FRANCHISE DISCLOSURE DOCUMENT

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED
a corporation organized under Irish law
550 S. Hope St, Suite 2100
Los Angeles, CA 90071
(310) 237-2326
www.coffeebean.com

This franchise is for "Traditional" or "Special Distribution" *The Coffee Bean & Tea Leaf*® Stores or Kiosks featuring premium coffee beverages, espresso drinks, premium teas, roasted coffee beans and blends, prepackaged coffees, prepackaged teas, baked goods, snacks and other food items and products, which may include but are not limited to coffee making equipment, cups, hats, t-shirts, miscellaneous branded items and other novelty items. Traditional Stores and Kiosk are *The Coffee Bean & Tea Leaf*® Store operated at venues other than "Special Distribution Sites. Special Distribution Stores or Kiosks are Stores located at "Special Distribution Sites" or institutional settings, such as hotels, airports, colleges, universities, schools, grocery stores, supermarkets, hospitals, military or other governmental facilities, office or in-plant food service facilities, department stores, duty free shops, shopping mall food courts operated by a master concessionaire, or any other venue in which food service is or may be provided by a master concessionaire or contract food service provider.

The total investment necessary to begin operation of a single Traditional "The Coffee Bean & Tea Leaf" store is $940,665 to $1,430,177 (including $92,500 to $142,000 which must be paid to the franchisor or its affiliates) for a full-service store and $551,000 to $916,059 (including $90,00 to $95,000 which must be paid to the franchisor or its affiliates) for a Kiosk.

The total investment necessary to begin operation of a single "The Coffee Bean & Tea Leaf" Special Distribution Store ranges from $619,500 to $1,000,000 for a full-service Special Distribution Store and $531,550 to $946,000 for a Kiosk (including $98,000 to $127,000 for a full-service Special Distribution Store and $80,000 to $95,000 for a Kiosk which must be paid to the franchisor or its affiliate).

The total investment for an Area Development Agreement (for a minimum of 5 stores) is $142,500 to $212,500 including $62,500 which must be paid to the franchisor or its affiliates), in addition to the costs stated above for constructing an individual store or kiosk.

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

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 an attorney 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, D.C. 20580. You can also visit the FTC's home page at

www.ftc.gov for additional information. Call your state agency or visit your public library for other sources of information on franchising.

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

Issuance date: June 14, 2024.

How to Use This Franchise Disclosure Document

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

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

What You Need To Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

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

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

Special Risks to Consider About *This* Franchise

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

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

2. **Mandatory Minimum Payments.** You must make mandatory minimum royalty payments or advertising contributions regardless of your sales levels. Your inability to make these payments may result in termination of your franchise and loss of your investment.

3. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

4. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.

5. **Spousal Liability.** Your spouse must sign a document that makes your spouse liable for all financial obligations under the franchise agreement even though your spouse has no ownership interest in the franchise. This guarantee will place both your and your spouse's marital and personal assets, perhaps including your house, at risk if your franchise fails.

6. **Turnover Rate**: During the last 3 years, a large number of franchised outlets (31), which is more than 30% of all franchised outlets, were terminated, not renewed, or ceased operations for other reasons. This franchise could be a higher risk investment than a franchise in a system with a lower turnover rate.

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

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EXHIBITS

ITEM 1.
THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language of this Disclosure Document the words "***SMCC Ireland***," "***we***," "***our***," and "***us***" refer to Super Magnificent Coffee Company Ireland Limited, the franchisor. "***You***," "***your***" and "***Developer***" means the person or entity who buys the franchise.

As required by law, this Disclosure Document has been prepared in "plain English." To fully understand all of your and our rights and obligations to each other, you must still carefully review the actual agreements that you will sign. The actual agreements will control if there is any dispute between us.

The Franchisor, its Affiliates and Predecessors

We were organized in Ireland on August 22, 2019. We do business under our corporate name, and the name *The Coffee Bean & Tea Leaf*®. Our principal business address in the United States is 550 S. Hope St, Suite 2100 Los Angeles, CA 90071and our registered address is Gray Office Park, Headford Road, Galway, Ireland. We have offered "The Coffee Bean & Tea Leaf" franchises in certain jurisdictions within the United States of America and internationally since our formation, but do not offer franchises in any other line of business. Our agent for service of process is HMP Secretarial Limited. Our and HMP Secretarial Limited's principal business address is Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland, D02 X576. We do not operate any "The Coffee Bean & Tea Leaf" businesses.

Prior to our formation, our affiliate, International Coffee & Tea, LLC ("***ICT***"), a Delaware limited liability company which was organized in Delaware on December 10, 1998, offered "The Coffee Bean & Tea Leaf" franchises in the United States of America from February 17, 2000 to March 2001, and outside of the United States of America from August 1999 to March 2001. ICT again began offering "The Coffee Bean & Tea Leaf" franchises in the United States on March 31, 2012, when our affiliate, CBTL Franchising, LLC ("***CBTL***") transferred all of its domestic franchises and area development agreements to ICT, until October 1, 2019, when ICT transferred all of its franchises and area development agreements to us, as explained below. ICT has owned and operated "The Coffee Bean & Tea Leaf" stores since 1998 and continues to provide franchise operational support and services to "The Coffee Bean & Teal Leaf" franchises system-wide. ICT has not offered franchises for any other line of business.

In September 2019, all of ICT's ownership interests were purchased pursuant to a Unit Purchase Agreement that resulted in Super Magnificent Coffee Company Pte Ltd., a Singapore private limited company ("***SMCC SG***"), being the parent of ICT (the "***2019 Transaction***"). SMCC SG is owned 80% by Jollibee Worldwide Pte Ltd. ("***Jollibee***") and 20% by Brewheal Pte Ltd. ("***Brewheal***"). SMCC SG's principal business address is 103 Penang Road #11-01 Visioncrest Singapore (238467). SMCC SG has not and does not offer franchises in any line of business.

Jollibee is a Singapore private limited company and its principal business address is 9 Raffles Place, #26-01 Republic Plaza, Singapore 048619). Jollibee is wholly owned by Jollibee Foods Corporation ("***JFC***"), a publicly traded Filipino corporation**.** Jollibee offers franchises for "Jollibee" fast food restaurants in the Philippines and has been offering franchises since 1979. As of December 31, 2023, Jollibee has 904 franchised stores. Jollibee does not operate any "The Coffee Bean & Tea Leaf" store or kiosks. Brewheal Pte Ltd. is a Singapore private limited company and its principal business address is 140 Paya Lebar Road #1-09 AZ @ Paya Lebar Singapore (409015). Brewheal has not and does not offer franchises in any line of business.

Following the 2019 Transaction, there was a company restructuring that resulted in our formation and the formation of Super Magnificent Coffee Company Hungary Kft., a Hungary limited company ("***SMCC Hungary***"), on September 11, 2019, with both entities being wholly owned by SMCC SG.

As part of the restructuring, ICT became a wholly owned subsidiary of SMCC Hungary. SMCC Hungary's principal business address is 1139 Budapest, Vaci ut 99.2.emelet, Budapest, Hungary. SMCC Hungary has not and does not offer franchises in any line of business.

Also as part of the restructuring, on October 1, 2019, ICT and CBTL assigned all of their then-existing "The Coffee Bean & Teal Leaf" franchises, area development agreements, trademarks and related intellectual property to us. As a result of this transfer, we became the master franchisor for the "The Coffee Bean & Tea Leaf" brand in the United States and internationally. On October 1, 2019, ICT and CBTL each entered into Master Franchise Agreements with SMCC Ireland (each a "***Master Franchise Agreement***") which grant ICT and CBTL the right to offer and sell "The Coffee Been & Tea Leaf" franchises (or "subfranchisees") in the United States and internationally, respectively.

CBTL was organized in Delaware on March 23, 2001 and its principal business address is 550 S. Hope St, Suite 2100 Los Angeles, CA 90071. CBTL offered franchises in the United States of America for businesses similar to the business we are offering pursuant to this Disclosure Document from 2001 until March 31, 2012, and continued to offer franchises internationally from 2001 until October 1, 2019, when all of its franchises and area development agreements were transferred to us. CBTL currently offers "The Coffee Bean & Tea Leaf" subfranchises in certain jurisdiction internationally under a Master Franchise Agreement with SMCC Ireland.

ICT acquired the assets of International Coffee & Tea, Inc. ("***ICTI***") on December 17, 1998. ICTI was incorporated in California on July 26, 1968 under the name "International Coffee & Tea, Inc.," and changed its name to MMH Holdings, Inc. on December 24, 1998. ICTI operated businesses similar to the type offered in this Disclosure Document since 1968 and offered franchises for these businesses in Singapore and Malaysia from 1996 to 1998. Herbert B. Hyman, ICTI's founder, began operating The Coffee Bean & Tea Leaf Stores in California in 1963. To our knowledge, neither Herbert Hyman nor MMH Holdings, Inc. offered franchises in any other line of business. After acquiring the assets of ICTI, we acquired SunVic Food & Beverage Sdn. Bhd, which changed its name to The Coffee Bean & Tea Leaf (Singapore) Pte Ltd ("***CBTL Singapore***"), and its subsidiary, DeSunvic Food & Beverage Sdn Bhd, which changed its name to The Coffee Bean & Tea Leaf (Malaysia) Sdn. Bhd ("***CBTL Malaysia***"). The principal place of business of CBTL Malaysia is No. 87 Jalan 10/91, Taman Shamelin Perkasa, 56100 Kuala Lumpur and the principal place of business of CBTL Singapore is 211 Henderson Road #06-04 Industrial Park, Singapore 159552.

As part of the Restructuring, CBTL Singapore and CBTL Malaysia were transferred and became subsidiaries of SMCC SG. These two entities operate "The Coffee Bean & Tea Leaf" Stores in Singapore and Malaysia, originally as franchisees of ICTI, and may provide products, training and other support services to international franchisees located outside the United States.

ICT and our affiliate, Magnificent Coffee Trading Pte. Ltd. ("***MCT***"), sell certain goods, including roasted coffee beans and blends and teas to "The Coffee Bean & Tea Leaf" franchisees. ICT and MCT currently sell roasted coffee beans and blends and teas to wholesale accounts, who in some but not all cases use one or more trademarks to indicate to the public that the coffee has been roasted or supplied by "The Coffee Bean & Tea Leaf." ICT and MCT also sell coffee beans, blends, ground coffee, teas and various other products in connection with servicing offices and other businesses that do not sell our products at retail. MCT does not presently offer franchises in any line of business. MCT is a Singapore Private Company Limited by Shares and its principal business address is 103 Penang Road #11-01 Visioncrest (238467).

Since 2010, our affiliate, CBTL Ventures, LLC, ("***CBTL Ventures***") has offered franchises internationally, and may also in the future offer franchises in the U.S.A., to develop stores featuring single-serve brewing machines and single-serve coffee, espresso, tea and/or powder capsules for sale under the name "The Coffee Bean & Tea Leaf," "CBTL" or another name. CBTL Ventures does not presently offer franchises in any other line of business. CBTL Ventures may offer and sell single-serve brewing machines

and related capsules to you. CBTL Venture's principal business address is 550 S. Hope St, Suite 2100 Los Angeles, CA 90071.

As a result of our ultimate majority ownership and control by Jollibee, we are now under common control with other entities offering franchises. These affiliates are listed below.

Our affiliate, JBM LLC, a Colorado limited liability company ("***JBM***"), with its principal place of business at 3900 East Mexico Avenue, Suite 1100, Denver, Colorado 80210, franchises a quick-service restaurant concept under the "Jollibee" trademarks, offering a specialized menu of hamburgers, chicken, pasta, assorted sides and beverages, and other products and services. JBM began offering franchises for the "Jollibee" concept in April 2023, and as of December 31, 2023, 2 franchised "Jollibee" restaurants were operating in the United States.

Our affiliate Smashburger Franchising, LLC ("***Smashburger***"), a Delaware limited liability company formed on March 5, 2008, is also a wholly-owned subsidiary of Jollibee. Smashburger's principal business address is 3900 East Mexico Avenue, Suite 1100, Denver, Colorado 80210 and has been offering "Smashburger" restaurant franchises since 2008. As of December 31, 2023, Smashburger has 103 franchises.

Our affiliate Blue Sky Holdings Limited ("***Blue Sky***") has a principal business address of 17/F., Siu Ying Commercial Building, 151-155 Queen's Road Central, Hong Kong and has offered franchises in the Philippines for F&B –Highlands Coffee, a coffee tea and bread restaurant/store ,since 2011. As of December 31, 2023, Blue Sky has 56 of these franchises.

Another of our affiliates, Services Joint Stock Company (Highlands Coffee) ("***Highland Coffee Company***") has a principal business address of 135/37/50 Nguyen Huu Canh Street, Ward 22, Binh Thanh District, Ho Chi Minh City, Vietnam and has offered franchises in Vietnam for F&B –Highlands Coffee, a coffee, tea and bread restaurant/store since 2013. As of December 31, 2023, Highland Coffee Company has 77 of these franchise stores.

Prior to 2017, another of our affiliates, Jollibee (China) Food and Beverage Management Co., Ltd. which has a principal business address of 7F, Building MT 1, Lane 3999, Hongxin Road, Minhang District, Shanghai had offered franchises of "Yonghe King" brand in China. After January, 2017, the franchise business was transferred to Shenzhen Yong He King Food and Beverage Co., Ltd. ("***SZ YHK***") which has a principal business address of 9E, East Tairan Jinsong Buiding, Tairan Avenue, Futian District, Shenzhen. The franchise agreements signed before 2017 had also been transferred to SZ YHK. Currently, only SZ YHK offers franchises of "Yonghe King" brand in China. Its registered address and principal address is at 9E, East Tairan Jinsong Building, Tairan Avenue, Futian District, Shenzhen. As of December 31, 2023, SZ YHK has 179 franchises.

Another of our affiliates, Mang Inasal Philippines Inc. ("***Mang Insasal***") a Stock Corporation formed in the Philippines which has a principal business address of Unit 613, 6th Floor Pioneer Highlands Condo Tower 2, Pioneer cor. Madison St. Mandaluyong City and has offered franchises for "Mang Inasal" a barbecue fast food restaurant in the Philippines since 2003. As of December 31, 2023, Mang Inasal has 558 franchises.

Another of our affiliates, Red Ribbon Bakeshop Inc. ("***Red Ribbon***") a Stock Corporation formed in the Philippines which has a principal business address of 14/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City, Philippines and has offered franchises for "Red Ribbon" a bakery store selling cakes and pastries since 1999. As of December 31, 2023, Red Ribbon has 341 franchises.

Another of our affiliates, Fresh N' Famous Foods Inc. ("***Fresh N' Famous***"), is a Stock Corporation formed in the Philippines and has a principal business address of 14/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City, Philippines. Fresh N' Famous has offered franchises for

"Chowking." an Asian quick service restaurant in the Philippines, since 1990 and as of December 31, 2023, has 424 franchised "Chowking" restaurants. Fresh N' Famous has also offered franchises for "Greenwich," a Filipino pizza and pasta quick service restaurant, since 1995 and as of December 31, 2023, has 154 franchised "Greenwich" restaurants.

Other than as described above, neither we nor any of our affiliates offers franchises for any other concept, nor do they operate or intend to operate any "The Coffee Bean & Tea Leaf" stores or kiosks, though they may do so in the future.

The Business

"The Coffee Bean & Tea Leaf" stores ("***Stores***") offer for general consumption premium coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, which may include coffee making equipment, cups, hats, t-shirts and novelty items. Stores include "***Traditional Stores***" that are stores operated at venues other than "Special Distribution Sites" and "***Special Distribution Stores***" operated at "Special Distribution Sites." "***Special Distribution Sites***" are institutional settings, including hotels, airports, colleges, universities, schools, grocery stores, supermarkets, hospitals, military and other governmental facilities, office or in-plant food service facilities, department stores, duty free shops, shopping mall food courts operated by a master concessionaire, and any venue in which food service is or may be provided by a master concessionaire or contract food service provider

Pursuant to this Disclosure Document, we are offering single unit Traditional Store and Special Distribution Store franchises, including Kiosks, as well as Traditional Store Area Development Agreements under which you must develop and operate a specified minimum number of Traditional Stores within a specified period of time (the "***Minimum Development Obligation***") and a defined geographic area (the "***Development Area***"). The Development Area may be one city, one or more counties, one or more states, or some other defined area. If you participate in this program, you will sign the Area Development Agreement, in the form attached as Exhibit "B," which will describe your Development Area, Minimum Development Obligation and other obligations.

