B(2), except that the requirements set forth at Sections 14.B(2)(c), (d), (f), (g), (i), (j) and (k) shall not apply. With respect to a transfer to a corporation formed for the convenience of ownership, Franchisee shall be the owner of all of the voting stock or interest of the corporation, and if Franchisee is more than one (1) individual, each individual shall have the same proportionate ownership interest in the corporation as he had in Franchisee prior to the transfer.

D. If Franchisee, the Principal or a Guarantor wishes to enter into a Restricted Transfer (such transferring party being referred to as the "**Seller**"), then such Seller shall first notify Franchisor in writing of its intent (the "**Transfer Notice**") and shall provide such information and documentation relating to the contemplated Restricted Transfer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written Transfer Notice and copies of all other documentation required by Franchisor, to send written notice to the Seller that Franchisor intends to purchase the Seller's interest on the terms and conditions stipulated in the written Transfer Notice. In the event that Franchisor elects to purchase the Seller's interest, closing on such purchase must occur within the latter of (1) thirty (30) days from the date of notice to the Seller of the election to purchase by Franchisor, (2) thirty (30) days from the date Franchisor receives or obtains all necessary documentation, permits, and approvals, or (3) such other date as the parties agree upon in writing. If Franchisor rejects or otherwise fails to accept the offer terms noted in the Transfer Notice, then Seller shall be free to transfer its interest in the Franchisee or this Agreement, as applicable, upon the identical terms and conditions offered to Franchisor in the Transfer Notice (a "**Third-Party Sale**"), subject to the requirements set forth in Section 14.D of this Agreement. The closing of any transaction involving a Third-Party Sale shall be consummated no later than one hundred and eighty (180) days after the date on which the written Transfer Notice was first delivered to Franchisor. In the event a transaction involving a Third-Party Sale is not closed within the foregoing time period, the proposed sale shall again be subject to Franchisor's right of first offer as described herein, unless such subsequent right is waived by Franchisor in writing. Any material change in the terms of any Third-Party Sale prior to closing shall constitute a new offer to Franchisor, and shall be subject to the same right of first offer restrictions set forth above. Failure or refusal of Franchisor to exercise the option afforded by this Section 14.D shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 14.D relating to a proposed transfer. Failure by Franchisee, the Principal or a Guarantor to comply with the provisions of

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this Section 14.D prior to the transfer of any interest in Franchisee or in this Agreement shall constitute a material event of default under this Agreement.

E. (1) Upon the death of Franchisee (if Franchisee is a natural person), the Principal or a Guarantor who is a natural person and who has an interest in this Agreement, the Shop or Franchisee (in each instance, the "**Deceased**"), the executor, administrator or other personal representative of the Deceased shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death, subject to the restrictions referenced in Section 14.E(3) below. If no personal representative is designated or appointed or no probate proceedings are instituted with respect to the estate of the Deceased, then the distributee of such interest must be approved by Franchisor. If the distributee is not approved by Franchisor, then the distributee shall transfer such interest to a third party approved by Franchisor within twelve (12) months after the death of the Deceased, subject to the restrictions referenced in Section 14.E(3) below:

(2) Upon the permanent disability of Franchisee (if Franchisee is a natural person), the Principal or a Guarantor who is a natural person and who has an interest in this Agreement, the Shop or Franchisee (in each case, the "**Injured Person**"), Franchisor may, in its reasonable discretion, require such interest to be transferred to a third party in accordance with the conditions described in this Section 14 within six (6) months after notice to Franchisee. "**Permanent Disability**" shall mean any physical, emotional or mental injury, illness or incapacity which would reasonably prevent a person from performing the obligations set forth in this Agreement or in the guaranty made part of this Agreement for at least ninety (90) consecutive days and from which condition recovery within ninety (90) days from the date of determination of disability is unlikely. Permanent Disability shall be determined by a licensed practicing physician approved by both Franchisor and the Injured Person (or the Injured Person's surrogate in the event Franchisee is unable to make such a selection); provided, however, that if the Injured Person refuses to submit to an examination, then such person shall automatically be deemed permanently disabled as of the date of such refusal for the purpose of this Section 14.E. The costs of any examination required by this Section shall be paid by Franchisor. Approval of a physician selected by Franchisor or the Injured Person shall not be unreasonably withheld, delayed, or conditioned by the other party. In addition, the review and approval process of the physician selected will primarily include: (a) whether the physician is in fact licensed to practice and is in good standing, and (b) whether the costs charged by the physician are commensurate with the costs typically charged by other physicians in his/her field.

(3) Upon the death or claim of Permanent Disability of Franchisee, the Principal, or a Guarantor, Franchisee or a representative of Franchisee must notify Franchisor of such death or claim of Permanent Disability within ten (10) days of its occurrence. Any transfer upon death or Permanent Disability shall be subject to the same terms and conditions as described in this Section for any inter vivos transfer; provided, however, such transfers shall not be subject to the Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) transfer fee described in Section 14.B(2)(j). If an interest is not transferred upon death or Permanent Disability as required in this Section, then such failure shall constitute a material event of default under this Agreement.

F. Franchisor's consent to a transfer of any interest described herein shall not constitute a waiver of any claims which Franchisor may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferee.

G. Securities or partnership interests in Franchisee may be offered to the public or private market (each, a "**Public Offering**") only with the prior written consent of Franchisor. As a condition of its approval to a Public Offering, Franchisor may, in its sole discretion, require that Franchisee the Principal and the Guarantors, as applicable, retain a Controlling Interest in the Franchisee following the Public Offering. For the purpose of this Agreement, the term "**Controlling Interest**" shall mean: (a) if Franchisee is a corporation or a limited liability company, that the Principal and the Guarantors, either individually or cumulatively, (i) directly or indirectly own at least fifty-one percent (51%) of the shares of each class of Franchisee's issued and outstanding capital stock, and (ii) be entitled, under its governing documents and under any agreements among the shareholders, to cast a sufficient number of votes to require such corporation to take or omit to take any action which such corporation is required to take or omit to take under this Agreement; or (b) if Franchisee is a partnership, that the Principal and the Guarantors (i) own at least a fifty-one percent (51%) interest in the operating profits and operating losses of the partnership as well as at least a fifty-one percent (51%) ownership interest in the partnership (and at least a fifty-one percent (51%) interest in the shares of each class of capital stock of any corporate general partner), and (ii) be entitled under its partnership agreement or applicable law to act on behalf of the partnership without the approval or consent of any other partner or be able to cast a sufficient number of votes to require the partnership to take or omit to take any action which the partnership is required to take or omit to take under this Agreement.

H. All materials required for a Public Offering by federal or state law shall be submitted to Franchisor for a limited review as discussed below prior to being filed with any governmental agency; and any materials (including any private placement memoranda) to be used in any exempt offering or private placement shall be submitted to Franchisor for such review prior to their use. No Franchisee offering (public or private) shall imply (by use of the Marks or otherwise) that Franchisor is participating in an underwriting, issuance, or offering of securities of Franchisee or Franchisor, and Franchisor's review of any offering materials shall be limited solely to the subject of the relationship between Franchisee and Franchisor. Franchisor may, at its option, require Franchisee's offering materials to contain a written statement prescribed by Franchisor concerning the limitations described in the preceding sentence. Franchisee, the Principal, the Guarantors, and the other participants in the Public Offering must fully indemnify Franchisor, their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees of each of them, in connection with the Public Offering. For each proposed Public Offering, Franchisee shall pay to Franchisor a non-refundable fee of Ten Thousand and No/100 Dollars (\$10,000.00) to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the proposed Public Offering, including, without limitation, legal and accounting fees. Franchisee shall give Franchisor written notice at least thirty (30) days prior to the date of commencement of any Public Offering or other transaction covered by Section 14.G.

I. If any person holding an interest in Franchisee, this Agreement, or the Shop (other than Franchisee, the Principal, or a Guarantor, which parties shall be subject to the provisions set forth above) transfers such interest, then Franchisee shall promptly notify Franchisor of such proposed transfer in writing and shall provide such information relative thereto as Franchisor may reasonably request prior to such transfer. Such transferee may not be a competitor of Franchisor. Such transferee, if deemed a principal of Franchisee by Franchisor, will have to execute a confidentiality agreement and ancillary covenants not to compete in the form then required by Franchisor. Franchisor also reserves the right to designate the transferee as the Principal or a Guarantor if such transferee qualifies as such under the terms of this Agreement. Notwithstanding the provisions contained in Section 14.B to the contrary, the Principal and

the Guarantors may freely transfer their ownership interests in Franchisee among themselves and to their family members, and the Franchisor's right of first refusal shall be inapplicable with respect to such transfers, provided Franchisee provides Franchisor with thirty (30) days prior written notice of such transfer containing the names and percentages transferred.

## 15. INDEMNIFICATION

A. Franchisee, the Principal and each of the Guarantors shall, at all times, indemnify and hold harmless to the fullest extent permitted by law Franchisor, successors and assigns, their respective partners, and the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants, and employees of each of them (**collectively**, the "**Indemnitees**"), from any "Losses and Expenses" (as defined in Section 15.D(2) below) incurred in connection with any action, suit, proceeding, claim, demand, investigation or inquiry (formal or informal), or any settlement thereof (whether or not a formal proceeding or action has been instituted) which arises out of or is based upon any of the following:

(1) The infringement, alleged infringement, or any other violation or alleged violation by Franchisee, the Principal or a Guarantor of any patent, mark or copyright or other proprietary right owned or controlled by third parties (except as such may occur with respect to any right to use the Marks, any copyrights or other proprietary information granted hereunder pursuant to Section 9.);

(2) The violation, breach, or asserted violation or breach, by Franchisee, the Principal or a Guarantor of any federal, state or local law, regulation, ruling, standard or directive or any industry standard;

(3) Libel, slander or any other form of defamation of Franchisor, the Bitty & Beau's System or any franchisee operating under the Bitty & Beau's System, by Franchisee, the Principal or a Guarantor;

(4) The violation or breach by Franchisee, the Principal or a Guarantor of any warranty, representation, agreement or obligation in this Agreement or in any other agreement between Franchisee or any of its affiliates and Franchisor, or their respective partners, or the officers, directors, shareholders, partners, agents, representatives, independent contractors, servants and employees of any of them; and

(5) Acts, errors, or omissions of Franchisee, any of Franchisee's affiliates, the Principal, and any of the Guarantors, and the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchisee and its affiliates, in connection with the establishment and operation of the Shop, including, but not limited to, any acts, errors or omissions of any of the foregoing in the operation of any motor vehicle. The parties understand and agree that Franchisor cannot and does not exercise control over the manner of operation of any motor vehicles used by, or on behalf of, Franchisee or any employee, agent or independent contractor of Franchisee, and that the safe operation of any motor vehicle is, therefore, Franchisee's responsibility.

B. Franchisee, the Principal and each of the Guarantors agree to give Franchisor prompt notice of any such action, suit, proceeding, claim, demand, inquiry, or investigation. At the expense and risk of Franchisee, the Principal and each of the Guarantors, Franchisor may elect to assume (but under no circumstance is obligated to undertake) or select counsel of its own choosing with respect to the defense and/or settlement of any such action, suit, proceeding, claim, demand, inquiry or investigation. Such an



undertaking by Franchisor shall, in no manner or form, diminish the obligation of Franchisee, the Principal and each of the Guarantors to indemnify the Indemnitees and to hold them harmless.

C. In order to protect persons or property or its reputation or goodwill, or the reputation or goodwill of others, Franchisor may, upon written notice to and written consent from the Franchisee (which consent shall not be unreasonably withheld, delayed, or conditioned), consent or agree to settlements or take such other remedial or corrective action as it deems expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in Franchisor's reasonable judgment, there are reasonable grounds to believe that:

- (1) any of the acts or circumstances enumerated in Sections 15.A(1)-(4) above have occurred; or
- (2) any act, error, or omission as described in Section 15.A(5) may result directly or indirectly in damage, injury, or harm to any person or any property.

D. (1) All Losses and Expenses incurred under this Section 15 shall be chargeable to and paid by Franchisee, the Principal or any of the Guarantors pursuant to its obligations of indemnity under this Section, regardless of any actions, activity, or defense undertaken by Franchisor or the subsequent success or failure of such actions, activity, or defense.

(2) As used in this Section 15, the phrase "**Losses and Expenses**" shall include, without limitation, all losses, compensatory, exemplary or punitive damages, fines, charges, costs, expenses, reasonable attorneys' fees, court costs, settlement amounts, judgments, compensation for damages to the Franchisor's reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of recall, refunds, compensation, public notices, and other such amounts incurred in connection with the matters described.

E. The Indemnitees do not assume any liability whatsoever for acts, errors, or omissions of any third party with whom Franchisee, the Principal, any of the Guarantors, Franchisee's affiliates or any of the officers, directors, shareholders, partners, agents, representatives, independent contractors and employees of Franchisee or its affiliates may contract, regardless of the purpose. Franchisee, the Principal and each of the Guarantors shall hold harmless and indemnify the Indemnitees for all Losses and Expenses which may arise out of any acts, errors or omissions of Franchisee, the Principal, the Guarantors, Franchisee's affiliates, the officers, directors, shareholders, partners, and employees of Franchisee and its affiliates, and any such other third parties unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused by an Indemnitee's negligence or willful misconduct in a ruling determined by a third-party arbitrator pursuant to the procedures set forth in Section 19.G of this Agreement. For purposes of clarification, any finding by a duly appointed third-party arbitrator and/or a court with competent jurisdiction that the cause or causes of any such liability is jointly or partly due to the negligence of both an Indemnitee, on one hand, as well as the Franchisee (or any affiliate), the Principal, or any Guarantor, on the other hand, shall not relieve the Franchisee, the Principal and/or any Guarantor from the pro rata share of their indemnification obligations as contemplated herein.

F. Under no circumstances shall the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate their losses in order to maintain a claim against Franchisee, the Principal or any of the Guarantors. Franchisee, the Principal and each of the Guarantors agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable from Franchisee, the Principal, or any of the Guarantors by the Indemnitees.

G. Franchisee, the Principal and the Guarantors expressly agree that the terms of this Section 15. shall survive the termination, expiration, or transfer of this Agreement or any interest herein.

## **16. RELATIONSHIP OF THE PARTIES**

A. The parties acknowledge and agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, joint employer or servant of the other for any purpose.

B. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor conducting its Shop operations pursuant to the rights granted by Franchisor. Franchisee agrees to take such action as shall be necessary to that end, including, without limitation, exhibiting a notice of that fact in a conspicuous place on the Shop premises established for the purposes hereunder or on any catering or delivery vehicle and on all letterhead, business cards, forms, and as further described in the Manuals. Franchisor reserves the right to specify in writing the content and form of such notice.

C. Franchisee understands and agrees that nothing in this Agreement authorizes Franchisee, the Principal or any of the Guarantors to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name, and that Franchisor shall in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action, or for any act or omission of Franchisee, the Principal or any of the Guarantors or any claim or judgment arising therefrom.

## **17. TERMINATION**

A. (1) Franchisee acknowledges and agrees that: (a) each of Franchisee's obligations described in this Agreement is a material and essential obligation of Franchisee, (b) nonperformance of such obligations will adversely and substantially affect the Franchisor and the Bitty & Beau's System, and (c) the exercise by Franchisor of the rights and remedies set forth herein is appropriate and reasonable.

(2) Franchisee shall be deemed to be in default under this Agreement, and all rights granted herein shall automatically terminate without notice to Franchisee, if Franchisee, the Principal or any Guarantor: (a) shall become insolvent or makes a general assignment for the benefit of creditors; or (b) files a voluntary petition under any section or chapter of federal bankruptcy law or under any similar law or statute of the United States or any state thereof, or admits in writing its inability to pay its debts when due; or (c) is adjudicated bankrupt or insolvent in proceedings filed against Franchisee under any section or chapter of federal bankruptcy laws or under any similar law or statute of the United States or any state; or (d) is the subject of any bill in equity or other proceeding for the appointment of a receiver or other custodian for the business or assets of Franchisee, the Principal or a Guarantor which is not dismissed within 60 days; or (e) has its assets or property, or any part thereof, appointed to a receiver or other

custodian (permanent or temporary) by any court of competent jurisdiction; or (f) has filed or instituted against it any proceedings for a composition with creditors under any state or federal law which is not dismissed within sixty (60) days; or (vii) is subject to a final judgment which remains unsatisfied or of record for sixty (60) days or longer (unless supersedes bond is filed); or (g) is dissolved; or (h) has an execution levied against its business or property; or (i) is the subject of any suit to foreclose any lien or mortgage against the Shop premises or equipment (and such suit or lien is not dismissed within sixty (60) days); or (j) if the real or personal property of Franchisee's Shop shall be sold after levy thereupon by any sheriff, marshal or constable.

(3) Franchisee shall be deemed to be in material default and Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default (except as stated below or otherwise required by law), effective immediately upon notice to Franchisee, upon the occurrence of any of the following events:

(a) If Franchisee operates the Shop or sells any Products or services authorized by Franchisor for sale at the Shop at a location that has not been approved by Franchisor;

(b) If Franchisee fails to acquire an Approved Location for the Shop within the time and in the manner specified in Section 2;

(c) If Franchisee fails to construct or remodel the Shop in accordance with the plans and specifications provided to Franchisee under Section 5.A.(3) as such plans may be adapted with Franchisor's approval in accordance with Section 2.E.;

(d) If Franchisee fails to open the Shop for business within the period specified in Section 2.F hereof,

(e) If Franchisee at any time abandons the Shop, or loses the right to possession of the premises, or otherwise forfeits the right to do or transact business in the jurisdiction where the Shop is located; provided, however, that this provision shall not apply in cases of Force Majeure ("**Force Majeure**"), defined as acts of God, strikes, lockouts or other industrial disturbances, war, riot, epidemic, pandemic, fire or other catastrophe, or other forces beyond Franchisee's control) if, through no fault of Franchisee, the premises are damaged or destroyed by an event as described above, provided that Franchisee applies within thirty (30) days after such event for Franchisor's approval to relocate or reconstruct the premises (which approval shall not be unreasonably withheld) and Franchisee diligently pursues such reconstruction or relocation; such approval may be conditioned upon the payment of an agreed minimum fee to Franchisor during the period in which the Shop is not in operation;

(f) If Franchisee, the Principal or any of the Guarantors is convicted of, or has entered a plea of nolo contendere to, a felony or a crime involving moral turpitude that Franchisor reasonably believes is likely to have an adverse effect on the Bitty & Beau's System, the Marks, the goodwill associated therewith, or Franchisor's interests therein;

(g) If a threat or danger to public health or safety, as determined in writing by a governmental agency having jurisdiction over such matters, results from the construction, maintenance, or operation of the Shop, and such public health or safety concern remains uncured for ten (10) days following Franchisee's actual or constructive knowledge;

(h) If Franchisee, the Principal or any of the Guarantors purports to transfer any rights or obligations under this Agreement or any interest in Franchisee or the Shop to any third party without Franchisor's prior written consent or without offering Franchisor a right of first refusal with respect to such transfer, contrary to the terms of Section 14 of this Agreement;

(i) If Franchisee or any of its affiliates fails, refuses, or neglects promptly to pay any monies owing to Franchisor, or vendors, when due under this Agreement or any other agreement, or to submit the financial or other information required by Franchisor under this Agreement and does not cure such default within five (5) days following notice from Franchisor (or such other cure period specified in such other agreement, unless no cure period is stated or such period is less than five (5) days, in which case the five (5) day cure period shall apply);

(j) If Franchisee, the Principal or any of the Guarantors fails to comply with the covenants in Section 10.A hereof,

(k) If, contrary to the terms of Section 10.B.(1) hereof, Franchisee, the Principal or any of the Guarantors discloses or divulges any Confidential Information provided to Franchisee, the Principal or the Guarantors by Franchisor, or fails to obtain execution of covenants and related agreements required under Section 10.B.(2) hereof within thirty (30) days following notice from the Franchisor;

(l) If a transfer upon death or Permanent Disability is not conducted in accordance with Section 14.E. and within the time periods therein;

(m) If Franchisee knowingly maintains false books or records, or submits any false reports or any other information required by this Agreement:

(n) If Franchisee breaches any of the covenants in any material respect set forth in Section 6 or has falsely made any of the representations or warranties set forth in Section 6;

(o) If Franchisee fails to propose a qualified replacement or successor General Manager within the time required under Section 6.D.(4), following ten (10) days prior written notice;

(p) If Franchisee fails to procure and maintain such insurance policies as required by Section 12. and Franchisee fails to cure such default within ten (10) days following notice from Franchisor;

(q) If Franchisee misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein; provided that, notwithstanding the above, Franchisee shall be entitled to notice of such event of default and shall have twenty-four (24) hours to cure such default;

(r) If Franchisee, the Principal or any of the Guarantors commits three (3) material events of default under this Agreement within any twelve (12) month period whether or not such defaults are of the same or different nature and whether or not such defaults have been cured by Franchisee after notice by Franchisor;

(s) If Franchisee or any of its affiliates fails or refuses to comply with any material terms and conditions of any sublease or related agreement between Franchisor and Franchisee or its affiliates and

does not cure such default within any notice and cure period provided for in such sublease or related agreement following notice from Franchisor of such default (unless no cure period is specified in the sublease or other agreement, in which case the notice and cure period provided in Section 17.B. shall apply); and

(t) Franchisee or any of his/her owners' assets, property, or interests are blocked under any law, ordinance, or regulation relating to terrorist activities, or Franchisee or any of his/her owners otherwise violate any such law, ordinance, or regulation.

B. Upon any default by Franchisee which is susceptible of being cured, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination unless a shorter period is set forth in a specific subsection of Section 17.A.(3). However, Franchisee may avoid termination by immediately initiating a remedy to cure such default and curing it to Franchisor's reasonable satisfaction within the thirty (30) day period and by promptly providing proof thereof to Franchisor. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder may include, but are not limited to, the following illustrative events:

(1) If Franchisee fails to comply with any of the requirements imposed by this Agreement, as it may from time to time be amended or reasonably be supplemented by Franchisor, or fails to carry out the terms of this Agreement in good faith.

(2) If Franchisee fails to maintain or observe any of the standards, specifications, or procedures prescribed by Franchisor in this Agreement or otherwise in writing.

(3) If Franchisee fails, refuses, or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement.