Kiosks differ from full-service Stores in that they are typically less than 800 square feet, including storage and other back of house areas, and may have limited or no dedicated seating. Kiosks are generally located in office complexes, shopping malls or at specific street locations. If you sign an Area Development Agreement, Kiosks are not included in the determination of whether or not you have opened the required number of Stores. You may not develop a Kiosk without our express prior written consent, which we may grant or withhold in our sole discretion, and which, if granted, may be subject to additional terms and conditions. Kiosks may only be able to sell a portion of the approved product line due to space limitations.

For each Store you open, whether a full-service Store or Kiosk and whether pursuant to an Area Development Agreement or on a stand-alone basis, you will sign a separate Franchise Agreement on our then current form which may be materially different from the form attached to this disclosure document. Attached as Exhibit "A-1" is our current form of Traditional Store Franchise Agreement and attached as Exhibit "A-2" is our current form of Special Distribution Store Franchise Agreement. Despite changes in the form of Franchise Agreement, if you sign an Area Development Agreement, certain terms in each Franchise Agreement you sign will remain fixed. For example, the Initial Franchisee Fee (see Item 5) for each Franchise Agreement you sign will be set forth in your Area Development Agreement, even if in the future we charge a higher initial fee to new franchisees.

In this Disclosure Document, we describe the typical terms and conditions relating to agreements for Stores and Kiosks, subject, if applicable, to changes that we may negotiate.

We believe that the market for specialty coffees, espresso coffees, roasted coffee beans and blends, premium teas, and baked goods is growing and highly competitive. You must compete with other coffee

shops, coffeehouses, coffee bars, carts and stores, fast food and non-fast food restaurants, cafes, nationwide chains (including "store-in-store" cafes in supermarkets, donut shops and department stores) and other food vendors. Stores will be operated year round, although sales may fluctuate during the year. Authorized Coffee Bean Products are offered for sale to the general public. As with all retail food service businesses, your choice of location is critical to your success, no matter how good the concept.

Special Industry Regulation

The Federal government, California and other states and local jurisdictions have enacted laws, rules, regulations and ordinances which may apply to the operation of your Store, including those which (a) establish general standards, specifications and requirements for the construction, design and maintenance of the Store; (b) regulate matters affecting the health, safety and welfare of your customers, such as general health and sanitation requirements for restaurants; employee practices concerning the storage, handling, and preparation of food; special health, food service and frozen dessert machine licensing requirements; restrictions on smoking and exposure to tobacco smoke or other carcinogens or reproductive toxicants and saccharin; availability of and requirements for public accommodations, including restrooms; (c) set standards pertaining to employee health and safety; (d) set standards and requirements for fire safety and general emergency preparedness, (e) govern the use of vending machines, (f) regulate the proper use, storage and disposal of waste, insecticides, and other hazardous materials, (g) establish general requirements or restrictions on advertising containing false or misleading claims, or health and nutrient claims on menus or otherwise, such as "low calorie" or "fat free," (h) establish requirements for the disclosure of caloric, nutritional, and other information about the contents of food and beverage items you will offer and sell; (i) establish requirements concerning withholdings and employee reporting of taxes on tips; and (j) establish requirements concerning consumer privacy and data protection, including without limitation the European Union's General Data Protection Regulation.

Agent for Service of Process

Our agents for service of process are listed on Exhibit "G."

ITEM 2.
BUSINESS EXPERIENCE

Jose Miñana, Jr. – Interim President, CBTL Americas

Jose Miñana, Jr. has been the Interim President, CBTL Americas since May 2024. Mr. Miñana has also served as JFC's Chief Sustainability and Public Affairs Officer since January 2020. He served as Group President and Country Head of North America for JFC from 2016 to 2019, and was President of Smashburger in late 2018 and from January 2023 to January 2024.

John in de Braekt – Chief Executive Officer

Mr. in de Braekt has been our Chief Executive Officer since August 2022. Prior to that, he served as President of Mars Veterinary Health Group Business in Portland, Oregon from June 2017 until April 2021.

Peter Vavra – Director of Franchise Operations

Mr. Vavra has been the Director of Franchise Operations of ICT since June 2016. Prior to that, he served as a Franchise Business Consultant for ICT from August 2014 until June 2016.

Jay Isais – Vice President of Roasting & Distribution

Mr. Isais has been Vice President of Roasting & Distribution of ICT since October 5, 2015. Prior to his promotion to Vice President, Mr. Isais was ICT's Senior Director of Coffee & Manufacturing for over 15 years.

Prabashinee Moodley (Prabs) - Head/VP of Business Development, Americas

Ms. Moodley joined as Head/VP of Business Development, Americas in January 2023. From September 2019 until January 2023, Prabs was Director and later VP of Development Planning for Inspire Brands, parent company of Arby's, Buffalo Wild Wings (BWW), BWW GO, Dunkin', Jimmy John's, Baskin-Robbins, Sonic and Rusty Taco. Prior to that, she served as Chief Executive Officer of Grand Parade Investments Limited in Cape Town, South Africa from August 2018 until March 2019.

Michelle Reap - Senior Manager Non-Traditional Franchise Sales and Portfolio Management, Americas

Ms. Reap joined as Senior Manager Non-Traditional Franchise Sales and Portfolio Management, Americas in June 2023. From January 2022 until June 2023, Michelle was Senior Franchise Development Manager for A&W Restaurants in Lexington, Kentucky. From December 2015 until January 2022, she was Senior Manager, Franchise and Non-Traditional Development for Le Duff America in Dallas, Texas.

Brian Bahreman – Senior Director, Head of One System Field Operations & Café Technology

Mr. Bahreman has been our Senior Director, Head of One System Field Operations & Café Technology since November 2022. Prior to that, from January 2018 until November 2022, he was ICT's Director of Operations, Strategic Initiatives.

As of the date of this disclosure document, the following are SMCC Ireland's directors:

1. Tony Tan Caktiong – Mr. Caktiong has been a director since August 2019 and has been a member of the Board of Managers of SJBF, LLC since October 2015. Mr. Caktiong has also been the Chairman of the Board of Jollibee Foods Corporation in Pasig City, Philippines since 1978.

2. Richard Chong Woo Shin – Mr. Shin has been a director since May 2022 and has also been the Chief Financial Officer of Jollibee Foods Corporation (JFC) since May 2022. Previously, Mr. Shin was Group CFO for Grobest Group from June 2020 to March 2022. He was also Asia Pacific CFO for William Grant & Sons; Ralph Lauren; Bacardi-Martini and held various senior roles for Altria/Philip Morris International.

3. Mary Ann Say – Ms. Say has been a director since August 2019 and has been the Global Chief Financial Officer for *The Coffee Bean & Tea Leaf*® brand since November 2019. Prior to her current role, Ms. Say was the Director, Revenue Management & Analytics at Hong Kong Disneyland from November 2017 to November 2019. From November 2014 to October 2017, Ms. Say was the Controller and Head of Business Development for Philip Morris Fortune Tobacco Corporation.

4. Frank Sheng – Mr. Sheng has been a director since August 2019 and has been Head of Global Internal Audit of Jollibee Foods Corporation in Pasig City, Philippines since June 2018. Prior to joining JFC, he was head of internal audit and internal control of Yum! China.

5. Julie Larochelle – Ms. Larochelle has been a director since August 2019 and has been a director of Thai Kieu Co Ltd in Vietnam since June 2010. She has also been an executive at Viet Thai International Joint Stock Company, a privately held company based in Vietnam, since 1997.

6. Neil Squires – Mr. Squires has been a director since January 2022 and has been Head of the Corporate Division of Vistra Ireland since January 2022. Prior to that, he was Managing Director of Vistra Assurance (Ireland) Limited since February 2018.

7. David John France – Mr. France has been the Alternate Director to Julie Larochelle since August 2019. Mr. France has been the Managing Director and Supply Chain Director of Viet Thai International Joint Stock Company since 2008.

8. Joliza Janelle D. Salgado – Ms. Salgado has been the Alternate Director to Tony Tan Caktiong since August 2019. Ms. Salgado has worked in the legal department of Jollibee Foods Corporation since May 2018 and serves as the General Counsel for the brand. Prior to joining Jollibee Foods Corporation, Ms. Salgado was an associate at Picazo, Buyco, Tan, Fider & Santos Law Firm in Manilla, Philippines since January 2015.

9. Julie Fe Del Rosario – Ms. Del Rosario has been the Alternate Director to Richard Chong Woo Shin since August 2019. Ms. Del Rosario has worked in the Global Comptrollership and Tax Department of Jollibee Foods Corporation since 2016.

10. Celina Leonardo – Ms. Leonardo been an Alternate director since January 2022 and has been the Director for Financial Planning and Reporting for The Coffee Bean & Tea Leaf® brand since April 2020. Prior to her current role, Ms. Leonardo was the Manager, Revenue Management & Analytics for F&B and Merchandise at Hong Kong Disneyland from August 2018 to April 2020. From June 2013 to July 2018, Ms. Leonardo held various positions under the Finance team of Phillip Morris Fortunate Tobacco Corporation.

ITEM 3.
LITIGATION

Fisher v. International Coffee & Tea, LLC, Case No. 37-2023-00037152-CU-BT-CTL (first amended complaint filed March 18, 2024). Plaintiff filed a class action lawsuit International Coffee & Tea, LLC ("ICT") alleging deceptive trade practices regarding sustainability claims in CBTL's advertising. Plaintiffs allege the sustainability claims are untrue and/or misleading. Plaintiff asserts claims for fraudulent business act or practice, untrue and misleading, false and/or misleading representations, unfair and/or unlawful business act or practice, fraud, and breach of warranty. ICT denies the allegations and will vigorously defend the action.

Concluded Litigation

New Amsterdam Coffee & Tea Co., LLC, et al. v. International Coffee & Tea, LLC, et al. (American Arbitration Association, Case No. 72-20-1400- 0138)

Between January 12, 2011 and May 25, 2012, CBTL entered into four area development agreements with New Amsterdam Coffee & Tea, LLC, NACT Southern Connecticut, LLC; NACT Northern New Jersey, LLC; and NACT Boroughs, LLC (referred to collectively as the "NACT Developers") for the development of 200 Stores over 20-years in New York City, Southern Connecticut and Northern New Jersey. The agreements were later assigned by CBTL to ICT.

On January 30, 2014, the NACT Developers and their principal owners, Ira Smedra ("Smedra") and Jeffrey Srulowitz ("Srulowitz") (collectively, "NACT" or "Claimants"), filed a demand for arbitration with the American Arbitration Association against ICT, CBTL and certain of their former owners and/or former officers: Sunny Sassoon, Robert Kaufman and Melvin Elias (collectively, the "Respondents"). NACT's arbitration demand asserted claims for intentional misrepresentation, negligent misrepresentation, breach of contract and the implied covenant of good faith and fair dealing, and unfair and fraudulent business practices in connection with their purchase of the area development agreements and franchise operations. NACT also asserted claims for violations of the registration and disclosure requirements of the California Franchise Investment Law and New York Franchise Sales Act, which were dismissed by the arbitration panel on January 21, 2016. In their arbitration demand, Claimants identified their claim amount as $22,000,000, and sought actual, compensatory and punitive damages, rescission of their agreements, declaratory relief, and costs and attorneys' fees.

On May 12, 2014, NACT filed a lawsuit in Los Angeles County Superior Court – Case No. BC545396, against the individual Respondents (the "Lawsuit"). The Lawsuit asserted the same claims as

those alleged in the arbitration demand. On June 30, 2014, the individual Respondents moved for an ordering compelling the Claimants to pursue their claims exclusively through the arbitration. The motion was granted on January 20, 2015, and the Lawsuit was stayed pending the outcome of the arbitration.

On June 16, 2014, ICT filed a Counter-Demand in the arbitration against each of the Claimants asserting counter-claims for (1) breach of contract; (2) breach of contract—guaranty; (3) declaratory and injunctive relief and (4) intentional interference with prospective economic advantage.

On January 5, 2017, the parties entered into a Settlement Agreement and Mutual General Release, by which Smedra and Srulowitz agreed to pay ICT $4,050,000 over a 32-month period and stipulated to an arbitration award in ICT's favor for the same amount. In addition, NACT dismissed the arbitration and Lawsuit with prejudice, the parties mutually released all claims, all development and franchise agreements between the parties were acknowledged terminated, and ICT agreed to a limited waiver of the post-termination non-competition covenants allowing Smedra and Srulowitz to each own no more than 7.5% in a competitive business going forward.

Robert Azinian v. CBTL Franchising, LLC; International Coffee and Tea, LLC; Robert "Bob" Kaufman; Los Angeles Superior Court Case No. BC 581158.

On May 7, 2015, plaintiff Robert Azinian filed a lawsuit against ICT, CBTL and their former Vice President – Business Development & Franchises (collectively, the "Defendants"). The plaintiff, a former one-third owner of a "The Coffee Bean & Tea Leaf" franchisee, asserted claims for breach of fiduciary duty, fraudulent concealment, intentional interference with contract, and unfair competition; arising from the sale of his interest in the franchisee. On February 16, 2016, the court granted, in part, the Defendants' demurrer to the plaintiff's first amended complaint dismissing the claims for breach of fiduciary duty and fraudulent concealment. On August 17, 2016, the parties entered into a Settlement Agreement and Mutual General Release, pursuant to which ICT made a $10,000 donation to charity and plaintiff dismissed his remaining claims, with prejudice.

Viet Café Trading Company Limited v. CBTL Franchising, LLC and International Coffee & Tea, LLC; International Chamber of Commerce – International Court of Arbitration, Case No. 25568/PDP.

In July 2008, CBTL entered into an area development agreement with Viet Café Trading Company Limited ("Viet Café") for the development of 25 stores over five years in Vietnam. Although Viet Café opened certain stores in Vietnam pursuant to individual franchise agreements, the area development agreement expired on its terms in July 2013 on account of Viet Café not meeting its development obligation.

On August 11, 2020, Viet Café initiated an arbitration with the International Chamber of Commerce against us and CBTL. Viet Café's request for arbitration asserted claims for breach of its franchise agreements, breach of the implied covenant of good faith and fair dealing, violation of the California Franchise Relations Act and Franchise Investment Law, intentional interference with prospective business advantage, and violation of the California Business and Professions Code § 17200 *et seq.;* all arising from CBTL not providing its consent to Viet Café transferring its existing franchise agreements to a proposed third party. On November 2, 2020 and prior to the formal appointment of the arbitration panel, Viet Café voluntarily and unilaterally withdrew all of its claims. The arbitration was formally dismissed on November 11, 2020.

Affiliate Litigation

In re Smashburger IP Holder, LLC, et al., Case No. LA CV19-00993-JAK (filed May 16, 2019). Plaintiffs filed class action lawsuits that were consolidated against Smashburger Franchising LLC, IP Holder, and Jollibee. Plaintiffs allege that we engaged in deceptive trade practices advertising the Triple Double Burger. In the amended consolidated complaint, the Plaintiffs removed Jollibee as a party and made no further claims against Jollibee. Plaintiffs allege the phrases "Triple Double Burger" and "Double the

Beef" were misleading. Plaintiffs asserted claims for false advertising, unfair competition, violations of the California consumer protection statute, fraud, breach of express warranty and unjust enrichment. On September 29, 2023, the court approved a class settlement wherein we paid $2,500,000 for attorneys' fees, costs, and class member monetary claims. In the alternative to a cash consideration, a class member may obtain up to 10 of 1.5 million vouchers valued between $2.00 and $2.49 per voucher.

Except for the above items, no other litigation is required to be disclosed in this Item.