C. If Franchisee, the Principal or any Guarantor (or any person or entity affiliated with or controlled by Franchisee, the Principal or any Guarantor) is determined by Franchisor to be either (1) repeatedly in default for failure to comply with the requirements of any other franchise agreement or other agreement to which Franchisor is a party (collectively, and as each may be amended from time to time, ("**Other Agreements**"), whether or not such defaults are of the same or different nature and whether or not such defaults have been cured after notice by Franchisor, *or* (2) in material default for failure to substantially comply with the requirements of any Other Agreements, Franchisor may terminate this Agreement by giving written notice of termination stating the nature of such default to Franchisee at least thirty (30) days prior to the effective date of termination.

Any termination of this Agreement pursuant to this Section 17 shall constitute an event of default under each of the Other Agreements, and Franchisor expressly reserves all rights and remedies available at law or equity, including, without limitation, the right to terminate all of the rights and obligations of any and/or all of the Other Agreements. No right or remedy which Franchisor may have (including termination) is exclusive of any other right or remedy provided under law or equity, and Franchisor may pursue any additional rights and/or remedies available.

## 18. POST-TERMINATION

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

A. Franchisee shall immediately cease to operate the Shop under this Agreement, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present franchisee of Franchisor.

B. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, computer software, procedures, and techniques associated with the Bitty & Beau's System, the mark "BITTY & BEAU'S COFFEE", and all other Marks (together with all other distinctive forms, slogans, signs, symbols, and devices associated with the Bitty & Beau's System). In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, and any other articles which display the Marks, and shall immediately change all paint colors and remove Franchisor's distinctive proprietary design items.

C. Franchisee shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "BITTY & BEAU'S COFFEE" or any other service mark or trademark of Franchisor, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

D. Franchisee 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 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 Franchisor's rights in and to the Marks, and further agrees not to utilize any designation of origin or description or representation which falsely suggests or represents an association or connection with Franchisor constituting unfair competition.

E. Franchisee, the Principal and the Guarantors shall pay to Franchisor all sums, including, but not limited to, damages, costs and expenses, including reasonable attorneys' fees, incurred by Franchisor in connection with obtaining any remedy available to Franchisor for any violation of this Agreement and, subsequent to the termination or expiration of this Agreement, in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18. These obligations shall give rise to and remain, until paid in full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

F. Franchisee shall immediately deliver to Franchisor all Manuals, software licensed by Franchisor, records, files, instructions, correspondence, all materials related to operating the Shop, including, without limitation, agreements, invoices, and any and all other materials relating to the operation of the Shop in Franchisee's possession or control, and all copies thereof (all of which are acknowledged to be Franchisor's property), and shall retain no copy or record of any of the foregoing, except Franchisee's copy of this Agreement and of any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

G. Franchisee, the Principal and the Guarantors shall comply with the restrictions on Confidential Information contained in Section 10 of this Agreement and shall also comply with the non-competition covenants contained in Section 10. Any other person required to execute similar covenants pursuant to Section 10 shall also comply with such covenants.

H. Franchisee shall also immediately furnish Franchisor an itemized list of all advertising and sales promotion materials bearing the Marks or any of Franchisor's distinctive markings, designs, labels, or other marks thereon, whether located on Franchisee's premises or under Franchisee's control at any other location. Franchisor shall have the right to inspect these materials. Franchisor shall have the option, exercisable within thirty (30) days after such inspection, to purchase any or all of the materials at Franchisee's cost, or to require Franchisee to destroy and properly dispose of such materials. Franchisee or any other party shall not utilize materials not purchased by Franchisor for any purpose unless authorized in writing by Franchisor.

I. Upon execution of this Agreement, in partial consideration of the rights granted hereunder, Franchisee acknowledges and agrees that all right, title and interest in the signs and menu boards used at the Shop are hereby assigned to Franchisor, and that upon termination or expiration of this Agreement, neither Franchisee nor any lien holder of Franchisee shall have any further interest therein.

J. If Franchisee operates the Shop under a lease for the Shop premises with a third party, or is a lessee to any lease for equipment used in the operation of the franchised business, then Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the premises of the Shop or any equipment related thereto. Franchisor may exercise such option at or within thirty (30) days after either termination or (subject to any existing right to renew) expiration of this Agreement. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Shop premises or does not have such option, Franchisee shall make such modifications or alterations to the Shop premises as are necessary to distinguish the appearance of the Shop from that of other Shops operating under the Bitty & Beau's System and shall make such specific additional changes as Franchisor may reasonably request. If Franchisee fails or refuses to comply with the requirements of this Section 18.J, Franchisor shall have the right to enter upon the premises of the franchised business, without being guilty of trespass or any other crime or tort, to make or cause to be made such changes as may be required, at the expense of Franchisee, which expense Franchisee agrees to pay upon demand. Notwithstanding the provisions of this Section 18.J to the contrary, in the event the lease is assigned to Franchisor, Franchisor hereby indemnifies and holds harmless Franchisee and any guarantors under said lease for any breach by Franchisor or its successors or assigns from any liability arising out of the lease for the Shop premises from and after the date of the assignment of the lease.

K. (1) Except as provided in Sections 18.I, 18.J, and 18.L, Franchisor shall have the option, to be exercised within thirty (30) days after termination or expiration of this Agreement, to purchase from Franchisee any or all of the furnishings, equipment (including any computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Shop, at fair market value. Franchisor shall be purchasing Franchisee's assets only and shall be assuming no liabilities whatsoever unless otherwise agreed to in writing by the parties. If the parties cannot agree on the fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined by two (2) appraisers, with each party selecting one (1) appraiser, and the average of their determinations shall be binding. In the event of such appraisal, each party shall bear its own legal and other costs and shall split the appraisal fees equally. If Franchisor elects to exercise any

option to purchase herein provided, it shall have the right to set off (a) all fees for any such independent appraiser due from Franchisee, (b) all amounts due from Franchisee to Franchisor, and (c) any costs incurred in connection with any escrow arrangement (including reasonable legal fees) against any payment therefore and shall pay the remaining amount in cash.

(2) In addition to the options described above, and if Franchisee owns the Shop premises, then Franchisor shall have the option, to be exercised at or within thirty (30) days after termination or expiration of this Agreement, to purchase the Shop premises, including any building thereon if applicable, for the fair market value of the land and building, and any or all of the furnishings, equipment, signs, fixtures, vehicles, supplies and inventory therein at Franchisee's cost or fair market value. Franchisor shall purchase assets only and shall assume no liabilities whatsoever unless otherwise agreed to in writing by the parties. If Franchisee does not own the land on which the Shop is operated, and Franchisor exercises its option for an assignment of the lease, Franchisor may exercise this option for the purpose of purchasing the building if owned by Franchisee and related assets as described above. If the parties cannot agree on fair market value within thirty (30) days of Franchisor's exercise of its option, fair market value shall be determined in accordance with appraisal procedure described in Section 18.K.(1) above.

(3) With respect to the options described in Sections 18.K.(1) and 18.K.(2), Franchisee shall deliver to Franchisor, in a form satisfactory to Franchisor, such warranties, deeds, releases of lien, bills of sale, assignments and such other documents and instruments which Franchisor deems necessary in order to perfect Franchisor's title and possession in and to the properties being purchased or assigned and to meet the requirements of all tax and government authorities. If at the time of closing Franchisee has not obtained all of these certificates and other documents, Franchisor may, in its sole discretion, place the purchase price in escrow pending issuance of any required certificates or documents.

(4) The time for closing of the purchase and sale of the properties described in Sections 18.K.(1) and 18.K.(2) shall be a date not later than thirty (30) days after the purchase price is determined by the parties or the determination of the appraisers, or such date Franchisor receives and obtains all necessary permits and approvals, whichever is later, unless the parties mutually agree to designate another date. The time for closing on the assignment of the lease described in Section 18.K. shall be a date no later than ten (10) days after Franchisor's exercise of its option thereunder unless Franchisor is exercising its options under either Section 18.K.(1) or Section 18.K.(2), in which case the date of the closing shall be on the same closing date prescribed for such option. Closing shall take place at Franchisor's corporate offices or at such other location as the parties may agree.

L. Notwithstanding anything to the contrary contained in Section 18.K., if Franchisee operates the Shop from a premises that is subleased to Franchisee by Franchisor, upon termination (or expiration if Franchisee does not renew) of this Agreement, Franchisor shall have the right to take immediate possession of the assets of the Shop, including any or all of the furnishings, equipment (including any computer hardware and software systems), signs, fixtures, motor vehicles, supplies, and inventory of Franchisee related to the operation of the Shop. Franchisor shall have a lien against all such assets in the amount of any amounts due to Franchisor under this Agreement or any other agreement. Franchisor shall have the right to have such assets appraised at fair market value and to acquire all right, title and interest to such assets, without conducting any public sale, by paying to Franchisee (or to any lender of Franchisee who has a lien holder interest in the assets) the difference between the appraised value and the amounts owed to Franchisor by Franchisee at the time of termination. If the lien on the assets from Franchisee's lender has priority over any lien of Franchisor, and the amount of the lien is in excess of the appraised



value of such assets, Franchisor shall have the right to deal directly with Franchisee's lien holder and to pay any amounts due to Franchisee directly to the lien holder. Franchisee agrees to provide all further assurances, and to execute all documents required by Franchisor or by law, to lawfully effect such transfer, and to perfect Franchisor's security interest. Franchisor shall have the right to take such action without the execution of any further documents by Franchisee if Franchisee fails or refuses to comply with these further assurances.

M. Franchisor shall be entitled to assign any and all of its options in this Section to any other party, without the consent of Franchisee.

N. Franchisee, at the option of Franchisor, shall assign to Franchisor all rights to the telephone numbers of the Shop and any related Yellow Pages trademark listing or other business listings and execute all forms and documents required by Franchisor and any telephone company at any time to transfer such service and numbers to Franchisor. Notwithstanding any forms and documents which may have been executed by Franchisor under Section 7.I, Franchisee hereby appoints Franchisor its true and lawful agent and attorney-in-fact with full power and authority for the sole purpose of taking such action as is necessary to complete such assignment. This power of attorney shall survive the expiration or termination of this Agreement. Franchisee shall thereafter use different telephone numbers, e-mail addresses, or other listings or usages at or in connection with any subsequent business conducted by Franchisee.

## **19. MISCELLANEOUS**

A. Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by expedited delivery service or certified or registered mail, return receipt requested, first class postage prepaid, or sent by facsimile, or electronic medium (provided that the sender confirms the facsimile or electronic medium by sending an original confirmation copy by certified or registered mail or expedited delivery service within three (3) business days after transmission) to the respective parties at the following addresses unless and until a different address has been designated by written notice to the other party:

Notices to Franchisor: B&B WORLDWIDE, INC.  
336 Stradleigh Road  
Wilmington, NC 28403  
Attention: Amy Wright

With a copy to: Ward & Smith, P.A.  
Post Office Box 7068  
Wilmington, NC 28406  
Attention: Adam M. Beaudoin  
Facsimile: (910) 794-4877

Notices to Franchisee,  
the Principal  
and the Guarantors:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attention: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

Any notice shall be deemed to have been given at the time of personal delivery or, in the case of facsimile, telegram or telex, upon transmission (provided confirmation is sent as described above) or, in the case of expedited delivery service or registered or certified mail, three (3) business days after the date and time of mailing.

B. This Agreement, the documents referred to herein, and the Attachments hereto constitute the entire, full and complete agreement between Franchisor and Franchisee, the Principal and the Guarantors concerning the subject matter hereof and shall supersede all prior related agreements between Franchisor and Franchisee, the Principal and the Guarantors; provided, however, that nothing in this or any related agreement is intended to disclaim the representations made by Franchisor in the Disclosure Document that was furnished to Franchisee by Franchisor. Except for those permitted to be made unilaterally by Franchisor hereunder, 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.