ITEM 4.
BANKRUPTCY

There are no bankruptcies required to be disclosed in this Item.

ITEM 5.
INITIAL FEES

Area Development Agreement

Initial Development Fee. You must pay us an "Initial Development Fee" equal to $12,500 multiplied by the number of Stores you must open during the initial term of the Area Development Agreement, payable on execution of the Area Development Agreement. The Initial Development Fee is fully earned when paid and is not refundable under any circumstances. You must open a minimum of 5 Stores under the Area Development Agreement.

Initial Franchise Fee. Each time you sign a Franchise Agreement for a Store pursuant to the Area Development Agreement, you must pay an Initial Franchise Fee (see below).

Professional Fees. You must also reimburse us for our legal, accounting and other professional fees to the extent they exceed $10,000 to negotiate and sign the Area Development Agreement (including any exhibits, addenda or attachments), provided that the reimbursement will not exceed $25,000.

Franchise Agreement

Initial Franchise Fee. Each time you sign a Franchise Agreement for a Store, whether a Traditional or Special Distribution Store, you must pay an Initial Franchise Fee. If you sign an Area Development Agreement, the Initial Franchise Fee for each Store required by your Minimum Development Obligation under your Area Development Agreement is $12,500. The Initial Franchise Fee for each Store in excess of the number of Stores required by your Minimum Development Obligation, or if you do not have an Area Development Agreement, is either $25,000, or $15,000 if the Store is a Kiosk. The Initial Franchise Fee is fully earned when paid and is not refundable under any circumstances. If you are signing your Franchise Agreement for an Special Distribution Store or one of your first 2 Traditional Stores or your first Traditional Kiosk, at our request, you may be required to retain a consultant, designated or approved by us, at your cost (not to exceed $30,000 for a Store or $20,000 for a Kiosk, exclusive of travel, accommodations and out-of-pocket expenses) to supervise the operational establishment of your Store or Kiosk.

If you signed an earlier form of Area Development Agreement which differs from our current form, your Initial Franchise Fees will be determined in accordance with your Area Development Agreement. You and we may negotiate any or all of the fees described in this Item 5.

Store Technology Initial Fee. Each time you sign a Franchise Agreement for a Store, you must pay a Store Technology Initial Fee for the initial installation, deployment and set-up of the POS system and related payment platforms and hardware. This fee ranges from $15,000 to $35,000 depending on the number of payment terminals in your Store and the complexity of the deployment and installation of the POS system and supporting platforms and software.

Opening Inventory. You must also purchase an opening inventory of products from us or our affiliates. The amount generally ranges, and in 2023 ranged between $8,000 and $25,000.

Veteran Incentive. We offer a discount in the amount of $20,000 off the Initial Franchise Fee for each Store for current members or qualified Veterans of the U.S. Armed Forces. In order to qualify, you must, among other business requirements, currently serve or have received an Honorable Discharge and must own at least 50% of the ownership interests in the franchisee entity or the Store. You must advise us of Veteran status (and provide evidence of qualification) before signing your Franchise Agreement. We also offer a discount on the Royalty Fee of 3.5% in the first year, 4.5% in the second year and 5.5% in the third year during the term of your Franchise Agreement.

* * *

You and we may negotiate any of all of the fees described in this Item 5. In 2023, franchisees paid us or our affiliates initial franchise fees ranging from $12,500 to $25,000. We may require that you pay any of the above fees to us directly, or to an affiliate or other designee.

ITEM 6.
OTHER FEES[1]

Area Development Agreement

(Traditional Store Development)

Column 1 **Type of Fee**	**Column 2** **Amount**	**Column 3** **Due Date**	**Column 4** **Remarks**
Additional Training Fee and Optional Training Courses[2]	Then-current reasonable training fee (currently $150-$450 per day) plus our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) (currently, up to $2,000).	On demand	There is no fee for initial training of your Director of Operations, Certified Training manager and the General Manager of your first Store. In addition to the Initial Training, at no additional charge we shall provide you with a 5-day training program for one owner and one other person designated by you and accepted by us. You must pay our then-current fee for training additional personnel, or if you request additional training or if you elect to attend optional training courses which we may provide in our discretion. We do not charge for mandatory training courses.
Initial On-site Assistance	Then-current reasonable training fee (currently $150-$450 per day) plus	On demand	Expense reimbursement applies, but no training fee for us to send 1 to 3 members of the training or operations staff

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) (currently, up to $20,000).		to your Development Area for 15 days on or around the opening of your 1st Store (or 1 to 2 staff members for 10 days before the opening of your 2nd and 3rd Stores). Training fees apply to the 4th and subsequent Stores.
Operational Visit Fee[2]	Our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) to send 1 staff member to inspect your performance under the Agreement (currently, not to exceed $2,000 per store visit).	On demand	May occur up to four times during each year of the Initial Term of the Area Development Agreement.
Ongoing Advice	Our out-of-pocket expenses (including travel, meals and lodging, but excluding salary) to send 1 staff member to your Development Area for up to 14 days (currently, not to exceed $350 per day plus the actual cost of transportation).	On demand	Each calendar year during the Initial Term of your Area Development Agreement, we will send 1 training staff member to your Development Area for up to 14 consecutive days to provide ongoing advice and assistance.
Advertising Materials	Our reasonable charges for advertising materials, plus, if we engage one or more third parties in connection with the advertising materials, you must pay the third party's charges plus a handling and administrative charge	On demand	We will provide you copies or samples of certain of standard advertising materials. We will charge you only if you request additional advertising assistance or materials.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Manuals	We will loan one copy of the franchise manuals to you. Or, we will make an electronic copy available to you. You must pay shipping and production charges if we send you a hardcopy of the manuals.	On demand	Only payable if we send you a hardcopy of the manuals.
Review of revised entity information	Our direct and indirect costs, including attorneys' fees, to review revised entity information (currently, not to exceed $1,000).	On demand	If Developer is a business entity, you must provide information concerning the owners and directors of Developer and advise us within 10 days of any change in the information previously provided.
Failure to Meet Minimum Development Obligations	An amount equal to the product of: (i) 150% of the Guaranteed Minimum Royalty (for Stores other than Kiosks), multiplied by (ii) the difference between the number of Stores required as of the end of the preceding Development Period and the number of Stores (excluding Kiosks) actually open and operating during that month	On demand	Payable to avoid termination (or other of our remedies) of your Area Development Agreement if you fail to open at least 75% of the Stores required to be development under your Area Development Agreement.
Interest and Late Charge for Late Payments [5]	1.5% per month interest or the maximum amount permitted by law for each month the payment is delinquent. We may also charge a late fee of up to $100 for	Continues to accrue until paid	Payable only if any sums due us or our affiliates are not paid promptly when due.

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	each delinquent payment		
Transfer Fee	$5,000	Upon Transfer	Due upon transfer.
Reimbursement of Our Attorneys' and Accounting Fees and Expenses	As incurred	On demand	Payable only (i) if you do not comply with the Area Development Agreement, or (ii) if we incur other professional fees in excess of $10,000 to negotiate and execute the Area Development Agreement (up to a reimbursement of $25,000).
Indemnification	Varies	As incurred	You must pay for our and our affiliates' losses and costs.

Franchise Agreement

(Traditional and Special Distribution Stores and Kiosks)

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty Fee [2]	5.5% of Gross Revenues, or the monthly Guaranteed Minimum Royalty (1/12th of $25,000 for a full service store, or $12,500 for a Kiosk)	You pay within 10 days following the end of each Accounting Period. If you fail to report any Gross Revenues, or if we are unable to access and accurately determine the Gross Revenues for your Store over a given reporting period, then we may, at our option, estimate your Gross Revenues, calculate the corresponding fees that you must pay us based on the estimated Gross Revenues, and debit or otherwise	Gross Revenues includes all sales (including tips and service charges, except for tips paid directly by the customer to one of your employees and not entered into the cash register), from the Store, but does not include all national, Federal, state or municipal sales, use, value added or service taxes collected from customers and paid to the appropriate agency. If you are signing your Franchise Agreement pursuant to an existing Area Development

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
		collect and recover those fees, based on (a) an average of the Gross Revenues during the last prior twelve reporting periods for which a report of Gross Revenues was provided to us (or during all reporting periods for which a report of Gross Revenues was provided to us if fewer than twelve in total have been reported), or (b) the information for the applicable reporting period(s) that we are able to retrieve from your computer system and point-of sale software. There are 12 Accounting Periods in each of our fiscal years (which ends the Sunday closest to December 31 each year). Each Accounting Period begins on a Monday. The first Accounting Period of each quarter consists of 5 weeks. The second and third Accounting Periods of each quarter consist of 4 weeks. We may with written notice require that Royalty Fees and other fees be paid weekly.	Agreement which differs from our current form, your Royalty Fee and/or Guaranteed Minimum Royalty will be modified if and as required by your Area Development Agreement.
Central Marketing Fee[2]	2% of Gross Revenues, but subject to increase to 4% of Gross	Same as Royalty Fee	In addition to the Central Marketing Fee, you must spend an amount equal to at least

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	Revenues (see remarks)		1% of your Gross Revenues on local advertising. We reserve the right to increase the combined Central Marketing Fee rate plus your required monthly local advertising spend to up to 4% of Gross Revenues.
Advertising and Promotional Materials Fee	0.5% of Gross Revenues	Same as Royalty Fee	Paid concurrently with Royalty Fee payments.
Cafe Technology System Fee [2]	$700 - $1,500 per month	When implemented, same as Royalty Fee	Fees for the ongoing subscription or participation fees for the POS System, database management, and related payment platforms and support. When and if implemented by us upon at least 30 days' written notice to you, this fee must then be paid concurrently with Royalty Fee Payments.
Customer Facing Technology Fee [2/3]	$200 - $750 per month	Same as Royalty Fee	Fee for the loyalty application, online ordering platform, payment gateway and other customer facing technology, including capital recoupment for the continued development of the technology. Paid concurrently with Royalty Fee Payments.
Food Safety and Operations Audit Fee	Then-current reasonable per audit fee, not to be charged	On Demand	Fee for quarterly food safety, cleanliness and general operations

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	more often than quarterly (currently $400 per audit)		audit performed by Company or Company's third-party designee. Currently, the audit program is conducted utilizing third-party Steritech's audit program
Customer Experience Measurement Program Fee	Then-current annual fee (currently $600 annually)	On demand	Fee for our customer and guest experience management software service platform
Initial On-Site Assistance	Then-current reasonable training fee (currently $150-$450 per day) plus our out-of-pocket expenses including travel, meals and lodging, but excluding salary (currently, up to $2000).	On demand	Expense reimbursement applies, but no training fee for us to send 1-3 training staff members to your Development Area for up to 15 days on or before the opening of your 1st Store (or 1-2 training staff members for up to 10 days before the opening of your 2nd and 3rd Stores). Training fees apply to the 4th and subsequent Stores.
Additional On-Site Assistance	Our out-of-pocket expenses (including travel, meals and lodging) to send 1 or more staff members to the Development Area. You must also reimburse us for our direct and indirect salary and related payroll costs for our representatives.	On demand	If you request, we may send one or more representatives to your Development Area to assist you.
Optional Training Courses[2]	Our then-current reasonable training fee (currently $150-$450 per day) plus our out-of-pocket expenses including travel, meals	On demand	You must pay our then-current fee (currently $150 - $450 per day) if you elect to attend optional training courses which we may

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	and lodging, but excluding salary (currently, up to $2000).		provide in our discretion. We do not charge for mandatory training courses, however you must bear all transportation costs in addition to your training-related travel and living expenses while attending.
Manual Replacement Charge	You must pay our then-current charge for replacement of the Manuals if you require a hardcopy replacement, which is currently $500	On demand	Only payable if your hardcopy of the Manuals is lost, destroyed or significantly damaged and you require a hardcopy replacement.
Transfer Fee	$5,000	Upon Transfer	Due upon transfer.
Audit [2]	Cost of audit plus attorneys and accountants fees and costs (including travel, room and board).	On demand	You pay only if the audit shows an understatement of at least 5% of Gross Revenues.
Insurance reimbursement [4]	Amount of unpaid premiums	On demand	You pay only if you fail to maintain required insurance coverage and we elect to obtain coverage for you.
Approval of Suppliers[2]	You must pay our costs to review a new supplier, including inspection of the supplier's facilities, equipment, product testing, etc. Our costs are difficult to predict and depend on the supplier and the item(s) proposed to be supplied.	On demand	You pay only if you ask us to approve a new supplier.
Review of revised entity information	Our direct and indirect costs, including attorneys' fees, to	On demand	If Developer is a business entity, you must provide information concerning

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
	review revised entity information		the owners and directors of Developer and advise us within 10 days of any change in the information previously provided.
Interest and Late Charge for Late Payments [5]	$100 charge for each late payment plus 1.5% per month interest or the maximum amount permitted by law for each month the payment is delinquent	Continues to accrue until paid	You pay only if any sums due us or our affiliates are not paid promptly when due.
Reimbursement of our Attorneys' Fees and Expenses	As incurred	On demand	Payable only if you do not comply with the Franchise Agreement.
Indemnification	Varies	As incurred	You must pay for our and our affiliates' losses and costs.
Renewal Fee	50% of your Initial Franchise Fee	When you renew your Franchise Agreement	Payable if you elect to renew the initial term of your Franchise Agreement and meet the criteria to do so.
Liquidated Damages for Abandonment	Equal to the Net Present Value of the lesser of the Royalty and Central Marketing Fees that would have otherwise been due: (i) for the next 5 years of the Franchise Agreement; or (ii) through the remainder of the Franchise Agreement Term; based on an average of the Store's Gross Revenues for the prior 12 months.		Payable if you cease operating or otherwise abandon your Store prior to the expiration of your Franchise Agreement.

Notes:

1. The fees described in the above charts are applicable to Area Development Agreements for the development of Traditional Stores and Kiosks and single-unit Franchise Agreements for both Traditional and Special Distribution Stores and Kiosks.

2. All fees imposed by and payable to us or our affiliates are non-refundable and uniformly imposed.

3. The Customer Facing Technology Fee may vary within this range based on the system's overall store count and your transaction count in any given month.

4. You must maintain insurance of the types and minimum amounts (naming us as an additional insured) specified in your Franchise Agreement (see Exhibit "A," Section 6.12), the Manuals, or in supplementary notices. You may obtain additional insurance as you may desire. Insurance policies may not be subject to amendment or cancellation without at least 30 days prior written notice to us. You must provide certificates of insurance evidencing coverage on an ongoing basis.

4. Interest begins from the date of the underpayment.

5. As described in Item 1, if you sign your Franchise Agreement pursuant to an existing Area Development Agreement, the terms of your Area Development Agreement may modify the terms, including fees, of all Franchise Agreements you sign pursuant to your Area Development Agreement. Your fees under each Franchise Agreement will be modified if and to the extent required by the terms of your Area Development Agreement.

You and we may negotiate any or all of the fees described in this Item 6.

ITEM 7.
YOUR ESTIMATED INITIAL INVESTMENT

Franchise Agreement

FOR A TRADITIONAL STORE

COLUMN 1 **TYPE OF EXPENDITURE**	**COLUMN 2** **AMOUNT**		**COLUMN 3** **METHOD OF PAYMENT**	**COLUMN 4** **WHEN DUE**	**COLUMN 5** **TO WHOM PAYMENT IS TO BE MADE**
	LOW	**HIGH**			
Initial Franchise Fee	$12,500	$25,000	Lump Sum	When you sign your Franchise Agreement	SMCC or its designee
Lease for Store[1]	$2,500	$13,000	Lump Sum	Before Opening	Landlord
Design & Plans[2]	$42,000	$55,000	As Arranged	As Incurred	SMCC, Affiliate, Architect, Interior Designer
Leasehold Improvements[3]	$317,165	$588,694	As Arranged	As Incurred	Contractor
Signage	$85,000	$94,780	As Arranged	Before Opening	Vendor

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Furniture, Fixtures and Equipment	$350,000	$353,703	Lump Sum	Before Opening	Various Vendors
Point of Sale ("***POS***") System[9]	$30,000	$30,000	Lump Sum	Before Opening	SMCC, Affiliates and/or Vendor
Initial Inventory[4]	$8,000	$32,000	As Arranged	As Incurred	SMCC, Affiliates and/or Vendors
Grand Opening Promotion	$10,000	$10,000	As Arranged	As Incurred	Vendors
Permits and Security Deposits[5]	$4,500	$25,000	As Arranged	As Incurred	Government Agencies, Landlord and Utility Companies
Insurance[6]	$2,000	$10,000	As Arranged	As Incurred (Annual)	Insurance Company
Professional Fees[3, 7]	$5,000	$78,000	As Arranged	As Incurred	Attorneys, accountants or other consultants
Training Expenses[8]	$12,000	$40,000	Lump Sum	Before Opening	Hotels, Restaurants, and Airlines
Additional Funds – three month period[10]	$60,000	$75,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries
TOTAL	**$940,665**	**$1,430,177**			

FOR A TRADITIONAL KIOSK

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee	$15,000	$15,000	Lump Sum	When you sign your Franchise Agreement	SMCC or its designee
Lease for Store[1]	$2,000	$4,000	Lump Sum	Before Opening	Landlord
Design & Plans[2]	$35,000	$40,000	As Arranged	As Incurred	SMCC, Affiliates, Architect, Interior Designer
Leasehold Improvements[3]	$150,000	$327,059	As Arranged	As Incurred	Contractor
Signage	$20,000	$28,000	As Arranged	Before Opening	Vendor
Furniture, Fixtures and Equipment	$235,000	$301,000	Lump Sum	Before Opening	Vendors
Point of Sale ("***POS***") System[9]	$30,000	$30,000	Lump Sum	Before Opening	SMCC, Affiliates and/or Vendors
Grand Opening Promotion	$10,000	$10,000	As Arranged	As Incurred	Vendors
Initial Inventory[4]	$2,500	$5,000	As Arranged	As Incurred	SMCC, Affiliates, and/or Vendors
Permits and Security Deposits[5]	$5,000	$10,000	As Arranged	As Incurred	Government Agencies, Landlord and Utility Companies
Insurance[6]	$1,000	$10,000	As Arranged	As Incurred (Annual)	Insurance Company
Professional Fees[3/7]	$4,000	$21,000	As Arranged	As Incurred	Attorneys, accountants or other consultants

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Training Expenses[8]	$12,000	$40,000	Lump Sum	Before Opening	Hotels, Restaurants, and Airlines
Additional Funds – 3 month period[10]	$30,000	$75,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries
TOTAL	**$551,500**	**$916,059**			

FOR A SPECIAL DISTRIBUTION STORE

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee*	$25,000	$25,000	Lump Sum	When you sign your Franchise Agreement	SMCC or its designee
Lease for Store[1]	$2,500	$12,000	Lump Sum	Before Opening	Landlord
Design & Plans[2]	$35,000	$40,000	As Arranged	As Incurred	SMCC, Affiliate, Architect, Interior Designer
Leasehold Improvements[3]	$200,000	$418,000	As Arranged	As Incurred	Contractor
Signage	$20,000	$28,000	As Arranged	Before Opening	Vendor
Furniture, Fixtures and Equipment	$235,000	$305,000	Lump Sum	Before Opening	Vendors
Point of Sale ("***POS***") System[9]	$30,000	$30,000	Lump Sum	Before Opening	SMCC, Affiliates and/or Vendor

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Inventory[4]	$8,000	$32,000	As Arranged	As Incurred	SMCC, Affiliates and/or Vendors
Grand Opening Promotion	$0	$10,000	As Arranged	As Incurred	Vendors
Permits and Security Deposits[5]	$5,000	$5,000	As Arranged	As Incurred	Government Agencies, Landlord and Utility Companies
Insurance[6]	$2,000	$10,000	As Arranged	As Incurred (Annual)	Insurance Company
Training Expenses[8]	$12,000	$25,000	Lump Sum	Before Opening	Hotels, Restaurants, and Airlines
Additional Funds – three month period[10]	$45,000	$60,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries
TOTAL	**$623,500**	**$1,024,000**			

FOR A SPECIAL DISTRIBUTION KIOSK

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Franchise Fee*	$15,000	$15,000	Lump Sum	When you sign your Franchise Agreement	SMCC or its designee
Lease for Store[1]	$2,000	$4,000	Lump Sum	Before Opening	Landlord

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Design & Plans[2]	$35,000	$40,000	As Arranged	As Incurred	SMCC, Affiliates, Architect, Interior Designer
Leasehold Improvements[3]	$150,000	$400,000	As Arranged	As Incurred	Contractor
Signage	$20,000	$28,000	As Arranged	Before Opening	Vendor
Furniture, Fixtures and Equipment	$235,000	$305,000	Lump Sum	Before Opening	Vendors
Point of Sale ("***POS***") System[9]	$30,000	$30,000	Lump Sum	Before Opening	SMCC, Affiliates and/or Vendors
Grand Opening Promotion	$0	$10,000	As Arranged	As Incurred	Vendors
Initial Inventory[4]	$2,500	$5,000	As Arranged	As Incurred	SMCC, Affiliates, and/or Vendors
Permits and Security Deposits[5]	$5,050	$5,000	As Arranged	As Incurred	Government Agencies, Landlord and Utility Companies
Insurance[6]	$1,000	$10,000	As Arranged	As Incurred (Annual)	Insurance Company
Professional Fees[3/7]	$4,000	$24,000	As Arranged	As Incurred	Attorneys, accountants or other consultants
Training Expenses[8]	$12,000	$25,000	Lump Sum	Before Opening	Hotels, Restaurants, and Airlines
Additional Funds – 3 month period[10]	$20,000	$45,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
TOTAL	**$531,500**	**$946,000**			

Notes:

1. Typical Traditional Stores are generally located in leased premises requiring a lease security deposit ranging from one to two months' rent. A typical Traditional Store will be located in a 1,250 square foot store. Typical Special Distribution Stores are generally located in leased premises requiring a lease security deposit ranging from one to two months' rent. A typical Special Distribution Store will be located in a 300 to 1,250 square foot space at a Special Distribution Site. Kiosks are generally located in office complexes, shopping malls or at specific street locations and typically require larger security deposits, sometimes as much as six months' rent. The estimates contemplate first month's prepaid rent for commercial space and includes all rent and lease deposits from the time of lease execution until the time the Store begins operation**.** This amount will vary according to your geographic area, type of location (enclosed mall, strip center, or free-standing building) and various other factors. Additionally, in certain lease transactions, your landlord may require you, or if you are a legal or business entity, you and your owners, to personally guarantee the lease. Although we anticipate that you will lease commercial space for your Store, if you buy unimproved property and construct your Store the cost will be substantially higher, the amount of which we cannot meaningfully estimate.

2. We will provide you with a copy of the current master template plans and specifications for a Store, unless you have already been provided with a copy pursuant to an Area Development Agreement. Standard decor and layout plans are to be modified and conformed to the accepted location at your expense.

3. Costs will vary depending on lease type (Build to Suit vs. Ground Up Lease). In order to build-out a leased location into a Store you must renovate the accepted location in accordance with our specifications. You will pay construction and renovation costs directly to an independent architect and construction company hired by you, to perform the construction work. If you sign a Franchise Agreement for a Special Distribution Store or one of your first 2 Traditional Stores or your first Traditional Kiosk, at our request, you must retain a consultant, designated or approved by us and who may be our employee or representative, at your cost (not to exceed $30,000 for a Store or $20,000 for a Kiosk, exclusive of travel, accommodations and out-of-pocket expenses) to supervise the operational establishment of your Store or Kiosk. It is possible that these costs may be greater if there are unusual renovation requirements for your location. If you decide to finance any part of your equipment or construction costs, the financing, interest and repayment terms will be solely dependent upon your financial net worth. Financing can range from interest only loans to fixed repayment loans, repayable within one to ten years, at interest rates that range from the then-current prime rate to the highest rate allowable by applicable state law. Further, the estimates do not include "tenant improvement dollars" which is a pre-negotiated sum of money that landlords may in some instances provide to tenants in order to defray construction costs, either in whole or in part. Tenant improvement dollars should be requested when possible.

4. Your initial inventory consists of roasted whole bean coffee, teas, various food products, beverages, paper products, cleaning supplies, small wares and other supplies utilized in the operation of the Store and other merchandise, or products sold at the Store. Your initial inventory must be purchased from us or our affiliate in the case of coffee, teas and certain other proprietary items, or from any supplier approved by us for non-proprietary items, all in accordance with the Franchise Agreement. The initial inventory expenditure will vary according to anticipated sales volume and current market prices for supplies.

5. There are generally security deposits or prepaid expenses for your real property and personal property leases, insurance requirements and utilities arrangements. Generally, the amount of each security deposit or prepaid expense is determined by the leases you enter into and the suppliers of utility, telephone and insurance services. The security deposits and prepaid expenses are sometimes refunded under the terms of the agreements or as regulated by law. Real property security deposits are typically equal to one month's rent, though in the case of Kiosks, the security deposit may be as much as six months' rent. The lease security deposit may be non-refundable and is paid directly to the landlord of the location. Typically, you may obtain a bond instead of paying expenses such as state sales taxes and utilities.

6. Under the Franchise Agreement, you must obtain (a) commercial general public liability insurance, including products liability, with a minimum coverage of $1,000,000 combined single limit per occurrence, $2,000,000 per location General Aggregate, and $2,000,000 Products Liability Aggregate, (b) business auto liability insurance, including coverage for all owned, non-owned and hired autos with a minimum coverage of $1,000,000 per accident (combined single limit for personal injury, including bodily injury or death, and property damage), (c) excess "umbrella" liability insurance with a minimum coverage of not less than $2,000,000 per occurrence, $2,000,000 per location General Aggregate, and $2,000,000 Products Liability Aggregate, (d) workers' compensation insurance as required by applicable law, and Employer's Liability insurance with minimum limits of $1,000,000 per accident and $1,000 per employee and aggregate for disease, (e) extended coverage insurance, covering the construction of improvements and the completed Store for its full replacement value, covering loss of income and extra expenses, for the actual loss incurred, and include coverage for your obligations to pay the Royalty Fee, the Central Marketing Fee and amounts owed for your purchases from us or our affiliates, interest due on any of the above, and all other amounts you owe to us or our affiliates, and other coverages as specified in the Manuals. All policies must name us as an additional insured. You will pay insurance premiums either to your insurance broker or directly to the insurance company issuing the specific policy. These premiums are generally refundable to the extent that coverage has not yet expired.

   We estimate that your insurance costs will be approximately $3,000 per Store. This estimate of potential insurance costs is based on our consultation with an insurance underwriter, but insurance premiums are dependent upon the insurance company issuing the policy, the experience of the insurance company in the type of coverage requested, and the location of the proposed Store. We suggest you consult your own insurance broker to review this estimate, considering the general area in which you will open your proposed Store.

7. You may employ an attorney, accountant, and other consultants at your sole discretion.

8. You must make arrangements for and pay the expenses of persons attending the training program including, transportation, lodging, meals and wages. The cost will depend, in part, on the distance you must travel and the type of accommodation you choose. We provide our initial training program only for the first Store that you open.

9. You must use a point of sale payment collection system and/or computer system (the "POS System"), which may include a cash register, register tape, printer, magnetic stripe reader, EMV reader, and cash drawer, of the type and quality approved by us. You must maintain a high speed internet data connection (or other connection which we specify) and dedicated telephone data lines which will telecommunicate sales, sales mix, usage and operations data to us. Your store network and system, including internet connection, must be protected by business-class network security appliance (firewall), end-point protection (anti-virus), and meeting all Payment Card Industry (PCI) Data Security Standards (DSS) requirements. You must participate in any data polling and reporting program we specify for storage, process, and report of the data collected through the POS System.

10. These amounts are the minimum recommended levels to cover operating expenses, including employee's salaries for 3 months. However, we cannot guarantee that this amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a 3 month period.

    As described in more detail in Item 10, under the Franchise Agreement we may request that you provide us with a Letter of Credit as security to ensure the performance of your obligations. The Letter of Credit will be $20,000 for each Franchise Agreement. In order to provide the Letter of Credit, the issuing bank or other financial institution may require you to provide cash or other collateral as security for the Letter of Credit obligation, and pay an annual fee ranging from 1 to 2 percent of the face amount of the Letter of Credit. The amount of cash or other assets you will need in order to obtain the Letter of Credit is not included in the amounts set forth in the chart above. In addition, you will represent and warrant to us that you have obtained the initial capitalization level set forth in your agreements. The initial capitalization set forth in your agreement may not be related to the amounts set forth in the chart above. We may also require you to maintain a certain minimum net worth and, at all times during the Term, your debt-to-asset ratio may not exceed 1:1. The amount of the minimum capitalization and the minimum net worth and debt-to-asset obligations are not a guaranty that they will provide the necessary capital and resources needed for you to develop, construct, and thereafter operate any Store or Stores for any particular period of time and such amounts are not included in the chart set forth above.

    We have prepared these estimates based on our and our affiliates' and predecessors' experience, which is primarily in the establishment and operation of full size Stores. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced accountant or financial advisor to develop a business plan and financial projections for your particular operation. If you sign a Franchise Agreement in connection with the transfer or renewal of an existing franchise, many items of this table are not applicable to you because your Store is currently open and operating, but under our franchise agreement we may require you to remodel, renovate, modernize or refurbish it to our then-current standards.

Area Development Agreement

In addition to your costs for opening individual Stores under a Franchise Agreement (see charts below and Items 5 and 6 above), you will incur the following initial expenditures if you sign an Area

Development Agreement for the development of multiple Traditional Store (except as otherwise agreed by you and us).

The following chart described the estimated initial investment in you sign an Area Development Agreement to open 5 Traditional "The Coffee Bean & Tea Leaf" stores. If you sign an Area Development Agreement to open more than 5 stores, your costs will vary.

COLUMN 1 TYPE OF EXPENDITURE	COLUMN 2 AMOUNT		COLUMN 3 METHOD OF PAYMENT	COLUMN 4 WHEN DUE	COLUMN 5 TO WHOM PAYMENT IS TO BE MADE
	LOW	HIGH			
Initial Development Fee[1]	$62,500	$62,500	Lump Sum	When you sign your Agreement	SMCC or its designee
Professional Fees[2]	$10,000	$25,000	As Arranged	As Incurred	Attorneys, accountants or other consultants
Local Advertising and Promotion[3]	$10,000	$50,000	As Arranged	As Incurred	Vendors
Additional Funds – three month period[4]	$60,000	$75,000	As Incurred	As Incurred	Suppliers, Utilities, and Employees' Salaries
TOTAL	**$142,500**	**$212,500**			

1. You must pay us an "Initial Development Fee" equal to $12,500 multiplied by the number of Stores you must open during the initial term of the Area Development Agreement, payable on execution of the Area Development Agreement. You must open a minimum of 5 Stores under the Area Development Agreement.

   If you signed an earlier form of Area Development Agreement which differs from our current form, your Initial Franchise Fees will be determined in accordance with your Area Development Agreement. The Initial Development Fee is fully earned when paid and is not refundable under any circumstances.

2. You must also reimburse us for our legal, accounting and other professional fees to the extent they exceed $10,000 to negotiate and sign the Area Development Agreement (including any exhibits, addenda or attachments), provided that the reimbursement will not exceed $25,000.

3. Before opening your first Store, you must spend on local advertising and promotion the lesser of (a) $10,000 multiplied by the number of Stores you must open during the first year of your Area Development Agreement; or (b) $50,000. The figure in the chart assumes you must open one Store during the first year of your Area Development Agreement.

4. These amounts are the minimum recommended levels to cover operating expenses, including employee's salaries for 3 months. However, we cannot guarantee that this amount will be

sufficient. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial phase" of your business, which is defined as 3 months or a longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for our industry, so our disclosures cover a 3-month period.