C. No delay, waiver, omission or forbearance on the part of Franchisor to exercise any right, option, duty, or power arising out of any breach or default by Franchisee, the Principal or the Guarantors under this Agreement shall constitute a waiver by Franchisor to enforce any such right, option, duty, or power against Franchisee, the Principal or the Guarantors, or as to a subsequent breach or default by Franchisee, the Principal or the Guarantors. Acceptance by Franchisor of any payments due to it hereunder subsequent to the time at which such payments are due shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee, the Principal or the Guarantors of any terms, provisions, covenants, or conditions of this Agreement.

D. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor, and such approval or consent shall be obtained in writing.

E. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee or any third party to which it would not otherwise be subject, by providing any waiver, approval, advice, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

F. If a Force Majeure event shall occur, then, in addition to payments required under Section 17.A(3)(e), Franchisee shall continue to be obligated to pay to Franchisor any and all amounts that it shall have duly become obligated to pay in accordance with the terms of this Agreement prior to the occurrence of any Force Majeure event, and the Indemnitees shall continue to be indemnified and held harmless by Franchisee in accordance with Section 15. Except as provided in Section 17.A(3)(e) and the immediately preceding sentence herein, none of the parties hereto shall be held liable for a failure to comply with any terms and conditions of this Agreement when such failure is caused by an event of Force Majeure. Upon the occurrence of any event of the type referred to herein, the party affected thereby shall give prompt notice thereof to the other parties, together with a description of the event, the duration for which the party expects its ability to comply with the provisions of the Agreement to be affected thereby, and a plan for resuming operation under the Agreement, which the party shall promptly undertake and maintain with due diligence. Such affected party shall be liable for failure to give timely notice only to the extent of damage actually caused.

G. (1) EXCEPT AS PROVIDED IN THIS AGREEMENT, FRANCHISOR, FRANCHISEE, THE PRINCIPAL AND THE GUARANTORS AGREE THAT ANY CLAIM, CONTROVERSY, OR DISPUTE ARISING OUT OF OR RELATING TO THE FRANCHISE, FRANCHISEE'S ESTABLISHMENT, OR OPERATION OF ANY SHOP UNDER THIS AGREEMENT (AND ANY AMENDMENTS THERETO), INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY FRANCHISEE, THE PRINCIPAL OR ANY OF THE GUARANTORS, OR PERSONS CLAIMING ON BEHALF OF FRANCHISEE, THE PRINCIPAL OR THE GUARANTORS, CONCERNING THE ENTRY INTO, THE PERFORMANCE UNDER, OR THE TERMINATION OF THE AGREEMENT, OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR AND FRANCHISEE, ANY CLAIM AGAINST A PAST OR PRESENT OFFICER, DIRECTOR, EMPLOYEE, OR AGENT OF FRANCHISOR, INCLUDING THOSE OCCURRING SUBSEQUENT TO THE TERMINATION OF THIS AGREEMENT, THAT CANNOT BE AMICABLY SETTLED AMONG THE PARTIES SHALL, EXCEPT AS SPECIFICALLY SET FORTH HEREIN AND IN SECTION 19.H., BE REFERRED TO ARBITRATION. THE ARBITRATION SHALL BE CONDUCTED BY THE AMERICAN ARBITRATION ASSOCIATION IN ACCORDANCE WITH ITS RULES, AS AMENDED, EXCEPT THAT THE ARBITRATOR SHALL APPLY THE FEDERAL RULES OF EVIDENCE DURING THE CONDUCT OF THE HEARING SESSIONS WITH RESPECT TO THE ADMISSIBILITY OF EVIDENCE. IF SUCH RULES ARE IN ANY WAY CONTRARY TO OR IN CONFLICT WITH THIS AGREEMENT. THE TERMS OF THE AGREEMENT SHALL CONTROL. ONLY CLAIMS, CONTROVERSIES OR DISPUTES INVOLVING FRANCHISEE, THE PRINCIPAL AND THE GUARANTORS MAY BE BROUGHT HEREUNDER. NO CLAIM FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR SUPPLIER, OR CLASS, REPRESENTATIVE OR ASSOCIATION THEREOF, MAY BE BROUGHT BY FRANCHISEE, THE PRINCIPAL OR THE GUARANTORS HEREUNDER.

(2) THE PARTIES SHALL AGREE ON AN ARBITRATOR WITHIN FIFTEEN (15) DAYS OF THE FILING OF ARBITRATION. IF THE PARTIES CANNOT AGREE ON A SINGLE

ARBITRATOR, FRANCHISOR AND FRANCHISEE (OR THE PRINCIPAL OR GUARANTOR(S), AS APPLICABLE) SHALL EACH SELECT ONE (1) ARBITRATOR. IF THE PARTY UPON WHOM THE DEMAND FOR ARBITRATION IS SERVED FAILS TO SELECT AN ARBITRATOR WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THE DEMAND FOR ARBITRATION, THEN THE ARBITRATOR SO DESIGNATED BY THE PARTY REQUESTING ARBITRATION SHALL ACT AS THE SOLE ARBITRATOR TO RESOLVE THE CONTROVERSY AT HAND. THE TWO (2) ARBITRATORS DESIGNATED BY THE PARTIES SHALL SELECT A THIRD ARBITRATOR. IF THE TWO (2) ARBITRATORS DESIGNATED BY THE PARTIES FAIL TO SELECT A THIRD ARBITRATOR WITHIN FIFTEEN (15) DAYS, THE THIRD ARBITRATOR SHALL BE SELECTED BY THE AMERICAN ARBITRATION ASSOCIATION, OR ANY SUCCESSOR THERETO, UPON APPLICATION BY EITHER PARTY. ALL OF THE ARBITRATORS SHALL BE EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES. THE ARBITRATION SHALL TAKE PLACE IN WILMINGTON, NORTH CAROLINA. THE AWARD OF THE ARBITRATORS SHALL BE FINAL, AND JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE COSTS AND EXPENSES OF ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE ARBITRATORS SHALL BE REQUIRED TO SUBMIT WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW WITHIN THIRTY (30) DAYS FOLLOWING THE FINAL HEARING SESSION OF THE ARBITRATION. THE COSTS AND EXPENSES OF ARBITRATION, INCLUDING COMPENSATION AND EXPENSES OF THE ARBITRATORS, SHALL BE BORNE BY THE PARTIES AS THE ARBITRATORS DETERMINE.

(3) NOTWITHSTANDING THE ABOVE, THE FOLLOWING SHALL NOT BE SUBJECT TO ARBITRATION:

(i) DISPUTES AND CONTROVERSIES ARISING FROM THE SHERMAN ACT, THE CLAYTON ACT, OR ANY OTHER FEDERAL OR STATE ANTITRUST LAW;

(ii) DISPUTES AND CONTROVERSIES BASED UPON OR ARISING UNDER THE LANHAM ACT, AS NOW OR HEREAFTER AMENDED, RELATING TO THE OWNERSHIP OR VALIDITY OF THE TRADEMARKS;

(iii) DISPUTES AND CONTROVERSIES RELATING TO ACTIONS TO OBTAIN POSSESSION OF THE PREMISES OF THE SHOP UNDER LEASE OR SUBLEASE.

(4) IF FRANCHISOR SHALL DESIRE TO SEEK SPECIFIC PERFORMANCE OR OTHER EXTRAORDINARY RELIEF, INCLUDING, BUT NOT LIMITED TO, INJUNCTIVE RELIEF UNDER THIS AGREEMENT AND ANY AMENDMENTS THERETO, OR TO COLLECT MONIES DUE, THEN ANY SUCH ACTION SHALL NOT BE SUBJECT TO ARBITRATION, AND FRANCHISOR SHALL HAVE THE RIGHT TO BRING SUCH ACTION AS DESCRIBED IN SECTION 19.H.

(5) IN PROCEEDING WITH ARBITRATION AND IN MAKING DETERMINATIONS HEREUNDER, THE ARBITRATORS SHALL NOT EXTEND, MODIFY OR SUSPEND ANY TERMS OF THIS AGREEMENT OR THE REASONABLE STANDARDS OF BUSINESS PERFORMANCE AND OPERATION ESTABLISHED BY FRANCHISOR IN GOOD FAITH. NOTICE OF, OR REQUEST OR DEMAND FOR ARBITRATION SHALL NOT STAY, POSTPONE, OR RESCIND

THE EFFECTIVENESS OF ANY TERMINATION OF THIS AGREEMENT. THE ARBITRATORS SHALL APPLY NORTH CAROLINA LAW AND THE TERMS OF THIS AGREEMENT IN REACHING THEIR DECISION.

H. WITH RESPECT TO ANY CLAIMS, CONTROVERSIES, OR DISPUTES WHICH ARE NOT FINALLY RESOLVED THROUGH ARBITRATION, OR AS OTHERWISE PROVIDED ABOVE, FRANCHISEE, THE PRINCIPAL AND THE GUARANTORS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF NEW HANOVER COUNTY, NORTH CAROLINA AND THE FEDERAL DISTRICT COURT FOR THE EASTERN DISTRICT OF NORTH CAROLINA. FRANCHISEE, THE PRINCIPAL AND THE GUARANTORS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISEE, THE PRINCIPAL AND THE GUARANTORS HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY NORTH CAROLINA OR FEDERAL LAW. FRANCHISEE, THE PRINCIPAL AND THE GUARANTORS FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE NEW HANOVER COUNTY, NORTH CAROLINA; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION (i) FOR MONIES OWED, (ii) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (iii) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, FRANCHISOR MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT WHICH HAS JURISDICTION. WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS RELATED TO THIS AGREEMENT OR THE RELATIONSHIP CREATED THEREBY, THIS AGREEMENT AND ANY SUCH RELATED CLAIMS, CONTROVERSIES, DISPUTES, OR ACTIONS SHALL BE GOVERNED, ENFORCED, AND INTERPRETED UNDER NORTH CAROLINA LAW.

I. FRANCHISEE, THE PRINCIPAL, THE GUARANTORS, AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH IN SECTION 19.H. ABOVE PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF FRANCHISEE, THE PRINCIPAL, THE GUARANTORS, AND FRANCHISOR FURTHER ACKNOWLEDGE THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING APPLICABLE STATE LAW AND CHOICE OF FORUM HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

J. FRANCHISEE, THE PRINCIPAL, THE GUARANTORS, AND FRANCHISOR ACKNOWLEDGE THAT THE EXECUTION OF THIS AGREEMENT AND ACCEPTANCE OF THE TERMS BY THE PARTIES OCCURRED IN NEW HANOVER COUNTY, NORTH CAROLINA, AND FURTHER ACKNOWLEDGE THAT THE PERFORMANCE OF CERTAIN OBLIGATIONS OF FRANCHISEE ARISING UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF MONIES DUE HEREUNDER AND THE SATISFACTION OF CERTAIN TRAINING

REQUIREMENTS OF FRANCHISOR, SHALL OCCUR IN NEW HANOVER COUNTY, NORTH CAROLINA.