ITEM 8.
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Real Estate

Unless you already own or lease the site for your Store (the "**Location**"), you must purchase or obtain a lease the Location upon or shortly after signing the Franchise Agreement. Although you are solely responsible for finding the Location, the Location is subject to our written acceptance which we may withhold in our sole discretion. Unless we notify you in writing, within 30 days after you have submitted a site presentation package for a proposed site, or 30 days after receipt of additional information which we request, whichever is later, that the proposed site is rejected, the site will be deemed accepted. If you and we cannot agree on a site and you do not open your Store within 270 days of signed the Franchise Agreement, we may terminate the Franchise Agreement and, if you and we cannot agree on a site and you therefore do not meet your development obligation under your Area Development Agreement, if applicable, we may terminate the Area Development Agreement.

If your Store has not yet been constructed or does not meet the current standards for new Stores you must cause the Store to be constructed, equipped and improved in compliance with the specifications set forth in the Manuals. You must use design professionals (including architects, and interior designer) and construction contractors designated by, or acceptable to us.

You may not relocate your Store without our prior written consent. The conditions under which we may allow you to relocate your Store include the following, if: (i) your lease expires before the expiration of your Franchise Agreement, (ii) the premises for your Store are destroyed, condemned or otherwise rendered unusable as a Coffee Bean Store in accordance with your Franchise Agreement, (iii) there is a change in the character of the location such that it warrants its relocation, or (iv) the continued operation of your Store is not commercially or economically viable.

We will use our good faith efforts to notify you of our decision within 7 days after we receive your request to relocate your Store and all requested back-up information.

If you already lease the Location as of the effective date of your franchise agreement, you must obtain the landlord's written consent to the construction and operation of your Store at the Location. If you do not own the Location and have not signed a lease as of the effective date of your franchise agreement, you must submit your proposed lease to us for acceptance before you sign it and provide a fully signed copy within 15 days following signing. At our request, any lease: (1) must provide or be amended to provide that the landlord shall give us notice and opportunity to cure any default of the lease by you; (2) must provide or be amended to provide that you may assign the lease to us without the landlord's consent, and must provide or be amended to provide that the lease may be further assigned or sublet to a "The Coffee Bean & Tea Leaf" franchisee approved by us; (3) require or be amended to require, upon our request, that the landlord to provide us with copies of sales and other information that you provide to the landlord; (4) provides that we or one of our affiliates (or in limited circumstances our designee) may assume the lease upon (i) termination of the Franchise Agreement; (ii) your failure to exercise any options to renew or extend the lease; (iii) the commission of a default under the lease that gives the landlord the right to terminate the lease after curing such default; or (iv) the purchase of the Store pursuant to the Franchise Agreement; (5) subject to our right to assume the lease, must provide or be amended to provide that the lease shall automatically terminate upon the termination of the Franchise Agreement; and (6) must provide or be amended to provide that upon expiration or termination of the lease for any reason, you shall, upon our

demand, remove all of the Marks from the Location and modify the decor of the Location so that it no longer resembles, in whole or in part, a "The Coffee Bean & Tea Leaf" Store, and if you fails to do so, we will be given written notice and the right to enter the Location to make such alterations.

If you are signing a franchise agreement for a Traditional Store or Kiosk, you must you must sign a lease addendum in the form exhibit to your franchise agreement that includes the above lease provisions.

Among other reasons, we may reject any site if the lessor refuses to agree to the terms above.

We will provide you with a copy of the current master template plans and specifications for a Store, unless we have already provided you with a copy pursuant to an Area Development Agreement. You may modify the template plans for your Store(s), subject to our approval. You must retain our designated (or accepted by us if not designated) design professionals (including architects), interior designer, architect and construction contractor to modify the template plans for your Store. When construction is completed, you must provide us with a set of "as built" plans, photos, and specifications.

Goods, Supplies, Inventory and Services

You must serve all and only the "Coffee Bean Products" we specify. "Coffee Bean Products" means the specific espresso drinks and coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, which may include coffee making equipment, cups, hats, t-shirts and novelty items, which we specify for sale at your Stores, prepared and served in strict accordance with our and our affiliates' recipes, quality standards and specifications, including specifications as to ingredients, brand names, preparation and presentation. You must purchase and maintain in inventory Coffee Bean Products to meet reasonably anticipated consumer demand. Unless we otherwise direct, you must purchase all Coffee Bean Products and all "Proprietary Products" (which include coffees, teas, coffee extracts, powder mixes and other ingredients and raw materials, which are manufactured in accordance with our proprietary recipes) from us or our affiliate (if we sell them) or from a producer, manufacturer or supplier ("***Supplier***") we designate. We and/or our affiliates are the sole supplier of Coffee Bean Products (as defined above). We will not be obligated to reveal the recipes, specifications and/or formulas of Proprietary Products to you or any third party, except as required by law. You must purchase, use, and maintain in stock Proprietary Products in quantities needed to meet reasonably anticipated consumer demand.

If your Store is a Special Distribution Store or Kiosk, the Coffee Bean Products that you may initially offer from your Store are specified in Exhibit "B" to your Franchise Agreement and generally include brewed coffee, cafe lattes, mocha lattes, vanilla lattes, espresso, cappuccino, brewed tea, hot chocolate, Ice Blended® Beverages, and food products, as set forth in our Manual.

We may designate other food products, condiments, beverages, fixtures, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, software, modems and peripheral equipment and other products and equipment and other items, other than Proprietary Products, which you may or must use or sell at the Store ("***Non-Proprietary Products***"). You may use, offer or sell only those Non-Proprietary Products that we expressly authorize. You may purchase them from (i) us or our affiliates (if we sell them), (ii) Suppliers we designate, or (iii) Suppliers you select that we approve in advance in writing. Each such Supplier we designate or approve must comply with our usual and customary requirements regarding insurance, indemnification, and non-disclosure, and satisfy us that it will supply products meeting our specifications (which may include particular brand names and models, and meet other criteria), and reliably deliver consistent quality products and services.

We will provide you with the Manuals and various supplemental bulletins and notices (or, at our option, make the Manuals and supplemental bulletins and notices available to you on the brand intranet) that will contain the specifications, standards and restrictions on your purchase of products and services. Upon request, we will furnish to you an approved list of suppliers which we may update periodically. All

coffee, coffee drinks, teas and other food and beverage products sold by you must conform strictly with the instructions and recipes specified in the Manuals. In certain circumstances, and under obligations of confidentiality, we will provide Suppliers with the standards and specifications. You may use any operational service providers such as exterminators, refrigeration service companies, refuse removal companies, etc. from any qualified entity that you may select.

Equipment, Fixtures & Signs

You must purchase and install, at your expense, all fixtures, furnishings, equipment (including point-of-sale cash collection system and/or computer system), decor, and signs ("***Equipment & Fixtures***") as we direct. You may not install on or about your Store any Equipment and Fixtures not previously approved as meeting the standards and specifications without our prior written consent. You may purchase these items from an approved seller.

If your Store is a Special Distribution Store or Kiosk, you must maintain at least one visibly prominent approved "Coffee Bean & Tea Leaf" sign on the front of the building in which your Store is located, or as near the front and as visually prominent as practically possible consistent with your leasehold and other real property rights and obligations, identifying the location as containing a "Coffee Bean & Tea Leaf " Store (the "***Required CBTL Sign***"). Your sign must conform to our specifications and requirements and the layout and design plan approved for your Location, subject to any modifications to which we may agree to overcome applicable laws, the terms or your lease, or other restrictions on your ability to install the Required CBTL Sign. We will not require you to install a Required CBTL Sign if: (i) despite taking commercially reasonable and diligent measures, you cannot obtain a variance; or (ii) you have not received your landlord's consent to install the Required CBTL Sign, within 90 days after submitting a written request for same and exercising reasonable diligence to prosecute such request.

You must, upon our request, apply for and maintain credit and debit cards, check verification services, stored value cards and electronic fund transfer systems and or other non-cash systems existing or to be developed in the future to enable customers to purchase authorized products through these procedures. We and our affiliates do not intend to derive any revenues from the use of these systems. You are not obligated to purchase from a particular approved seller, but must use specific brands of equipment, and in some situations certain comparable brands of equipment may be acceptable, subject to our prior written approval.

Computer Equipment

You must use a point of sale payment collection system and/or computer system (the "POS System"), which may include a cash register, register tape, printer, magnetic stripe reader, EMV reader, and cash drawer, of the type and quality approved by us. You must maintain a high speed internet data connection (or other connection which we specify) and dedicated telephone data lines which will telecommunicate sales, sales mix, usage and operations data to us. Your store network and system, including internet connection, must be protected by business-class network security appliance (firewall), end-point protection (anti-virus), and meeting all Payment Card Industry (PCI) Data Security Standards (DSS) requirements. You must participate in any data polling and reporting program we specify for storage, process, and report of the data collected through the POS System.

Advertising

You may not use any promotional or advertising materials until they have been submitted to and approved by us. If we have not notified you of disapproval within 30 business days after your submission for approval, the materials will be considered approved.

Records

All of your bookkeeping and accounting records, financial statements, and all reports you submit to us must conform to our requirements.

Insurance

You must maintain suitable insurance coverage and minimum amounts specified in the Franchise Agreement, Manuals or by written notice. If you fail to obtain insurance, we may purchase it on your behalf at your expense. You may obtain additional insurance coverage as you feel necessary. You may purchase your insurance from any supplier that meets the minimum standards in your Franchise Agreement.

You must secure the following types of insurance: (a) Property Insurance to cover the goods, fixtures, furniture, equipment, and other personal property located at your Store to the extent of 100% of their full replacement cost; (b) Commercial General Liability with the liability limit to be not less than $1,000,000 per occurrence, $2,000,000 Products Liability Aggregate, and $2,000,000 General Aggregate per location; (c) Business auto liability including coverage for all owned, non-owned and hired autos with a limit of liability of not less than $1,000,000 per accident (combined single limit for personal injury, including bodily injury or death, and property damage); and (d) excess "umbrella" liability providing liability insurance in excess of the coverage limits described above, with a limit of not less than $2,000,000 per occurrence, $2,000,000 per location General Aggregate, and $2,000,000 Products Liability Aggregate. You must also maintain all worker's compensation insurance on your employees if required by local law, and Employer's Liability insurance with minimum limits of $1,000,000 per accident and $1,000,000 per employee and aggregate for disease.

Approval Process for Suppliers

If you wish to procure authorized Non-Proprietary Products from a Supplier other than us, our affiliates, or one we have previously approved or designated, you must deliver written notice seeking approval of the Supplier. The notice must (i) identify the name and address of the Supplier, (ii) contain the information we request or require as described in the Manuals (e.g. financial, operational and economic information regarding its business), and (iii) identify the item you seek to purchase from the Supplier. We will, upon request, furnish you with specifications for the Non-Proprietary Products if they are not in the Manuals. The proposed Supplier must, at our request, furnish at no cost product samples, specifications and other information we may require, and allow us or our representatives to inspect the proposed Supplier's facilities and establish economic terms, delivery, service and other requirements consistent with our other distribution relationships for other Stores.

We will use our good faith efforts to notify you of our decision within 60 days after we receive your request for approval and all requested back-up information.

Among the factors that may be considered in deciding whether to approve a proposed Supplier, are the affect that this approval may have on our and franchisees' ability to obtain the lowest distribution costs with the quality and uniformity of product offered system-wide. We may also require a Supplier to agree in writing, to among other things: (i) to faithfully comply with the specifications, (ii) to sell any product bearing "The Coffee Bean & Tea Leaf" trademarks only to franchisees and only pursuant to a Trademark License Agreement in form we provide (which may require payment of a royalty), and (iii) to provide to us duplicate purchase invoices for our records and inspection.

You or your proposed Supplier must pay us in advance our reasonably anticipated costs to review the Supplier's application, and all current and future reasonable costs and expenses, to inspect and audit the Suppliers' facilities, equipment, and food products, and all product testing costs paid by Franchisor to third parties.

If Suppliers do not continue to meet the standards and requirements provided in the Manuals, we may revoke our approval of a Supplier at any time in our discretion, in writing. Our criteria for approving suppliers are available to franchisees.

Purchase Arrangements; Modifications of Standards

We and our affiliates presently negotiate purchase arrangements with distributors and manufacturers, including price terms for your benefit, company and affiliate-owned Stores, and the entire The Coffee Bean & Tea Leaf system. We do not provide or withhold material benefits to you based on your use of designated or approved suppliers, but we may terminate your Franchise Agreement if you purchase from unapproved sources in violation of your Franchise Agreement.

We may establish regional purchasing programs for the purchase of certain raw materials at reduced prices. If a regional purchasing program is established for the region where your Store is located, you must participate in the program.

The specifications of the Coffee Bean Products in Stores may be modified at any time, on a regional or national basis, by amendments to the Manuals or by written notice to you. For example, modifications may be necessary based on an analysis of the cost structure and quality of each item, the contents, and yield of each category of product, a modification of the contents of the products due to inflationary pressures, supply and demand problems, or the development of new and better products or other material reason for these changes. You must add, modify or delete any Coffee Bean Product from your menu as specified. Modifications to the Manuals are effective immediately upon your receipt.

Categories of goods and services that SMCC or its Affiliates Are the Only approved Supplier(s).

As discussed above, except for Coffee Bean Products, certain Proprietary Products, loyalty cards, promotional cards, gift certificates, and "The Coffee Bean Cards," there are presently no products or services for which we or our affiliates are the sole approved source. During our fiscal year ending December 31, 2023, we did not derive any revenue from required purchases or leases from franchisees. In the fiscal year ending December 31, 2023, our affiliate International Coffee & Tea, LLC derived $10,918,028.25 in revenues from the sale of required products and supplies to franchisees.

We and our affiliates may collect rebates and credits from suppliers, in the form of cash or services or otherwise, based on purchases or sales by you and other franchisees, and may retain those amounts for our affiliates' use and as profit regardless of any designation by the supplier or otherwise.

The estimated proportion of required purchases and leases to all purchases and leases by you of goods and services in establishing and operating the franchise business.

We estimate that all (100%) of your expenditures for leases and purchases in establishing your Store and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

Suppliers in Which SMCC's Officers Own an Interest

Our officers do not own an interest in suppliers to you, other than one or more may own an interest in us or our affiliates.