K. FRANCHISEE, THE PRINCIPAL, THE GUARANTORS, AND THE FRANCHISOR HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OR ANY PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL CONSEQUENTIAL, OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) AGAINST THE OTHER PARTY, THEIR AFFILIATES, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, SHAREHOLDERS, PARTNERS, AGENTS, REPRESENTATIVES, INDEPENDENT CONTRACTORS, SERVANTS, AND EMPLOYEES, IN THEIR CORPORATE AND INDIVIDUAL CAPACITIES, ARISING OUT OF ANY CAUSE WHATSOEVER (WHETHER SUCH CAUSE BE BASED IN CONTRACT, NEGLIGENCE, STRICT LIABILITY, OTHER TORT, OR OTHERWISE) AND AGREE THAT IN THE EVENT OF A DISPUTE, EITHER PARTY SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED BY IT. IF ANY OTHER TERM OF THIS AGREEMENT IS FOUND OR DETERMINED TO BE UNCONSCIONABLE OR UNENFORCEABLE FOR ANY REASON, THE FOREGOING PROVISIONS OF WAIVER BY AGREEMENT OF PUNITIVE, EXEMPLARY, INCIDENTAL, INDIRECT, SPECIAL CONSEQUENTIAL, OR OTHER DAMAGES (INCLUDING, WITHOUT LIMITATION, LOSS OF PROFITS) SHALL CONTINUE IN FULL FORCE AND EFFECT.

L. This Agreement may be executed in multiple counterparts, each of which when so executed shall be an original, and all of which shall constitute one (1) and the same instrument.

M. The captions used in connection with the sections and subsections of this Agreement are inserted only for purpose of reference. Such captions shall not be deemed to govern, limit, modify or in any other manner affect the scope, meaning or intent of the provisions of this Agreement or any part thereof, nor shall such captions otherwise be given any legal effect.

N. Any obligation of Franchisee, or the Principal or the Guarantors that contemplates performance of such obligation after termination or expiration of this Agreement, or the transfer of any interest of Franchisee, the Principal or the Guarantors therein, shall be deemed to survive such termination, expiration or transfer.

O. Except as expressly provided to the contrary herein, each portion, section, part, term and provision of this Agreement shall be considered severable; and if, for any reason, any portion, section, part, term or provision 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, this shall not impair the operation of, or have any other effect upon, the other portions, sections, parts, terms or provisions of this Agreement that may remain otherwise intelligible, and the latter shall continue to be given full force and effect and bind the parties; the invalid portions, sections, parts, terms or provisions shall be deemed not to be part of this Agreement; and there shall be automatically added such portion, section, part, term or provision as similar as possible to that which was severed which shall be valid and not contrary to or in conflict with any law or regulation.

P. All references herein to the masculine, neuter or singular shall be construed to include the masculine, feminine, neuter or plural, where applicable. Without limiting the obligations individually undertaken by the Principal or the Guarantors under this Agreement, all acknowledgments, promises,

covenants, agreements and obligations made or undertaken by Franchisee in this Agreement shall be deemed, jointly and severally, undertaken by the Principal and all of the Guarantors.

Q. All rights and remedies of the parties to this Agreement shall be cumulative and not alternative, in addition to and not exclusive of any other rights or remedies which are provided for herein or which may be available at law or in equity in case of any breach, failure or default, or threatened breach, failure or default, of any term, provision or condition of this Agreement or any other agreement between Franchisee or any of its affiliates and Franchisor. The rights and remedies of the parties to this Agreement shall be continuing and shall not be exhausted by any one (1) or more uses thereof, and may be exercised at any time or from time to time as often as may be expedient; and any option or election to enforce any such right or remedy may be exercised or taken at any time and from time to time. The expiration, earlier termination or exercise of Franchisor's rights pursuant to Section 17 of this Agreement shall not discharge or release Franchisee, the Principal or any of the Guarantors from any liability or obligation then accrued, or any liability or obligation continuing beyond, or arising out of, the expiration, the earlier termination or the exercise of such rights under this Agreement.

R. The term ("**Guarantor**") shall include, collectively and individually, (i) Franchisee's spouse, if Franchisee is an individual, and (ii) all holders, of ten percent (10%) or more, of the total ownership interest in Franchisee or of any entity directly or indirectly controlling Franchisee, and (iii) any other person or entity controlling, controlled by or under common control with Franchisee. As used in this Section 19.R, the terms "**control of**" and "**controlling**" shall mean the power to influence the management decisions of the specified person and shall in any case be deemed to exist where such person holds ten percent (10%) or more of the total ownership interest in the Franchisee, serves on any board of directors or comparable body of the Franchisee, or acts as an officer, general partner or manager thereof. If Franchisee is operating as a legal entity as contemplated hereunder, the persons holding an interest in the capital stock of Franchisee shall each be listed on Attachment D.

S. Each reference in this Agreement to a corporation or partnership shall be deemed to also refer to a limited liability company and any other entity or organization similar thereto. Each reference to the organizational documents, equity owners, directors, and officers of a corporation in this Agreement shall be deemed to refer to the functional equivalents of such organizational documents, equity owners, directors, and officers, as applicable, in the case of a limited liability company or any other entity or organization similar thereto.

T. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors and personnel and such of Franchisee's and Franchisor's respective successors and assigns as may be contemplated (and, as to Franchisee, authorized by Section 14), any rights or remedies under or as a result of this Agreement.

U. This Agreement shall not become effective until signed by the President, Chief Executive Officer, Chief Operating Officer, or Secretary of Franchisor.

V. Franchisee understands and agrees that the Bitty & Beau's System must not remain static if it is to meet, without limitation, presently unforeseen changes in technology, competitive circumstances, demographics, populations, consumer trends, societal trends and other marketplace variables, and if it is to best serve the interests of Franchisor, Franchisee and all other franchisees. Accordingly, Franchisee

expressly understands and agrees that Franchisor may from time to time change the components of the Bitty & Beau's System including, but not limited to, altering the products, programs, services, methods, standards, forms, policies and procedures of that Bitty & Beau's System; abandoning the Bitty & Beau's System altogether in favor of another system in connection with a merger, acquisition, other business combination or for other reasons; adding to, deleting from or modifying those products, programs and services which Franchisee's franchised business is authorized and required to offer; modifying or substituting entirely the building, premises, equipment, signage, trade dress, decor, color schemes and uniform specifications and all other unit construction, design, appearance and operation attributes which Franchisee is required to observe hereunder; and changing, improving, modifying or substituting the Marks. Franchisee expressly agrees to comply with any such modifications, changes, additions, deletions, substitutions and alterations; provided, however, that such changes shall not materially and unreasonably increase Franchisee's obligations hereunder. Franchisee shall accept, use and effectuate any such changes or modifications to, or substitution of, the Bitty & Beau's System as if they were part of the Bitty & Beau's System at the time that this Agreement was executed. Franchisor shall not be liable to Franchisee for any expenses, losses or damages sustained by Franchisee as a result of any of the modifications contemplated hereby. Franchisee hereby covenants not to commence or join in any litigation or other proceeding against Franchisor or any third party complaining of any such modifications or seeking expenses, losses or damages caused thereby. Finally, Franchisee expressly waives any claims, demands or damages arising from or related to the foregoing activities, including, without limitation, any claim of breach of contract, breach of fiduciary duty, fraud, and/or breach of the implied covenant of good faith and fair dealing.

W. Compliance with Anti-Terrorism Laws. Franchisee, the Principal and the Guarantors agree to comply, and to assist Franchisor to the fullest extent possible in Franchisor's efforts to comply, with Anti-Terrorism Laws (as defined below). In connection with that compliance, Franchisee, the Principal and the Guarantors certify, represent, and warrant that none of their property or interests is subject to being blocked under, and that Franchisee, the Principal and the Guarantors otherwise are not in violation of, any of the Anti-Terrorism Laws. "**Anti-Terrorism Laws**" mean Executive Order 13224 issued by the President of the United States, the USA PATRIOT Act, and all other present and future federal, state, and local laws, ordinances, regulations, policies, lists, and other requirements of any governmental authority addressing, or in any way relating to, terrorist acts and acts of war. Any violation of the Anti-Terrorism Laws by Franchisee, the Principal and/or the Guarantors, or any blocking of their assets under the Anti-Terrorism Laws, shall constitute good cause for immediate termination of this Agreement, as provided in Section 17.A(3)(t) above.

X. In order to prevent any interruption of the Shop operations which would cause harm to the Shop, thereby depreciating the value thereof, Franchisee authorizes Franchisor, who may, at its option, in the event that Franchisee is absent for any reason or is incapacitated by reason of illness and is unable, in the sole and reasonable judgment of Franchisor, to operate the Shop for so long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies Franchisor may have under this Agreement. All monies from the operation of the Shop during such period of operation by Franchisor shall be kept in a separate account, and the expenses of the Shop, including reasonable compensation and expenses for Franchisor's representative, shall be charged to said account. If, as herein provided, Franchisor temporarily operates the Shop franchised herein for Franchisee, Franchisee agrees to indemnify and hold harmless Franchisor and any representative of Franchisor who may act hereunder from any and all acts which Franchisor may perform as regards the interests of Franchisee or third parties.



Y. If Franchisor determines in its sole judgment that the operation of Franchisee's business is in jeopardy, or if a default occurs, then in order to prevent an interruption of the franchised business which would cause harm to the franchise system and thereby lessen its value, Franchisee authorizes Franchisor to operate his/her business for as long as Franchisor deems necessary and practical, and without waiver of any other rights or remedies which Franchisor may have under this Agreement. In the sole judgment of Franchisor, Franchisor may deem Franchisee incapable of operating the franchised business if, without limitation, Franchisee is absent or incapacitated by reason of illness or death; Franchisee has failed to pay when due, or has failed to remove any and all, liens or encumbrances of every kind placed upon or against Franchisee's business; or Franchisor determines that operational problems require that Franchisor operate Franchisee's business for a period of time that Franchisor determines, in its sole discretion, to be necessary to maintain the operation of the business as a going concern (each, a "**Step-In Right**"). Franchisor shall keep in a separate account all monies generated by the operation of Franchisee's business, less the expenses of the business, including reasonable compensation and expenses for Franchisor's representatives. In the event of the exercise of these Step-In Rights by Franchisor, Franchisee agrees to hold harmless Franchisor and its representatives for all actions occurring during the course of such temporary operation. Franchisee agrees to pay all of Franchisor's reasonable attorneys' fees and costs incurred as a consequence of Franchisor's exercise of its Step-In Rights. Nothing contained herein shall prevent Franchisor from exercising any other right which it may have under this Agreement, including, without limitation, termination pursuant to Section 17.

Z. Franchisee hereby grants Franchisor, its affiliates, successors, or licensees the irrevocable right and permission to use Franchisee's name, likeness, and image, as incorporated in any photographs, statements, audio recordings, and/or videos created by or on behalf of Franchisor for the purpose of promoting the Bitty & Beau's System, including the perpetual right to publicly display, transmit, broadcast, reproduce, record, modify, edit, adapt, create derivative works, license, and otherwise use Franchisee's, the Principal's, or a Guarantor's name, image, likeness, appearance, voice, and all materials created by or on behalf of the Franchisor that incorporate any of the foregoing ("**Materials**"). Franchisee understands and agrees that Materials may be placed on the Internet and/or on social media sites, and that Franchisee, the Principal, or a Guarantor may be identified by name and/or title in printed, Internet or broadcast information that might accompany the Materials. Franchisee waives the right to approve Materials and acknowledges that Franchisor has no obligation to create or use Materials. Franchisee agrees that all Materials are and shall remain the exclusive property of Franchisor. Franchisee hereby irrevocably transfers, assigns, and otherwise conveys to Franchisor its entire right, title, and interest, if any, including, but not limited to, copyrights, in and to the Materials, inclusive of the right to sue to enforce such rights against third-party infringers. Franchisee further waives any right to compensation, agrees to hold harmless, and forever releases Franchisor, its current and former directors, officers, shareholders, and employees, from any and all claims, demands, damages and liabilities, known or unknown, arising out of or in connection with the Materials, including but not limited to, any claims of libel, invasion of privacy, appropriation of likeness, or defamation.