ITEM 9.
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Article 3 of the Franchise Agreement Section 6.1 of the Area Development Agreement	Item 11
b. Pre-opening purchases/leases	Sections 3.3(e) and 3.4 of the Franchise Agreement	Item 8
c. Site development and other pre-opening requirements	Sections 3.3 and 3.4 of the Franchise Agreement Section 6.1 of the Area Development Agreement	Items 6, 7 and 11
d. Initial and ongoing training	Article 4 of the Franchise Agreement Sections 6.4, 7.1, 7.2, 7.3 and 7.4 of the Area Development Agreement	Item 11
e. Opening	Sections 3.5 and 3.6 of the Franchise Agreement	Item 11
f. Fees	Article 5 of the Franchise Agreement Article 4 of the Area Development Agreement	Items 5 and 6
g. Compliance with standards and policies/ Operating Manual	Article 3, Section 4.2, Article 6, Sections 7.2 and 8.4 of the Franchise Agreement Section 7.5 of the Area Development Agreement	Item 11
h. Trademarks and proprietary information	Article 8, Sections 9.2 and 9.3 of the Franchise Agreement Article 9 and Section 10.5 of the Area Development Agreement	Items 13 and 14
i. Restrictions on products/services offered	Sections 3.8, 6.1, and 6.4 of the Franchise Agreement	Item 16
j. Warranty and customer service requirements	None	N/A

Obligation	Section in Agreement	Item in Disclosure Document
k. Territorial development and sales quotas	Sections 2 and 6.4 of the Franchise Agreement Sections 2.1, 2.3, 3.2, 5.1 and 5.2 of the Area Development Agreement	Item 12
l. Ongoing product/ service purchases	Sections 3.8, 6.1, 6.13 and 10.2 of the Franchise Agreement	Item 8
m. Maintenance, appearance and remodeling requirements	Sections 2.3, 3.2(b), 3.9 and 6.1 of the Franchise Agreement	Item 11
n. Insurance	Sections 6.1 and 6.12 of the Franchise Agreement	Items 6 and 8
o. Advertising	Article 7 of the Franchise Agreement Section 5.5 of the Area Development Agreement	Items 6 and 11
p. Indemnification	Sections 8.7, 13.4 of the Franchise Agreement Section 16.2 of the Area Development Agreement	Item 6
q. Owner's participation/ management/staffing	Sections 3.7 and 6.1 of the Franchise Agreement	Items 11 and 15
r. Records/reports	Sections 6.1, 6.5, 6.6 and 6.7 of the Franchise Agreement; Section 4.3 of the Area Development Agreement	Item 6
s. Inspections/audits	Sections 6.7 and 6.8 of the Franchise Agreement Section 4.3 of the Area Development Agreement	Items 6 and 11
t. Transfer	Article 10 of the Franchise Agreement Article 8 of the Area Development Agreement	Item 17
u. Renewal	Section 2.3 of the Franchise Agreement Sections 3.2 and 3.3 of the Area Development Agreement	Item 17

Obligation	Section in Agreement	Item in Disclosure Document
v. Post-termination obligations	Sections 8.1, 8.2, 9.1(b), 9.4, 12.3, 12.4, 12.5, 12.6, 12.7, 13.4, 14.1 and Article 15 of the Franchise Agreement Sections 10.2, 10.4, 10.5 and 13.2(c) and Articles 15 and 16 of the Area Development Agreement	Item 17
w. Non-competition covenants	Sections 6.11, 9.1 and 9.4 of the Franchise Agreement Section 10.1, 10.2, and 10.4 of the Area Development Agreement	Item 17
x. Dispute resolution	Sections 15.9 and 15.11 of the Franchise Agreement Article 15 of the Area Development Agreement	Item 17

ITEM 10.
FINANCING

Neither we nor our affiliates offer direct or indirect financing. Neither we nor our affiliates guarantee your lease or any other obligation you may incur.

Guaranty

Unless we otherwise agree, if you are a business or other legal entity, each of the owners and their spouses must unconditionally guaranty your compliance with the terms and the performance of your obligations under the Franchise Agreement and, if applicable, Area Development Agreement.

Letter of Credit

Under your Franchise Agreement, we may request that you provide an irrevocable, unconditional standby letter of credit for $20,000 (the "Letter of Credit") from a bank acceptable to us and subject only to those terms and conditions which are acceptable to us. The Letter of Credit must be for an initial term of 1 year, must be automatically renewed for additional terms of at least 1 year each, and must remain in effect throughout the term of the Franchise Agreement. The Letter of Credit will secure all of your obligations to us and our affiliates (other than pursuant to an Area Development Agreement). If applicable, you may aggregate Letters of Credit for all Franchise Agreements executed pursuant to your Area Development Agreement into a single Letter of Credit. The maximum Letter of Credit for all Franchise Agreements executed pursuant to an Area Development Agreement is $200,000 (even though you may be a party to more than 10 Franchise Agreements executed pursuant to an Area Development Agreement). We may terminate your Franchise Agreement, as applicable, if you fail to obtain and maintain your Letter of Credit. The Letter of Credit for each Franchise Agreement will be returned to you within 45 days after the termination of the Franchise Agreement, as extended or renewed. If you have aggregated the amounts you must deliver to us under letters of credit, we will return the letter of credit to you if you concurrently

replace the letter of credit with a letter of credit in the applicable amount. You may not mortgage, assign or encumber the Letter of Credit in any manner. If we mortgage or transfer our rights in your Franchise Agreement, we may transfer the Letter of Credit to the same mortgagee or transferee.

Financial Covenants

You must represent and warrant to us, and provide us with satisfactory evidence confirming, that you meet an agreed upon minimum level of capitalization, initial investment, at all times during the Term, a debt-to-asset ratio not exceeding 1:1, and an agreed upon minimum net worth of $50,000 to $75,000 for each store you have committed to open.

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

Except as listed below, Super Magnificent Coffee Company Ireland Limited is not required to provide you with any assistance.

Pre-Opening Assistance. We provide the following assistance to you before you open your Store for business:

1. You must purchase or lease a site for each Store within the periods in the Area Development Agreement and/or Franchise Agreement, which we will review and either accept or reject. You are solely responsible for selection of the site of your Store. You must submit to us information (which may include a video tape) regarding the proposed site as we require. If we offer any assistance to you in this regard, you may not construe our assistance as a guarantee or other assurance that the site will necessarily be successful. The factors we consider in accepting Store locations include general location and neighborhood, traffic patterns, parking, size, physical characteristics of existing buildings and lease terms. If we do not reject the site within 30 days, or within 30 days after receipt of additional information, whichever is later, the site shall be deemed accepted. (Exhibit "A", Article 3; Exhibit "B", Section 6.1). We do not generally own and/or lease premises to franchisees.

2. If you sign an Area Development Agreement, before a site is selected and approved, we will give you a copy of our then-current Franchise Disclosure Document, if required by applicable law, together with 2 copies of a Franchise Agreement that includes our lease addendum, ready for your signature, for the site. (Exhibit "B" Section 6.1(d))

3. We will provide you with a copy of the current master template plans and specifications for a Store which you may modify for your Store(s), subject to our acceptance, unless you have already received a copy pursuant to an Area Development Agreement. (Exhibit "A", Section 3.3, Exhibit "B", Section 6.3). You must retain our designated (or if not designated, accepted by Company) design professionals (including architects and interior designers) and construction contractor. (Exhibit "A", Section 3.3; Exhibit "B", Section 6.3).

4. We provide an initial training program as described below. (Exhibit "A", Section 4.1; Exhibit "B", Section 7.1).

5. If you are signing your Franchise Agreement for your first Store, we will send one to three training or operations staff members to your Store for a period of 15 days beginning at or before the scheduled opening date of your Store. We will send one to two staff members to your Store for 10 days if you are signing your Franchise Agreement for your 2nd or 3rd Store, but not subsequent Stores opened by you or your affiliates. You must reimburse us

for, or at our request, advance, all costs (except salary) and expenses for travel, meals and lodging we and our personnel incur to provide this assistance. (Exhibit "A", Section 4.1; Exhibit "B", Section 7.2).

6. We will loan to you one copy of the confidential Manuals (or, at our option, make our Manuals available to you in the brand intranet) to use during the term of your Area Development Agreement, if applicable, and individual Franchise Agreements. The Manuals contain standard operational procedures, policies, rules and regulations with which you must comply. You may duplicate one copy of certain of the Manuals, as we instruct you in writing, for each Store. (Exhibit "A", Sections 4.2 and 6.1; Exhibit "B", Section 7.5). For the Table of Contents of our Operations Manual, see Exhibit "E." Although the Manuals are typically made available electronically, in hard copy the Manuals are approximately 200 pages.

7. We or our affiliate will use our best efforts, in good faith, to supply your initial requirements for Coffee Bean Products in sufficient quantities to meet your anticipated Store needs.

Post-Opening Obligations. We have the following obligations to you during the operation of your business:

1. If you sign an Area Development Agreement, we will send one representative to your Development Area for a period of up to 14 calendar days each calendar year during the term of your Area Development Agreement. (Exhibit "B", Section 7.3)

2. We will provide you with certain of the standard print advertising materials. (Exhibit "A", Section 7.1; Exhibit "B", Section 7.4)

3. If you request, we will furnish you with additional guidance and assistance with the methods, standards and operations of your Stores, purchasing, advertising, employee training, and administrative procedures and methods. (Exhibit "A", Section 4.3)

4. We will periodically designate Proprietary Products and Non-Proprietary Products which you may or must stock and promote and some or all of which may be available for purchase from us or our affiliates. (Exhibit "A", Section 6.13)

5. We have no obligations to assist you in establishing prices, and we do not set minimum or maximum prices at which you must sell products.

6. We will provide assistance with providing equipment, signs, fixtures, opening inventory, and supplies by providing the names of approved suppliers, written specifications for these items. We do not deliver or install the items.

Marketing Program

You must pay us a Central Marketing Fee of 2% of Gross Revenues, which we may increase up to 4% of Gross Revenues, except that we will not increase the combined Central Marketing Fee rate plus the required monthly local advertising spend to more than 4% of Gross Revenues. We and/or our affiliates will administer the Marketing Program to promote and enhance the image, identity or patronage of "The Coffee Bean & Tea Leaf" Stores within the United States. The sums you and other franchisees (to the extent that they are required to do so by their agreements with us) pay as a Central Marketing Fee will be deposited in a general operating account, segregated administratively on the books, but commingled with general operating revenues. Company and affiliate-owned Stores may, but are not obligated to, contribute funds to the Marketing Program. If less than the total of all contributions to the Marketing Program are spent during

any fiscal year, those sums may be accumulated for use in later years. If we or our affiliates advance money to the Marketing Program, we will be entitled to reimbursement, plus reasonable interest. We are not obligated to spend any amount on advertising in your area.

At your request, we will furnish to you within 180 days after the end of each of our fiscal years, an unaudited report certified as correct by an officer showing the Marketing Program balance at the beginning of the year, the total amount contributed by franchisees, and the amount actually expended for the year, and remaining balance or deficit in the Marketing Program at the end of the fiscal year end.

Marketing Program revenue will be spent on national, regional or local advertising, public relations and promotional campaigns, typically in media such as direct mail advertising, newspapers, radio, and cable and local television. This sum may also be spent for other items including conducting marketing studies; and the production and purchase of advertising art, commercials, musical jingles, print advertisements, point of sale materials, media advertising, outdoor advertising art, and direct mail pamphlets and literature, and may also be allocated to reimburse us or our affiliates for internal expenses of operating an advertising department and administration of our Marketing Program. We and our affiliates determine, in our discretion, exercised in good faith, all matters relating to advertising, public relations and promotional campaigns and we are not required to allocate or expend Marketing Program contributions for the benefit of any particular franchisee or group of franchisees on a pro rata or proportional basis. (Exhibit "A", Section 7.1) Not all franchisees may be obligated to contribute to the Marketing Program, and some may contribute a different amount or at a different rate, as we determine appropriate.

The Marketing Program has been, and is expected to continue to be, primarily developed by outside advertising agencies. In the most recent fiscal year, we disbursed Marketing Program funds as follows: 73% on digital media, 2% on brand management, 16% on print media and production; 1% on gift card marketing, 3% on loyalty support; and 5% on general public relations. Marketing Program funds will not be used to principally solicit new franchise sales.

Local Advertising

You must conduct a grand opening promotional campaign for your "The Coffee Bean & Tea Leaf" Store using marketing and public relations programs and media and advertising materials that we approve, and conducted in accordance with our specifications and standards and in accordance with a grand opening plan that you will prepare and submit to us for approval at least 45 days before opening. The estimated cost may be up to $10,000, depending on the agreed upon plan, which in turn will vary depending on the nature of your location. (Exhibit "A", Section 3.6)

If you sign an Area Development Agreement, before opening your first Store, you must spend on local advertising and promotion the lesser of (a) $10,000 multiplied by the number of Stores you must open during the first year of your Area Development Agreement; or (b) $50,000. Any amounts you spend on this promotional campaign will count in satisfaction of the 2% of Gross Sales which you must spend on local advertising under Section 7.2 of your Franchise Agreement. (Exhibit "B", Section 5.5)

You must spend at least 1% of your Gross Revenues on local advertising, which we may increase to 2% of Gross Revenues, except that we will not increase the combined Central Marketing Fee rate plus this required monthly local advertising spend to more than 4% of Gross Revenues. (Exhibit "A", Section 7.2)

The format, content and media of all of your advertising must meet brand specifications, and before use, samples of all local advertising materials, and descriptions of all local advertising programs, not prepared or previously approved by us, must be submitted to us for our approval. You may not use any advertising material or program that we disapprove.

If you do not receive written disapproval of any submission to us within 30 days, the submission will be considered approved, subject to later withdrawal of approval at any time during the term of your agreement. (Exhibit "A", Section 7.2)

You must maintain, at your own expense, one or more telephone numbers which must be listed in the white pages of one or more telephone directories which we designate servicing your designated territory and any adjacent or nearby areas. You must conduct all telephone directory advertising under the then-current standards and specifications, as stated in the Manuals, and all advertising, including telephone directory advertising, is subject to our prior written approval. (Exhibit "A", Section 7.2)

We and our affiliates may periodically conduct brand wide digital programs, or other promotional campaigns on a national or regional basis to promote products, services or marketing themes. You must participate in all digital and promotional campaigns established for the region in which your Store is located, including online ordering, mobile ordering, "loyalty cards," and "loyalty programs," as we designate and for which franchisees will bear the costs associated (Exhibit "A", Sections 6.1 and 7.4).

Advertising Council

There is presently no advertising council composed of franchisees that advises us on advertising policies.

Advertising Cooperatives

At our request, you must become a member of a marketing cooperative to coordinate advertising in a particular market area and to contribute all or a portion of the amount that we require you to spend on local advertising, to be used for advertising as determined by the cooperative. Presently, there are no advertising cooperatives.

Training

We will provide you with a 15-day (as determined by us in our reasonable business judgment) initial training program ("***Initial Training***") for your first General Manager, your Certified Training Manager (if your Store is a Traditional Store), and, if you have signed an Area Development Agreement, your Director of Operations. The Initial Training is held at our corporate headquarters in Southern California, at a Company-owned or affiliate-owned Store in Southern California, or at some other location we may designate. Your Director of Operations (if you signed an Area Development Agreement), Certified Training Manager (if your Store is a Traditional Store), and the General Manager for your first Store must have successfully completed the Initial Training to our satisfaction before you open your first Store. You must pay all travel and living expenses of the individuals attending training.

In addition, we will provide a 5-day training program ("***Owner Training***") for an owner and one other person designated by you and accepted by us. Owner Training is held at our corporate headquarters in Southern California, at a Company-owned or affiliate-owned Store in Southern California, or at some other location we may designate. The Owner Training will focus on "The Coffee Bean & Tea Leaf" system and concept and overall operations of the Stores.

We will provide Initial Training and Owner Training only if this is your first Franchise Agreement and you have not received training pursuant to an Area Development Agreement.

The training programs are conducted by our and our affiliates' staff members or store managers who have at least 3 years' experience managing a Store. Instruction materials include the Manuals, training and equipment manuals, reading materials, slides, and videos. Training is held on an as-needed basis as we determine appropriate. Approximate hours that a trainee spends in classroom training and on-the-job

training are depicted below. We may in our sole discretion may modify or tailor the Initial Training Program to suit the skill set and operational competency of the individual franchisee.

INITIAL TRAINING PROGRAM

COLUMN 1 SUBJECT	COLUMN 2 HOURS OF CLASSROOM TRAINING	COLUMN 3 HOURS OF ON-THE-JOB TRAINING	COLUMN 4 LOCATION
• Orientation	8	-	Southern California
• RAD (Roasting and Distribution Facility in Camarillo, CA) Tour • The World of Coffee & Tea	8	-	Southern California
• Ice Blended® Station • Brew Station	-	24	Southern California
• Customer Service/Station Training	-	16	Southern California
• Store Management	-	16	Southern California
• Train-the-Trainer	-	16	Southern California
• Tour of Stores	-	8	Southern California
• Coffee & Tea Intermediate • Intro to Intranet	8	-	Southern California
• Final Review/Q&A	8	-	Southern California

In addition, we will send one to three training or operations staff members to your Store for a period of 15 days beginning at or before the scheduled opening date of your first Store. We will send one to two staff members to your Store for 10 days if you are signing your Franchise Agreement for your 2nd or 3rd Store, but not subsequent Stores opened by you or your affiliates. You must reimburse us for, or at our request, advance, all costs (except salary) and expenses for travel, meals and lodging we and our personnel incur to provide this assistance. (Exhibit "A", Section 4.1)

If your Store is a Traditional Store and the individual you designate to be your Certified Training Manager fails to complete the required training to our satisfaction, you may designate a substitute trainee, that we accept, to complete the training. The replacement trainee must begin training within 30 days of the first designee's failure to satisfactorily complete training. If the replacement trainee does not satisfactorily complete training, you may designate a second replacement trainee. However, if the second replacement trainee also fails to complete the training to our satisfaction, then we may terminate your Franchise Agreement. (Exhibit "A", Section 4.1). You must also provide your General Manager (other than the

General Manager for your first Store) not less than 15 days of training by your Certified Training Manager. In addition, you must provide each of your Store employees not less than 7 days initial training, by your Certified Training Manager or by a General Manager who has been certified by your Certified Training Manager to train Store employees.