AA. Franchisor hereby reserves for itself and the Wright family the right to publicly speak at the Shop on the Opening Date, and to cut a ceremonial opening ribbon in front of the Shop.

## 20. ACKNOWLEDGMENTS

A. Franchisee acknowledges that it has conducted an independent investigation of the business venture contemplated by this Agreement and recognizes that the success of this business venture involves substantial business risks and will largely depend upon the ability of Franchisee. Franchisor expressly disclaims making, and Franchisee acknowledges that it has not received or relied on, any warranty or guarantee, express or implied, as to the potential volume, profits or success of the business venture contemplated by this Agreement.

Initials: \_\_\_\_\_

B. Franchisee acknowledges that Franchisee has received, read and understands this Agreement and the related attachments and agreements and that Franchisor has afforded Franchisee sufficient time and opportunity to consult with advisors selected by Franchisee about the potential benefits and risks of entering into this Agreement.

Initials: \_\_\_\_\_

C. Franchisee acknowledges that it received the Disclosure Document required by the Trade Regulation Rule of the Federal Trade Commission entitled "Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures" at least fourteen (14) calendar days prior to the date on which this Agreement was executed.

Initials: \_\_\_\_\_

**IN WITNESS WHEREOF**, each of the parties hereto has caused this Agreement to be executed by its duly authorized representative as of the date first above written.

**FRANCHISOR:**

**B&B WORLDWIDE, INC.**  
a North Carolina corporation

ATTEST:

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

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

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

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

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

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

Accepted On: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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

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

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

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

**ATTACHMENT A**  
**GUARANTY OF PRINCIPAL AND GUARANTORS**

Each of the undersigned acknowledges and agrees as follows:

1. The Principal and each Guarantor has read the terms and conditions of the Franchise Agreement attached herewith and acknowledges that the execution of this guaranty and the undertakings of the Principal and the Guarantors in the Franchise Agreement are in partial consideration for, and a condition to, the granting of this license, and that Franchisor would not have granted this license without the execution of this guaranty and such undertakings by each of the undersigned;

2. The Principal and each Guarantor is included in the term "Guarantor" as described in Section 19.R. of the Franchise Agreement;

3. The Principal and each Guarantor individually, jointly and severally, makes all of the covenants, representations, warranties and agreements of the Principal and the Guarantors set forth in the Franchise Agreement, and is obligated to perform thereunder; and

4. Each individually, jointly and severally, unconditionally and irrevocably guarantees to Franchisor and its successors and assigns that all of Franchisee's obligations under the Franchise Agreement will be punctually paid and performed. Upon default by Franchisee or upon notice from Franchisor, each will immediately make each payment and perform each obligation required of Franchisee under the Franchise Agreement. Without affecting the obligations of the Principal or any of the Guarantors under this guaranty, Franchisor may, without notice to the Principal or the Guarantors, waive, renew, extend, modify, amend or release any indebtedness or obligation of Franchisee or settle, adjust or compromise any claims that Franchisor may have against Franchisee. Each of the Principal and the Guarantors waives all demand and notices of every kind with respect to the enforcement of this guaranty, including, without limitation, notice of presentment, demand for payment or performance by Franchisee, any default by Franchisee or any guarantor and any release of any guarantor or other security for this guaranty or the obligations of Franchisee. Franchisor may pursue its rights against the Principal and any of the Guarantors without first exhausting its remedies against Franchisee, and without joining any other guarantor hereto, (and the Principal and each Guarantor hereby waives any such rights such party might otherwise have had under Va. Code §§ 49-25 and 49-26, et seq., N.C.G.S. §§ 26-7, et seq. Tenn. Code Ann. § 47-12-101, O.C.G.A. § 10-7-24, Mississippi Code Ann. Section 87-5-1, California Civil Code Section §§ 2787 to 2855 inclusive, and any successor statute and any other applicable law). No delay on the part of Franchisor in the exercise of any right or remedy shall operate as a waiver of such right or remedy, and no single or partial exercise by Franchisor of any right or remedy shall preclude the further exercise of such right or remedy. Upon receipt by Franchisor of notice of the death of the Principal or any of the Guarantors, the estate of the Deceased will be bound by the foregoing guaranty, but only for defaults and obligations under the Franchise Agreement existing at the time of death, and in such event, the obligations of the remaining Principal and/or Guarantors, as the case may be, shall continue in full force and effect. This guaranty shall continue to be effective or be reinstated, as the case may be, if at any time any payment of the guaranteed obligations is rescinded, avoided or for any other reason must be returned by Franchisee, and the returned payment shall remain payable as part of the guaranteed obligations, all as though such payment had not, been made.

To the extent permitted by law, the Principal and each Guarantor waives and releases the following rights, demands, and defenses such party may have with respect to Franchisor (and, with respect to swap obligations, its affiliates) and collection of the guaranteed obligations: (a) promptness and diligence in collection of any of the guaranteed obligations from Franchisee or any other person liable thereon, and in foreclosure of any security interest and sale of any property serving as collateral for the guaranteed obligations; (b) any law or statute that requires that Franchisor (and, with respect to swap obligations, its affiliates) make demand upon, assert claims against, or collect from Franchisee or other persons or entities, foreclose any security interest, sell collateral, exhaust any remedies, or take any other action against Franchisee or other persons or entities prior to making demand upon, collecting from or taking action against such Principal or Guarantor with respect to the guaranteed obligations, including any such rights such Principal or Guarantor might otherwise have had under Va. Code §§ 49-25 and 49-26, et seq., N.C.G.S. §§ 26-7, et seq. Tenn. Code Ann. § 47-12-101, O.C.G.A. § 10-7-24, Mississippi Code Ann. Section 87-5-1, California Civil Code Section §§ 2787 to 2855 inclusive, and any successor statute and any other applicable law; (c) any law or statute that requires that Franchisee or any other person be joined in, notified of or made part of any action against such Principal or Guarantor; (d) that Franchisor or its affiliates preserve, insure or perfect any security interest in collateral or sell or dispose of collateral in a particular manner or at a particular time, provided that Franchisor's obligation to dispose of collateral in a commercially reasonable manner is not waived hereby; (e) notice of extensions, modifications, renewals, or novations of the guaranteed obligations, of any new transactions or other relationships between Franchisor, Franchisee and/or any guarantor, and of changes in the financial condition of, ownership of, or business structure of Franchisee or any other guarantor; (f) presentment, protest, notice of dishonor, notice of default, demand for payment, notice of intention to accelerate maturity, notice of acceleration of maturity, notice of sale, and all other notices of any kind whatsoever to which such Principal or Guarantor may be entitled; (g) the right to assert against Franchisor or its affiliates any defense (legal or equitable), set-off, counterclaim, or claim that such Principal or Guarantor may have at any time against Franchisee or any other party liable to Franchisor or its affiliates; (h) all defenses relating to invalidity, insufficiency, unenforceability, enforcement, release or impairment of Franchisor or its affiliates' lien on any collateral, of the Loan Documents, or of any other guaranties held by Franchisor; (i) any right to which such Principal or Guarantor is or may become entitled to be subrogated to Franchisor or its affiliates' rights against Franchisee or to seek contribution, reimbursement, indemnification, payment or the like, or participation in any claim, right or remedy of Franchisor or its affiliates against Franchisee or any security which Franchisor or its affiliates now has or hereafter acquires, until such time as the guaranteed obligations have been fully satisfied beyond the expiration of any applicable preference period; (j) any claim or defense that acceleration of maturity of the guaranteed obligations is stayed against such Principal or Guarantor because of the stay of assertion or of acceleration of claims against any other person or entity for any reason including the bankruptcy or insolvency of that person or entity; and (k) the right to marshaling of Franchisee's assets or the benefit of any exemption claimed by such Principal or Guarantor. The Principal and each Guarantor acknowledges and represents that such party has relied upon its own due diligence in making an independent appraisal of Franchisee, Franchisee's business affairs and financial condition, and any collateral; such party will continue to be responsible for making an independent appraisal of such matters; and such party has not relied upon Franchisor or its affiliates for information regarding Franchisee or any collateral.

The Principal and each Guarantor shall pay all of Franchisor's and its affiliates' reasonable expenses incurred to enforce or collect any of the guaranteed obligations, including, without limitation, reasonable arbitration, paralegals', attorneys' and experts' fees and expenses, whether incurred without the

commencement of a suit, in any suit, arbitration, or administrative proceeding, or in any appellate, or bankruptcy proceeding.

The Principal and each Guarantor agrees: (a) to subordinate the obligations now or hereafter owed by Franchisee to such Principal or Guarantor ("Subordinated Debt") to any and all obligations of Franchisee to Franchisor or its affiliates now or hereafter existing while this guaranty is in effect; (b) such Principal or Guarantor will either place a legend indicating such subordination on every note, ledger page or other document evidencing any part of the Subordinated Debt or deliver such documents to Franchisor; and (c) such Principal or Guarantor will not request or accept payment of or any security for any part of the Subordinated Debt, and any proceeds of the Subordinated Debt paid to such Principal or Guarantor, through error or otherwise, shall immediately be forwarded to Franchisor by such Principal or Guarantor, properly endorsed to the order of Franchisor, to apply to the guaranteed obligations.

*(Signature Page Follows)*

**WITNESS:**

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

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

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

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

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

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

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

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

**WITNESS:**

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

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

**GUARANTORS:**

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

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

\_\_\_\_\_

**PRINCIPAL:**

\_\_\_\_\_

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

**ATTACHMENT B**

**APPROVED LOCATION,  
AREA OF PRIMARY RESPONSIBILITY AND OPENING DATE**

1. APPROVED LOCATION

PURSUANT TO SECTION 1.B. OF THE FRANCHISE AGREEMENT, THE SHOP SHALL BE LOCATED AT THE FOLLOWING APPROVED LOCATION:

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2. AREA OF PRIMARY RESPONSIBILITY:

PURSUANT TO SECTION 1.D. OF THE FRANCHISE AGREEMENT, THE PRIMARY AREA OF RESPONSIBILITY SHALL BE

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3. OPENING DATE:

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**FRANCHISOR:**

**B&B WORLDWIDE, INC.**  
a North Carolina corporation

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

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

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

Accepted On: \_\_\_\_\_

**FRANCHISEE:**

\_\_\_\_\_

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

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

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

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



**ATTACHMENT C**

**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, \_\_\_\_\_ ("Assignor") assigns, transfers and sets over to B&B WORLDWIDE, INC., a North Carolina corporation ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease", a copy of which is attached hereto, respecting premises commonly known as \_\_\_\_\_. This assignment is for collateral purposes only, and except as specified in this document, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor's default under the Lease or default under the "Franchise Agreement" for a Shop between Assignee and Assignor, or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event, Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past-due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing, and upon Assignor's failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**ASSIGNEE:**

B&B WORLDWIDE, INC.

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

\_\_\_\_\_

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

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

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

**ASSIGNOR:**

\_\_\_\_\_

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

\_\_\_\_\_

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

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

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

**CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR**

\_\_\_\_\_, the undersigned Lessor under that certain Lease regarding the premises for the Shop:

(a) Agrees to notify \_\_\_\_\_ a \_\_\_\_\_ ("Company") in writing of and upon Assignor's failure to cure any default by Assignor under the Lease;

(b) Agrees that Company will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the collateral assignment of Assignor's right and title to and interest in the Lease and agrees that if Company takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Company as tenant under the Lease, provided that Company cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Company may further assign the Lease to, or enter into a sublease with, a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor, and that upon that assignment, Company will have no further liability or obligation under the Lease as assignee, tenant or otherwise other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a Shop.

Dated: \_\_\_\_\_

**LESSOR:**

\_\_\_\_\_

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

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

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

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

**ATTACHMENT D**

**STATEMENT OF OWNERSHIP INTERESTS AND  
FRANCHISEE'S PRINCIPAL AND GUARANTORS**

The following is a list of all shareholders, partners or other investors in Franchisee, including all investors who own or hold a direct or indirect interest in Franchisee, and a description of the nature of their interest:

| <u>Name</u> | <u>Percentage of Ownership/Nature of Interest</u> |
|-------------|---|
|-------------|---|

**ATTACHMENT E**  
**ELECTRONIC TRANSFER AUTHORIZATIONS**

See attached.

Automatic Debit of Amount Due To Franchisor

BITTY & BEAU'S COFFEE Franchised Business ("Depositor") hereby authorizes and requests \_\_\_\_\_ (the "Bank") to initiate debit and credit entries to Depositor's \_\_\_\_\_ checking and \_\_\_\_\_ savings account (*select one*) indicated below drawn by and payable to the order of B&B WORLDWIDE, INC. ("Franchisor") by Electronic Funds Transfer, provided there are sufficient funds in said account to pay the amount upon presentation.

Depositor agrees that \_\_\_\_\_'s ("Bank") rights with respect to each such charge shall be the same as if it were a check drawn by the Bank and signed by Depositor. Depositor further agrees that if any such charge is dishonored, whether with or without cause and whether intentionally or inadvertently, the Bank shall be under no liability whatsoever.

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

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_ Account Number: \_\_\_\_\_

This authority is to remain in full force and effect until Franchisor has received written notification from me of its termination in such time and in such manner as to afford Franchisor and Bank a responsible opportunity to act on such request.

Store Address: (Please Print)

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

Depositor: (Please Print)

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

Date Signed

\_\_\_\_\_

Signature(s) of Depositor, as Printed Above

**Please attach a voided blank check for purposes of setting up Bank and Transit Numbers.**

**ATTACHMENT F**  
**POWER OF ATTORNEY**

See attached.

**IRREVOCABLE POWER OF ATTORNEY**

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_)

**KNOW ALL MEN BY THESE PRESENTS**

That \_\_\_\_\_ ("Franchisee") does hereby irrevocably constitute and appoint B&B WORLDWIDE, INC., a North Carolina corporation, ("Franchisor") its true and lawful attorney-in-fact and agent for Franchisee and, in Franchisee's name, place and stead, authorizes Franchisor to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purposes of: (1) assigning to Franchisor all of Franchisee's right, title and interest in and to any and all telephone numbers of Franchisee's franchise and all related Yellow Pages, White Pages and other business listings, including, but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service company providing telephone services to Franchisee; and (2) obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including, but not limited to, the State Comptroller of the State of North Carolina, and hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

During the term of this Power of Attorney, and regardless of whether Franchisee has designated any other person to act as its attorney-in-fact and agent, no person, firm or corporation dealing with Franchisor shall be required to ascertain the authority of Franchisor, nor to see to the performance of the agency, nor be responsible in any way for the proper application of funds or property paid or delivered to Franchisor. Any person, firm or corporation dealing with Franchisor shall be fully protected in acting and relying on a certificate of Franchisor that this Power of Attorney on the date of such certificate has not been revoked and is in full force and effect, and Franchisee shall not take any action against any person, firm or corporation acting in reliance on such a certificate or a copy of this Power of Attorney. Any instrument or document executed on behalf of Franchisee by Franchisor shall be deemed to include such a certificate on the part of Franchisor, whether or not expressed. This paragraph shall survive any termination of this Power of Attorney.

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement attached hereto by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of North Carolina, and the laws of the State of North

Carolina shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Irrevocable Power of Attorney as of the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISEE:**

\_\_\_\_\_

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

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

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



State: \_\_\_\_\_

County: \_\_\_\_\_

I certify that the following person personally appeared before me this day, acknowledging to me that he/she signed the foregoing document for the purpose(s) stated therein, in the capacity indicated therein:

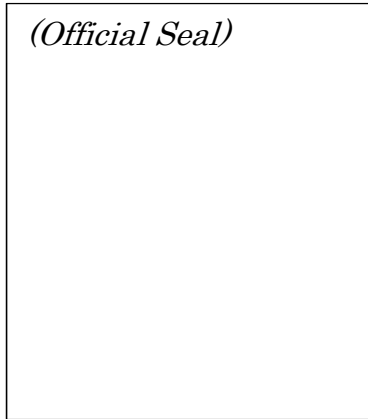
\_\_\_\_\_.

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

\_\_\_\_\_  
*Signature of Notary Public*

\_\_\_\_\_  
Notary's printed or typed name

My commission expires: \_\_\_\_\_



Notary seal or stamp must appear within this box.

**ATTACHMENT G**  
**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, B&B WORLDWIDE, INC. d/b/a BITTY & BEAU'S COFFEE (the "Franchisor") and you are preparing to enter into a franchise agreement for the establishment and operation of a Shop (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

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Exhibit B-72

5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

\_\_\_\_\_ Yes \_\_\_\_\_ No

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

\_\_\_\_\_ Yes \_\_\_\_\_ No

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

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

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If No, do you wish to have more time to do so?

\_\_\_\_\_ Yes \_\_\_\_\_ No

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

\_\_\_\_\_ Yes \_\_\_\_\_ No

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in

Exhibit B-73

operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

\_\_\_\_\_ Yes \_\_\_\_\_ No

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

\_\_\_\_\_ Yes \_\_\_\_\_ No

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

\_\_\_\_\_ Yes \_\_\_\_\_ No

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

\_\_\_\_\_ Yes \_\_\_\_\_ No

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who?

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Exhibit B-74

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If you have answered No to question 9, or Yes to anyone of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

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. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and

Exhibit B-75

terrorist organizations and that the United States government has adopted, and in the future may adopt, other antiterrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Exhibit B-76

Acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Sign here if you are taking the franchise as an  
INDIVIDUAL

Sign here if you are taking the franchise as a  
CORPORATION, LIMITED LIABILITY  
COMPANY OR PARTNERSHIP

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Legal Entity

Print Name \_\_\_\_\_

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

\_\_\_\_\_  
Signature

Print Name \_\_\_\_\_

Print Name \_\_\_\_\_

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

**EXHIBIT C TO THE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES  
(Updated as of April 30, 2023)**

| <b>STATE</b> | <b>FRANCHISEE NAME &amp; ADDRESS</b> | <b>ADDRESS AND TELEPHONE NUMBER OF SHOP</b>           |
|--------------|--------------------------------------|---|
| AL           | Guy May                              | 100 N. Gay St, Auburn, AL (334) 591-0291              |
| PA           | Colleen Dorsey & Kathi Eichman       | 74 W. Broad St. Bethlehem, PA (484) 225-8358          |
| AL           | Robb Crumpton                        | 1625 Oxmoor Rd Birmingham, AL ( <b>Phone TBD</b> )    |
| CO           | Julia Fetzer                         | 1468 Pearl St. Boulder, CO ( <b>Phone TBD</b> )       |
| DC           | ServiceSource                        | 3207 M St. NW Washington, DC ( <b>Phone TBD</b> )     |
| FL           | Alyssa Hurst                         | 1965 San Marco Blvd, Jacksonville, FL (904) 683-6083  |
| NC           | Amie Cennamo                         | 1930 Camden Rd Ste 236 Charlotte, NC (980) 299-2015   |
| NC           | Kelli Balash                         | 411 W. 4th St. Winston-Salem, NC ( <b>Phone TBD</b> ) |
| TX           | Drew Scoggins                        | 2367 Rice Blvd Houston, TX (713) 205-6137             |
| GA           | Diana Langhorne                      | 1540 Lumpkin St, Ste 3, Athens, GA (678) 361-8184     |
| MI           | KC Maddelein                         | 305 S. Main St. Ann Arbor, MI 48104 (734) 881-7917    |
| TX           | Mark Sauer                           | 110 Franklin Ave Waco, TX (254) 315-9284              |
| PA           | Dan Hiers                            | 1920 Smallman St. Pittsburgh, PA ( <b>Phone TBD</b> ) |
|              | Mandy Robinson                       | <b>Location TBD</b>                                   |
|              | Brandon Abbott                       | <b>Location TBD</b>                                   |
|              | Mike Van Handel                      | <b>Location TBD</b>                                   |



**EXHIBIT D TO THE DISCLOSURE DOCUMENT**

**LIST OF FRANCHISEES WHO HAVE LEFT  
(Updated as of April 30, 2023)**

| <b>STATE</b> | <b>FRANCHISEE<br/>NAME &amp;<br/>ADDRESS</b> | <b>ADDRESS OF STORES</b>                          |
|--------------|--|---|
| MA           | Maryanne O'Donnell                           | 462 Main St, Melrose, MA; 781-248-2465            |
| DC           | Rae Stone                                    | 3207 M St NW Washington, DC; telephone number TBD |

**LIST OF FRANCHISES CLOSED  
(Updated as of April 30, 2023)**

| <b>STATE</b> | <b>FRANCHISEE<br/>NAME &amp;<br/>ADDRESS</b> | <b>ADDRESS OF STORES</b>               |
|--------------|--|--|
| MA           | Maryanne O'Donnell                           | 462 Main St, Melrose, MA; 781-248-2465 |

## EXHIBIT E TO THE DISCLOSURE DOCUMENT

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**EXHIBIT F TO THE DISCLOSURE DOCUMENT**

**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, B&B WORLDWIDE, INC. (the "Franchisor") and you are preparing to enter into a franchise agreement for the establishment and operation of a BITTY & BEAU'S COFFEE Shop (the "Franchised Business"). The purpose of this questionnaire (this "Questionnaire") is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

\_\_\_\_\_ Yes    \_\_\_\_\_ No

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

Exhibit F-1

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5. Have you received and personally reviewed the Franchisor's Disclosure Document that was provided to you?

\_\_\_\_\_ Yes \_\_\_\_\_ No

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

\_\_\_\_\_ Yes \_\_\_\_\_ No

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

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

8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

\_\_\_\_\_ Yes \_\_\_\_\_ No

If No, do you wish to have more time to do so?

\_\_\_\_\_ Yes \_\_\_\_\_ No

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

\_\_\_\_\_ Yes \_\_\_\_\_ No

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

Exhibit F-2

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

\_\_\_\_\_ Yes \_\_\_\_\_ No

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

\_\_\_\_\_ Yes \_\_\_\_\_ No

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

\_\_\_\_\_ Yes \_\_\_\_\_ No

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

\_\_\_\_\_ Yes \_\_\_\_\_ No

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

\_\_\_\_\_ Yes \_\_\_\_\_ No

Exhibit F-3

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who?