We, in our discretion, may provide on an optional or mandatory basis, supplemental or additional training programs as we deem necessary or appropriate for the proper operation of your Stores, and in the case of mandatory training we may require you, your General Managers and/or Certified Training Manager to attend. Mandatory and optional training programs will be held on an as-needed basis, as determined in our sole discretion, may be held in your Development Area or in Southern California, and will typically last approximately 1 week. You must pay our then-current, reasonable charges and expenses which we may impose for optional courses, but we will not impose a charge for mandatory supplemental or additional training programs. You will pay all travel, living, compensation, and other expenses, if any, incurred by you and your employees while attending additional training.

Electronic Point of Sale and Computer Systems

You must purchase and maintain an approved POS System to record Gross Revenues and transaction data (such as item ordered, price and date of sale). The system must include a cash register, register tape printer, magnetic stripe reader *EMV reader,* and cash drawer (Exhibit "A", Section 6.1). We will either provide an approved system to you for purchase or designate a system that meets our standards and specifications that you must purchase from a third party supplier. We estimate that the cost to acquire a point of sale computer system will cost approximately $30,000 per Store/Kiosk. In addition, we may require you, in the future to maintain membership in a designated third party network for implementing, transmitting, collecting and maintaining the POS System. There are no contractual limitations on the frequency or cost of required upgrades. At this time, we cannot access any information and financial data recorded by the system. However, we may in the future require you to computerize the POS System and connect the POS System to a secured broadband internet connection or other communications equipment which will allow us and our affiliates, on a daily basis (or other periodic basis), to have independent access to the databases and information generated and stored in your computer or POS System and transfer the data to our computer systems. You must also participate in any data polling and reporting program we specify for storage, process, and report of the data collected through the POS System. Because computer technology is evolving rapidly, it is difficult to predict the extent of required upgrades or your estimated costs. Based on current technology and costs, we estimate your costs to upgrade or transition to a newer computerized POS System could cost you approximately $30,000 per Store. Presently, the annual cost of other maintenance, updating, upgrading or support contracts is approximately $1,800 to $4,800. You may obtain other support and/or optional maintenance contracts from third parties at additional costs that we cannot estimate. You must maintain your POS System and keep it in good repair and updated as necessary. Neither we nor any of our affiliates nor any third party will be obligated to provide ongoing maintenance, repairs, upgrades or updates.

We may require you to apply for and maintain credit and debit cards, check verification services, stored value cards, electronic fund transfer systems and other non-cash systems currently existing or to be developed in the future so that your customers can purchase products using these procedures. (Exhibit "A", Section 6.1)

Internet

The Internet domain name coffeebean.com is registered and owned by SMCC Ireland, and a site using this domain name has been established. You acknowledge that the domain name is SMCC Ireland's sole property. You may not use in any manner any computer medium or electronic medium (for example, any Internet home page, e-mail address, website, domain name, URL, bulletin board, newsgroup, auction site such as eBay.com or Amazon.com, or other Internet related medium or activity) that contain the Marks, or any other words, symbols or terms confusingly similar to the Marks without our express prior written

consent. (Exhibit "A," Section 7.2) We may include on the Internet web site interior pages that identify all Stores, including your Stores. We may also establish Developer Page(s), and permit you to customize certain information on your Developer Page, in which event you must sign our then-current form of participation agreement, which may require you to pay us a reasonable fee for the privilege of having a Developer Page. (Exhibit "A," Section 7.3)

Intranet

You must establish and maintain an electronic connection with the Intranet that allows us to send messages to and receive messages from you. We may disseminate the Manuals, updates thereto and other confidential information to you through the Intranet. We and our affiliates will have exclusive discretion and control over all aspects of the Intranet, including the content and functionality thereof. You will have the mere privilege, and not the right, to use the Intranet, subject to your compliance with our standards.

Length of Time to Open Franchised Business

You may open a Store only by signing a Franchise Agreement for that Store. If you are signing an Area Development Agreement, you must open your first Store within 270 days after signing the Area Development Agreement. If you are signing a Franchise Agreement for a single Store, you must open the Store within 270 days of signing the Franchise Agreement. We estimate that the length of time between signing a Franchise Agreement and the opening of your Store is 6 months. The factors that affect this time period are development of the premises, local ordinances, compliance questions, licensing requirements, and delivery and installation of equipment and signs.

ITEM 12.
TERRITORY

Franchise Agreement

You may operate your Store at a specific location which we accept, as described in the Franchise Agreement. Our acceptance will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, vehicular traffic, number of Stores near the proposed new location. You may not relocate the Store to any other location without our prior written consent.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we or our affiliates own, or from other channels of distribution or competitive brands that we or our affiliates control. However, during the term of your Franchise Agreement, we and our affiliates will not open or operate, or license others to own or operate, a "The Coffee Bean & Tea Leaf" Store at any venue within the "***Designated Territory***", as defined in you Franchise Agreement. For Traditional Stores, the Designated Territory is a 0.25 mile radius of the Store, except that we and our affiliates may open or operate, or license others to to own or operate Stores at Special Distribution Sites within the Designated Territory. For Special Distribution Stores, the Designated Territory generally includes the premises of the location of your Store; for example, an airport terminal, casino, or food court. We also have additional "Reserved Rights" described below.

During the term of the Franchise Agreement, you may serve customers only from your Store. You may not operate any other permanent or temporary mobile vending vehicle, cart, Kiosk or any other form of distribution without our prior written consent. You may not sell to anyone any materials, supplies or inventory used in the preparation of any Coffee Bean Products, except as permitted in the Manuals. You may sell only finished Coffee Bean Products that have been approved for sale and only to retail customers. You may not sell any Coffee Bean Products to any person or entity purchasing the Coffee Bean Products for resale. You are not restricted from soliciting or accepting orders from customers that reside outside of your Designated Territory. You do not have the right to use Alternate Channels of Commerce or

distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make sales outside of your Designated Territory.

You must use your best efforts to ensure that your Gross Revenues in each Accounting Period from the sale of coffee, espresso drinks and premium teas is not less than 80% of your total Gross Revenues from the sale of all food and drinks during the Accounting Period. You will have at least 30 days after written notice that your sales mix is not in compliance to bring your sales mix into compliance. If you fail to bring your sales mix into compliance, we may terminate your Franchise Agreement.

Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated nor on your penetration of the market potential. You do not have the right to acquire additional franchises, although you may apply for the right to operate additional Stores pursuant to separate Franchise Agreements.

You are granted no exclusivity regarding customers, and nothing in the Franchise Agreement prevents us or any franchisee from serving or soliciting customers in your area.

Area Development Agreement

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that our affiliates or we own, or from other channels of distribution or competitive brands that we or our affiliates control. However, under the Area Development Agreement, you are granted the right to develop and operate the Stores at any site in a specified Development Area, subject to our acceptance. The Development Area may be one or more cities, counties, states, or some other defined area. We anticipate that the minimum Development Area offered will be a major city or metropolitan area. During the term of the Area Development Agreement, neither we nor our affiliates will open or operate, or license others to own or operate, a "The Coffee Bean & Tea Leaf" Store at any venue within your Development Area, except at Special Distribution Sites and except as permitted by our Reserved Rights (described below).

Except as described below, if you fail to meet your development obligations, or if you fail at any time to have paid the Guaranteed Minimum Royalty for each of your Stores that should have been opened in accordance with the Minimum Development Schedule, we may (a) terminate your right to develop, open and operate new Stores in the Development Area, but the termination of the right to develop your Development Area will not terminate any rights granted under the Franchise Agreements then in effect between you and us, (b) terminate your exclusivity to develop Stores in the Development Area, (c) require you to attend additional training at your sole cost and expense, or (d) fashion any other remedy which may be reasonable and appropriate in order to complete and maintain the development of the Development Area. If you fail to meet your development obligations, but have opened and continue to operate at least 75% of the required number of Stores, we will not exercise any of options described above if you pay us, by the end of each month following each Development Period, an amount equal to 150% of the Guaranteed Minimum Royalty (for Stores other than Kiosks) multiplied by the difference between the number of Stores required to be opened at the end of the preceding Development Period and the number of Stores (excluding Kiosks) actually open and operating during that month. After the expiration of the term of your Area Development Agreement, subject to the limited additional development right described below, we may own, operate, franchise or license others to operate additional Stores anywhere, without restriction, including in your Development Area.

We will give you an opportunity to continue the development of Stores in the Development Area for up to 10 years following the Initial Term of the Area Development Agreement. Not less than 6 months prior to the expiration of the Initial Term you must provide us with a proposed development plan. If we determine that further development of your Development Area is desirable, we will notify you in writing within 3 months following our receipt of such plan, and you will have a prior right to sign a new Area Development Agreement (on our then-current form, subject to the modifications in your Area Development Agreement) and undertake additional development of your Development Area. If you do not exercise your

right to sign a new Area Development Agreement, we or our affiliates may own, operate, franchise or license other to operate additional Stores in your Development Area.

Under the Area Development Agreement, the continuation of your territorial exclusivity is dependent upon your compliance with your development and other obligations under the Development Agreement, as described above.

Reserved Rights

Under both an Area Development Agreement and Franchise Agreement, we expressly reserve the exclusive, unrestricted right (***"Reserved Rights"***), in our sole and absolute discretion, directly and indirectly, to our self and through affiliates, employees, representatives, licensees, franchisees, assigns, agents and others:

(i) to own or operate and to license others (which may include our affiliates) to own or operate (x) Coffee Bean Stores at any location outside your Territory[1], regardless of proximity to your Store, (y) if your Store is a Traditional Store, Special Distribution Stores within and outside your Territory, regardless of proximity to your Store; and (z) in the event of a merger or acquisition, stores and other businesses of any type operating under names other than "CBTL" or "The Coffee Bean & Tea Leaf", at any location, regardless of its proximity to your Store or any Store under development or under consideration by you;

(ii) to produce, license, distribute, market, and sell food, beverage and non-food products, including Coffee Bean Products, pre-packaged coffee, tea, food, snacks and beverage products; books; equipment; clothing; souvenirs and promotional and novelty items under "CBTL," "The Coffee Bean and Tea Leaf" and/or other marks at any outlet (regardless of its proximity to your Store or any Store under development or under consideration by you), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of office services, Proudly Pour Sales Agreements (i.e., under which we may sell in your Territory "The Coffee Bean & Tea Leaf" brand coffees and/or teas to one or more third party retail cafés, bakeries or other restaurants operated by such third party as one of their menu items which is served to and consumed on-site by a customer of those retail cafés, bakeries or other restaurants), the Internet, mail order catalogs, direct mail advertising and other distribution and licensing methods ("***Alternate Channels of Commerce***") and to use, in connection with such production, licensing, distribution, marketing and sale, any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems symbols, designs and other identifying characteristics as we may develop or use, including the "CBTL" and "The Coffee Bean and Tea Leaf" marks;

(iii) to produce, license, distribute, market and sell, "CBTL" brand single-serve coffee machines, and all enhancements, features and accessories, incidental thereto, and "CBTL" brand single-serve coffee, espresso, and/or powder capsules ("***CBTL-Brand Single-Serve Products***"), through Alternate Channels of Commerce; and

(iv) to license, develop and operate CBTL-Brand Single-Serve Product Stores (described below) within and outside your Territory.

We presently anticipate that we and/or our affiliates we will operate and/or license the following retail concept that does or will offer goods and services similar to those which you offer: "***CBTL-Brand Single-Serve Product Stores***" which will operate under a name that may include "CBTL" or other marks (including the "The Coffee Bean & Tea Leaf" Mark and logo), which feature the sale of CBTL-Brand Single-Serve Products," and which may display the "CBTL" and "The Coffee Bean & Tea Leaf" marks and logos to identify the being offered and sold at the store.

1 For convenience, we will use the term "your Territory" throughout the remainder of this section to mean either the Development Area (as used in the Area Development Agreement) or the Designated Territory (as used in the Franchise Agreement).

Our affiliate, Smashburger, offers franchises for fast-casual hamburger restaurants under the "Smashburger" trademarks in the United States. Certain Smashburger restaurants may offer a limited menu of "The Coffee Bean & Tea Leaf" beverages and may solicit and accept orders in your territory. We anticipate that competition amongst "Smashburger" restaurants and "The Coffee Bean & Tea Leaf" stores, if any, would be minimal, and there is not a system in place to address any conflicts between franchisees of the two brands regarding territory, customers, or franchisor support. Smashburger's principal business address is 3900 East Mexico Avenue, Suite 1100, Denver, Colorado 80210.

Our affiliate, Red Ribbon, operates and offers franchises for bakeshops under the "Red Ribbon" trademarks in the United States and Philippines. Red Ribbon Bakeshops offer cakes and pastries that are similar to certain food products you may offer as a "The Coffee Bean & Tea Leaf" franchisee. Red Ribbon Bakeshops may solicit and accept orders within your territory. We do not consider Red Ribbon Bakeshops to be competitive with "The Coffee Bean & Tea Leaf" stores and the franchisors for the two brands are different entities. Therefore, there is not a system in place to address any conflicts between franchisees of the two brands regarding territory, customers, or franchisor support. Red Ribbon's principal business address is 14/F Jollibee Plaza Building, 10 F. Ortigas Jr. Ave., Ortigas Center, Pasig City, Philippines.

Our affiliate, Beijing Golden Coffee Cup Food & Beverage Management Co. Ltd., ("***Beijing Coffee***") is a franchisee of the Dunkin Donuts brand in China, and offers coffee beverages and pastry products similar to those offered from The Coffee Bean & Tea Leaf stores. Beijing Coffee will not solicit or accept orders within your territory. Because Beijing Coffee does not operate in the United States, we do not anticipate any conflicts between The Coffee Bean & Tea Leaf franchisees and Beijing Coffee and there is not a system in place to address any conflicts. Beijing Coffee's principal business address is No.175, F2, lane Chao Yang Northem Road, Beijing, China.

ITEM 13.
TRADEMARKS

We license you the right to do business under the name "The Coffee Bean & Tea Leaf." You may also use our other designated current or future trademarks to operate your Stores. By principal trademark we mean primary trademarks, service marks, names, logos, and commercial symbols used to identify your Stores and products.

We have registered the following trademarks on the United States Patent and Trademark principal register.