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If you have answered No to question 9, or Yes to any of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

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. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

Exhibit F-4



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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other antiterrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;
- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism; or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Exhibit F-5

Acknowledged this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Sign here if you are taking the franchise as an  
INDIVIDUAL

Sign here if you are taking the franchise as a  
CORPORATION, LIMITED LIABILITY  
COMPANY OR PARTNERSHIP

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Legal Entity

Print Name \_\_\_\_\_

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

\_\_\_\_\_  
Signature

Print Name \_\_\_\_\_

Print Name \_\_\_\_\_

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

**ATTACHMENT A TO THE DISCLOSURE DOCUMENT**  
**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for franchising disclosure/registration laws and for service of process. We may not yet be registered to sell franchises in any or all of these states.

| <b><u>CALIFORNIA</u></b>   | <b><u>CONNECTICUT</u></b>   |
|--|---|
| <p>Department of Corporations:<br/>320 West 4th Street, Suite 750<br/>Los Angeles, CA 90013<br/>(213) 576-7500 Toll Free (866) 275-2677</p> <p>1515 K Street, Suite 200<br/>Sacramento, CA 95814<br/>(916) 445-7205</p> <p>1350 Front Street<br/>San Diego, CA 92101<br/>(619) 525-4233</p> <p>71 Stevenson Street, Suite 2100<br/>San Francisco, CA 94105<br/>(415) 972-8559</p> <p>Agent: California Corporations<br/>Commissioner</p> | <p>State of Connecticut<br/>Department of Banking<br/>Securities &amp; Business Investments Division<br/>260 Constitution Plaza<br/>Hartford, CT 06103-1800<br/>(860) 240-8230</p> <p>Agent: Banking Commissioner</p> |

|   |  |
|---|--|
| <p><b><u>HAWAII</u></b><br/>(state administrator)</p> <p>Business Registration Division<br/>Department of Commerce and Consumer Affairs<br/>335 Merchant Street, Room 203<br/>Honolulu, Hawaii 96813<br/>(808) 586-2722</p> <p>(agent for service of process)</p> <p>Commissioner of Securities<br/>State of Hawaii<br/>335 Merchant Street<br/>Honolulu, Hawaii 96813<br/>(808) 586-2722</p> | <p><b><u>ILLINOIS</u></b></p> <p>Franchise Bureau</p> <p>Office of the Attorney General<br/>500 South Second Street<br/>Springfield, Illinois 62706<br/>(217) 782-4465</p>   |
| <p><b><u>INDIANA</u></b><br/>(state administrator)</p> <p>Indiana Secretary of State<br/>Securities Division, E-III<br/>302 Washington Street<br/>Indianapolis, Indiana 46204<br/>(317) 232-6681</p> <p>(agent for service of process)<br/>Indiana Secretary of State<br/>201 State House<br/>200 West Washington Street<br/>Indianapolis, Indiana 46204<br/>(317) 232-6531</p>               | <p><b><u>MARYLAND</u></b><br/>(state administrator)</p> <p>Office of the Attorney General<br/>Securities Division<br/>200 St. Paul Place<br/>Baltimore, Maryland 21202-2021<br/>(410) 576-6360</p> <p>(for service of process)<br/>Maryland Securities Commissioner<br/>200 St. Paul Place<br/>Baltimore, Maryland 21202-2021<br/>(410) 576-6360</p> |

|   |  |
|---|--|
| <p><b><u>MICHIGAN</u></b><br/>(state administrator)</p> <p>Consumer Protection Division<br/>Antitrust and Franchise Unit<br/>Michigan Department of Attorney General<br/>525 W. Ottawa Street, 6th Floor<br/>Lansing, Michigan 48933<br/>(517) 373-7117</p> <p>(for service of process)<br/>Corporations Division<br/>Bureau of Commercial Services<br/>Department of Labor and Economic Growth<br/>P.O. Box 30054<br/>Lansing, Michigan 48909<br/>(517) 241-6470</p> | <p><b><u>MINNESOTA</u></b><br/>(state administrator)</p> <p>Minnesota Department of Commerce<br/>85 7th Place East, Suite 500<br/>St. Paul, Minnesota 55101-2198<br/>(651) 296-6328</p> <p>(for service of process)<br/>Minnesota Commissioner of Commerce</p> |
| <p><b><u>NEW YORK</u></b><br/>(state administrator)</p> <p>New York State Department of Law<br/>Bureau of Investor Protection and Securities<br/>120 Broadway, 23rd Floor<br/>New York, New York 10271<br/>(212) 416-8211</p> <p>(for service of process)<br/>Secretary of State of New York<br/>41 State Street<br/>Albany, New York 12231<br/>(518) 474-4750</p>  | <p><b><u>NORTH DAKOTA</u></b><br/>North Dakota Securities Department<br/>State Capitol, Fifth Floor, Dept. 414<br/>600 East Boulevard Avenue<br/>Bismarck, North Dakota 58505<br/>(701) 328-4712</p>   |
| <p><b><u>OREGON</u></b></p> <p>Department of Insurance and Finance<br/>Corporate Securities Section<br/>Labor and Industries Building<br/>Salem, Oregon 97310<br/>(503) 378-4387</p>  | <p><b><u>RHODE ISLAND</u></b></p> <p>Division of Securities<br/>Rhode Island Dept. of Business Regulation<br/>Bldg. 69, First Floor<br/>John O. Pastore Center<br/>1511 Pontiac Avenue<br/>Cranston, RI 02920<br/>(401) 462-9500</p>                           |

|  |  |
|--|--|
| <p><b><u>SOUTH DAKOTA</u></b></p> <p>Division of Securities<br/> Department of Revenue &amp; Regulation<br/> 445 East Capitol Avenue<br/> Pierre, South Dakota 57501<br/> (605) 773-4823</p>   | <p><b><u>VIRGINIA</u></b></p> <p>State Corporation Commission<br/> Division of Securities and Retail Franchising<br/> 1300 East Main Street, 9th Floor<br/> Richmond, Virginia 23219<br/> (804) 371-9051</p> <p>(for service of process)<br/> Clerk of the State Corporation Commission<br/> 1300 East Main Street, 1st Floor<br/> Richmond, Virginia 23219<br/> (804) 371-9733</p>                                  |
| <p><b><u>WASHINGTON</u></b><br/> (state administrator)</p> <p>Department of Financial Institutions<br/> Securities Division<br/> P.O. Box 9033<br/> Olympia, Washington 98507-9033<br/> (360) 902-8760</p> <p>(for service of process)<br/> Director, Department of Financial Institutions<br/> Securities Division 150 Israel Road S.W.<br/> Tumwater, Washington 98501</p> | <p><b><u>WISCONSIN</u></b><br/> (state administrator)</p> <p>Division of Securities<br/> Department of Financial Institutions<br/> 345 W. Washington Ave., 4th Floor<br/> Madison, Wisconsin 53703<br/> (608) 266-1064</p> <p>(for service of process)<br/> Administrator, Division of Securities<br/> Department of Financial Institutions<br/> 345 W. Washington Ave., 4th Floor<br/> Madison, Wisconsin 53703</p> |

**THE FRANCHISOR REPRESENTS THAT THIS PROSPECTUS DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT, OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

**ATTACHMENT B TO THE DISCLOSURE DOCUMENT**  
**SUGGESTED INSURANCE COVERAGE**

1. Limits of Liability:

|  |                |
|--|----------------|
| General Aggregate                          | \$2,000,000.00 |
| Products/Completed Operations Aggregate    | \$2,000,000.00 |
| Personal & Advertising Injury              | \$2,000,000.00 |
| Each Occurrence                            | \$1,000,000.00 |
| Damage to Rented Premises                  | \$300,000.00   |
| Medical Expense (Any One Person)           | \$1,000.00     |
| Employee Benefits Liability per Occurrence | \$1,000,000.00 |
| Employee Benefits Liability Aggregate      | \$2,000,000.00 |
| Employee Benefits Liability Deductible     | \$1,000.00     |
  
2. All Risks in an amount that will cover the full cost of replacement of Shop premises and all property not covered by coinsurance clause for the premises.
  
3. Crime Insurance \$10,000.00
  
4. Workers Compensation As required by state law of the state  
in which the Shop is located



**ATTACHMENT C**  
**COLLATERAL ASSIGNMENT OF LEASE**

FOR VALUE RECEIVED, \_\_\_\_\_ ("Assignor") assigns, transfers and sets over to \_\_\_\_\_, a \_\_\_\_\_ ("Assignee"), all of Assignor's right and title to and interest in that certain "Lease", a copy of which is attached hereto, respecting premises commonly known as \_\_\_\_\_. This assignment is for collateral purposes only, and except as specified in this document, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this assignment or the Lease unless and until Assignee takes possession of the premises the Lease demises according to the terms of this document and assumes Assignor's obligations under the Lease.

Assignor represents and warrants to Assignee that it has full power and authority to assign the Lease and that Assignor has not previously assigned or transferred and is not otherwise obligated to assign or transfer any of its interest in the Lease or the premises it demises.

Upon Assignor's default under the Lease or default under the "Franchise Agreement" for a BITTY & BEAU'S COFFEE Shop between Assignee and Assignor, or in the event Assignor defaults under any document or instrument securing the Franchise Agreement, Assignee has the right to take possession of the premises the Lease demises and expel Assignor from the premises. In that event, Assignor will have no further right and title to or interest in the Lease but will remain liable to Assignee for any past-due rental payments or other charges Assignee is required to pay Lessor to effectuate the assignment this document contemplates.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without Assignee's prior written consent. Throughout the term of the Franchise Agreement, Assignor agrees that it will elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days before the last day upon which the option must be exercised unless Assignee agrees otherwise in writing. Upon Assignee's failure to agree otherwise in writing, and upon Assignor's failure to elect to extend or renew the Lease as required, Assignor appoints Assignee as its true and lawful attorney-in-fact with the authority to exercise the extension or renewal options in the name, place and stead of Assignor for the sole purpose of effecting the extension or renewal.

**ASSIGNEE:**

**ASSIGNOR:**

\_\_\_\_\_

\_\_\_\_\_

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

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

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

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

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

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

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

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

**CONSENT TO COLLATERAL ASSIGNMENT AND AGREEMENT OF LESSOR**

\_\_\_\_\_, the undersigned Lessor under that certain Lease regarding the premises for the Shop:

(a) Agrees to notify \_\_\_\_\_, a \_\_\_\_\_ corporation ("Company") in writing of and upon Assignor's failure to cure any default by Assignor under the Lease;

(b) Agrees that Company will have the right, but not the obligation, to cure any default by Assignor under the Lease within thirty (30) days after Lessor's delivery of notice of the default under section (a) above;

(c) Consents to the collateral assignment of Assignor's right and title to and interest in the Lease and agrees that if Company takes possession of the premises the Lease demises and confirms to Lessor that it has assumed the Lease as tenant, Lessor will recognize Company as tenant under the Lease, provided that Company cures within the thirty (30) day period noted in section (b) above Assignor's defaults under the Lease; and

(d) Agrees that Company may further assign the Lease to, or enter into a sublease with, a person, firm or corporation who agrees to assume the tenant's obligations under the Lease and is reasonably acceptable to Lessor, and that upon that assignment, Company will have no further liability or obligation under the Lease as assignee, tenant or otherwise other than to certify that the additional assignee or sublessee operates the premises the Lease demises as a BITTY & BEAU'S COFFEE Shop.

Dated: \_\_\_\_\_

**LESSOR:**

\_\_\_\_\_

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

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

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

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

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