REGISTRATION NUMBER	DESCRIPTION OF MARK	PRINCIPAL/OR SUPPLEMENTAL REGISTER	REGISTRATION DATE
2164914		PRINCIPAL	June 16, 1998 Renewed: July 21, 2017

REGISTRATION NUMBER	DESCRIPTION OF MARK	PRINCIPAL/OR SUPPLEMENTAL REGISTER	REGISTRATION DATE
2328250	THE COFFEE BEAN & TEA LEAF	PRINCIPAL	March 14, 2000 Renewed: June 28, 2019
2946995	THE COFFEE BEAN	PRINCIPAL	May 10, 2005 Renewed: April 15, 2015
4622368	THE COFFEE BEAN	PRINCIPAL	October 14, 2014
5683333		PRINCIPAL	February 26, 2019
5737107		PRINCIPAL	February 26, 2019
4007381	CBTL	PRINCIPAL	August 2, 2011 Renewed: January 9, 2022
4003713	CBTL	PRINCIPAL	July 26, 2011 Renewed: December 30, 2021

REGISTRATION NUMBER	DESCRIPTION OF MARK	PRINCIPAL/OR SUPPLEMENTAL REGISTER	REGISTRATION DATE
4007383	CBTL	PRINCIPAL	August 2, 2011 Renewed: January 9, 2022
4007382	CBTL	PRINCIPAL	August 2, 2011 Renewed: January 9, 2022
4003714	CBTL	PRINCIPAL	July 26, 2011 Renewed: December 30, 2021
4065894		PRINCIPAL	December 6, 2011 Renewed: March 18, 2022
4072993		PRINCIPAL	December 20, 2011 Renewed: March 17, 2022
4072994		PRINCIPAL	December 20, 2011 Renewed: March 17, 2022

REGISTRATION NUMBER	DESCRIPTION OF MARK	PRINCIPAL/OR SUPPLEMENTAL REGISTER	REGISTRATION DATE
1920010	ICE BLENDED	PRINCIPAL	September 19, 1995 Renewed: August 17, 2015
3342386		PRINCIPAL	November 27, 2007 Renewed: August 29, 2017
3022455	THE ORIGINAL ICE BLENDED	PRINCIPAL	December 6, 2005 Renewed: December 19, 2015
3367427		PRINCIPAL	January 15, 2008 Renewed: March 16, 2017
3701863	EXTREME ICE BLENDED	PRINCIPAL	October 27, 2009 Renewed: December 8, 2020
3110840	ULTIMATE ICE BLENDED	PRINCIPAL	July 4, 2006 Renewed: August 4, 2016

REGISTRATION NUMBER	DESCRIPTION OF MARK	PRINCIPAL/OR SUPPLEMENTAL REGISTER	REGISTRATION DATE
4094432	ONE TOUCH. THE PERFECT CUP.	PRINCIPAL	January 31, 2012 Renewed: July 29, 2022
4094433	ONE TOUCH. THE PERFECT CUP.	PRINCIPAL	January 31, 2012 Renewed: July 29, 2022
3369790	SIMPLY THE BEST	PRINCIPAL	January 15, 2008 Renewed: March 16, 2017
2910136	WHITE CHOCOLATE DREAM	PRINCIPAL	December 14, 2004 Renewed: October 4, 2014
3114624	WINTER DREAM TEA	PRINCIPAL	July 11, 2006 Renewed: March 22, 2016
3399767	FRU-TEA	PRINCIPAL	March 18, 2008 Renewed: June 13, 2017

We have applied for registration of the following trademarks on the United States Patent and TrademarkOffice principal register. Because the following trademark applications are currently pending, we do not have a federal registration for these trademarks. Therefore, these trademarks do not have many of the legal benefits and rights of a federally registered trademark. If our right to use these trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses.

APPLICATION NUMBER	DESCRIPTION OF MARK	PRINCIPAL/OR SUPPLEMENTAL REGISTER	APPLICATION DATE
97/684768	THE COFFEE BEAN & TEA LEAF	PRINCIPAL	November 18, 2022
97/684766	COFFEE BEAN TEA LEAF	PRINCIPAL	November 18, 2022
97/684762		PRINCIPAL	November 18, 2022

We, as assignee, are the registered owner or applicant, as applicable, of the above trademarks (the "***Marks***"). We have filed all required affidavits for these Marks. We are also the registered owner of some or all of the Marks in various foreign countries.

No presently effective determinations of the United States Patent and Trademark Office ("***USPTO***") or any trademark administrator of any state or any court proceedings limit or restrict our right to use or license the use of the Marks.

If you learn of any alleged infringement of the Marks or challenge to your use of the Marks under the terms of the Franchise Agreement, you must notify us immediately, and we and our affiliates may take whatever appropriate action we deem necessary. We will reimburse you for your reasonable out-of-pocket expenses (not including consequential damages or loss of income) you incur in connection with your authorized use of the Marks, provided you used the Marks properly, notified us promptly of the claim, and cooperated fully with us in handling the dispute. You may participate at your own expense in defense or settlement, but our decisions about the matter will be final.

You may not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to you under Franchise Agreement), or in any modified form, nor may you use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by us. Also, you may not form any business or marketing practice which may be injurious to our business and the goodwill associated with the Marks, your Stores or other Stores.

We and our affiliates also have common law rights in the Marks because of use in interstate commerce. We and our affiliates may have the right, as a matter of common law, to exclude other users from using the same or confusingly similar marks for similar products or services within the area of geographical influence of our outlets and/or franchisees. The specific legal rights which you, we and our affiliates will have in a particular dispute would depend upon all the facts and circumstances surrounding the dispute.

As of the date of this Disclosure Document, we know of no infringing uses which would materially affect your use of the Marks.

Periodically, in the Manuals or in directives or supplemental bulletins, we may add to, delete, or modify any or all of the Marks. We will reimburse you for your reasonable direct expenses in materially modifying or discontinuing the use of a Mark and substituting a different trade or service mark. We will not be obligated to reimburse you for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Developer to promote a modified or substitute trademark or service mark. You must adopt any new Mark we adopt.

ITEM 14.
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or registered copyrights material to the franchise. Although neither we nor our affiliates have filed an application for a copyright registration for the Manuals, we and our affiliates claim common law copyrights in the Manuals. We and our affiliates also claim common law copyrights in certain other materials, such as menus. You must operate your business in accordance with our standards, specifications, policies and procedures in the Manuals or otherwise communicated to you. You must treat the information contained in the Manuals and any other supplemental material supplied by us as confidential. The Manuals are our property and you may not copy, disclose or disseminate the contents of the Manuals at any time, without our prior written consent. We may modify or supplement the Manuals upon notice or delivery to you. You must keep the Manuals current at all times, and upon the termination or non-renewal of your franchise return the Manuals to us. If you or your employees (or others) develop, create, invent, conceive or otherwise devises intellectual property relating to the operation of the Stores or the services or products offered or sold in connection therewith, such developments, creations, inventions, conceptions or otherwise will belong to us and you and your employees must assign it to us.

You may not communicate or use any confidential information concerning our methods or procedures during or after the term of the Franchise Agreement and, if applicable, Area Development Agreement. Information we make available to you may not be divulged to any person other than your employees or financial advisors who reasonably require access to any confidential information for purposes of fulfilling their employment or contractual responsibilities. You must inform your employees to whom the information, or any of it, is made available of this obligation of confidence. You must obtain a written agreement (on our standard form) imposing an obligation of confidence from each person having access to the Manuals or other confidential information.

Information which: (a) is disclosed to you which has entered the public domain or was known to you before our disclosure to you, other than by breach of an obligation of confidentiality owed (by anyone) to us; (b) becomes known to you from a source other than us and other than by the breach of an obligation of confidentiality owed (by anyone) to us; or (c) was independently developed by you without the use or benefit of our trade secrets will not be considered confidential information. The burden of proving that any of the foregoing exceptions apply to you resides with you.

You must notify us of any apparent infringement of or challenge to your use of any of the copyrights or claim by any person of any rights in any of our copyrights. We will take whatever appropriate action we deem necessary to defend or protect the copyrights. We and our affiliates have the exclusive right to control the litigation. We will reimburse you for your reasonable out-of-pocket expenses (not including consequential damages or loss of income) you incur in connection with your authorized use of the copyrights, provided you used the copyrights properly, notified us promptly of the claim, and cooperated fully with us in handling the dispute. You may participate at your own expense in defense or settlement, but our decisions about the matter will be final.

ITEM 15.
OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Although you do not have to personally supervise the franchised business, we recommend that you personally supervise the operation of your Stores. You must employ and continue to employ throughout the term of the agreements at least one General Manager for each of your Stores, a Certified Training Manager if your Store is a Traditional Store, and, if you have signed an Area Development Agreement, a Director of Operations; all of whom have successfully completed the Initial Training, and in the case of your General Manager and Certified Training Manager, must be approved by us. Each of the above persons may have to agree to maintain the confidentiality of the trade secrets discussed in Item 15 and may have to agree to the non-competition covenants described in Section 9 of the Franchise Agreement and Section 10 of the Area Development Agreement. If the franchisee is a business entity, there is no minimum amount of equity that the on-premises supervisor must have in the franchisee's business. Unless we agree otherwise, the Director of Operations must devote his/her full time, attention and effort to the support and operation of your Store(s) and fulfilment of your obligations as provided in the Franchise Agreement and Area Development Agreement.

If your proposed Director of Operations has any other business interests, you must provide notice to us of such other business interests. The notice must include the name of the other business interests; the identity of the person(s) or entity(ies) that own the business; a disclosure of the Director of Operation's ownership interest in such business, if any; a description of the business; a summary of the Director of Operation's involvement with such business; a list of pertinent contact information for such business, including its address, phone number(s), fax number(s), and any website address(es); and such other information as we reasonably request. We reserve the right to withhold or withdraw our approval of a proposed Director of Operations if we determine, in our sole discretion, that his/her other business interests may impair or otherwise prevent him or her from satisfactorily fulfilling the Director of Operations role and responsibilities.

One person who has attended and completed the Initial Training to our satisfaction, or who has been trained by a trainer certified by us, must be working at your Store at all times while your Store is open to the public.

ITEM 16.
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer and sell all, and only, those goods and services that we have approved (See Item 8). Coffee Bean Products may differ between Traditional Stores, Special Distribution Store and Kiosks, and may vary depending on the geographic location of your Store or other factors. We may add, delete, and change menu items that you may or must offer, in our unrestricted discretion, and this may require you to purchase additional equipment.

You may serve customers only from your Store. Unless we agree otherwise, you must continuously operate your Store for not less than the number of hours and on the days identified in the manuals (presently 14 hours per day, 7 days per week, including national holidays). You may not close your store at any time during standard operating hours. You may not operate any permanent or temporary mobile vending vehicle, cart, Kiosk or any other form of distribution without our prior written consent.

We may require you to make available for sale at the Store a line of promotional, souvenir and novelty items, such as sweat shirts, pins, watches, T-shirts, jackets, caps, glasses, and similar items. However, you must not sell these or any other promotional, souvenir or novelty items at the Store without our prior approval.

We may, on occasion, require you to test market products and/or services at the Store. You must cooperate with us in conducting these test Marketing Programs and must comply with all rules and regulations established by us.

You may not install or sell any brand owned by a person or entity other than us or our affiliate in your Store without our prior written consent, which includes the operation of an independent business, product line (including branded coolers, refrigerators or other equipment), or operating system owned or licensed by another entity ("***co-branding***").

No vending, gaming, pay telephone, automatic teller machine, internet kiosk or any other mechanical or electrical devices are permitted in your Store without our prior written consent.

You must use your best efforts to ensure that your Gross Revenues in each Accounting Period from the sale of coffee, espresso drinks and premium teas is not less than 80% of your total Gross Revenues from the sale of all food and drinks during the Accounting Period. You will have at least 30 days after written notice that your sales mix is not in compliance to bring your sales mix into compliance. If you fail to bring your sales mix into compliance, we may terminate your Franchise Agreement.

ITEM 17.
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary
a. Term of the franchise	Section 2.2	10 years.
b. Renewal or extension of the term	Section 2.3	One 10-year renewal term. Although we use the term "renewal" to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term), you must at our option sign a new Franchise Agreement with materially different terms and conditions than your original contract.
c. Requirements for you to renew or extend	Section 2.3	You must notify us at least 12 months before the end of the term that you wish to renew; must comply with all of your material obligations; remodel the Store to comply with our then-current standards and specifications; and sign a general release on a form prescribed by us. You must also not have committed 2 or more material breaches of the Franchise Agreement during any 12 month period during the term and must pay a renewal fee equal to 50% of your Initial Franchise Fee.

Provision	Section in Franchise Agreement	Summary
		The new franchise agreement that will be signed to renew or extend the agreement may contain "materially different" information than the original franchise agreement.
d. Termination by you	Section 11.8	You may terminate due to our material default which is not cured within 60 days after receipt of prompt notice from you, subject to extension of the default cannot be reasonably cured within 60 days. You may request the early termination of your Franchise Agreement before the end of its term on condition of paying the liquidated damages for abandonment. We may accept or deny your request in our sole discretion.
e. Termination by franchisor without cause	None	Not Applicable.
f. Termination by franchisor with cause	Sections 11.1, 12.2, and 12.3	We can terminate only if you: default; fail to train your General Manager; fail to open your Store within 270 days after the Effective Date of the Franchise Agreement; or, if your Store is a Traditional Store, your Certified Training Manager fails to complete all phases of the initial training program to our satisfaction.
g. "Cause" defined - defaults which can be cured	Section 11.4	You have 5 days to cure non-payment of fees, 10 days to cure defaults not listed in Sections 11.2 and 11.3
h. "Cause" defined - defaults which cannot be cured	Sections 11.2 and 11.3	Non curable defaults: bankruptcy, insolvency, dissolution or liquidation, disposition for benefit of creditors, permitting a judgment of more than $25,000 to exist against you for more than 30 days, if the Store or its assets are seized, a levy of execution of attachment upon property used in the Store, existence of a mechanics lien against any of the equipment, permits a judgment to be entered against us relating to the operation of the Store, condemnation or transfer in lieu of condemnation, abandonment of the Store, death or incapacity, repeated defaults, even if cured, misrepresentations in acquiring your franchise, violation of law which is not cured within 10 days, health and safety violations which endanger the public, knowingly understating your Gross Revenues, trademark and confidential information misuse, conviction of a felony or other crimes; failure to

Provision	Section in Franchise Agreement	Summary
		obtain and maintain, as applicable, Letter of Credit, the required initial capitalization, minimum net worth and debt-to-asset ratio described in Items 7 and 10.
i. Your obligations on termination/ nonrenewal	Section 12.4	You must cease use of the Marks, de-identify, pay all amounts due to us and our affiliates, and return the Manuals and all other materials to us. We may, at our option, assume all telephone numbers and other listings relating to the Store. See also "r" below.
j. Assignment of contract by franchisor	Section 10.1	No restriction on our right to assign.
k. "Transfer" by you - definition	Section 10.2	Includes transfer of the agreement or change in ownership of the entity which owns it.
l. Franchisor's approval of transfer by you	Section 10.2	Transfers require our prior written consent, which will not be unreasonably withheld. You may not sublicense, sublease, subcontract or enter into any management agreement providing the right to operate your Store or to use our system.
m. Conditions for franchisor's approval of transfer	Section 10.2	You must have fully performed all of your obligations under the Franchise Agreement, sign a continuing guarantee of the performance of the new franchisee, sign a general release and subordinate any amount owed by your transferee to you to amounts owed by your transferee to us and our affiliates. The new franchisee: must qualify, assume your obligations under the Franchise Agreement, complete training, sign new Franchise Agreement and agree to refurbish the Store. (See also "r" below). If the Franchise Agreement has been signed pursuant to an Area Development Agreement, you must concurrently assign all other Franchise Agreements to the same assignee. If the franchisee is one or more individuals and you wish to transfer the Franchise Agreement to an entity owned and controlled by the original franchisee, in addition to the above, we may require that (1) throughout the term of the Franchise Agreement (a) if the original franchisee is one individual, that the original

Provision	Section in Franchise Agreement	Summary
		franchisee continue to own all or a majority of the equity interest of the transferee, or (b) if the original franchisees is two or more individuals, that each individual continue to have the same proportional ownership interest in the transferee, and (2) all of the owners of the transferee sign a personal guarantee. You must pay the $5,000 transfer fee.
n. Franchisor's right of first refusal to acquire your business	Section 10.3	We or our designee can match any offer for your business.
o. Franchisor's option to purchase your business	Sections 10.4 and 12.6	We or our designee may purchase all, but not less than all of the interest in the Developer in the event of (a) we (or our parent) has a public offering, (b) we enter into an agreement to sell all or substantially all of its assets, or to merger or otherwise combine with any entity, or (c) a sale of 50% or more of our outstanding membership interests or stock to persons who, before the sale, were not our affiliates. We (or our designee) can also purchase your Store upon termination of your agreement, except upon our default.
p. Your death or disability	Section 11.3(b)	Your representative must notify us of any death or disability within 30 days of its occurrence and of its desire to continue the Agreement, and satisfies our reasonable requirements of a transferee, or transfers the agreement to a transferee acceptable to us, subject to "m" above. If your interest is not transferred within 90 day following your (or a major member, partner or shareholder's) death or legal incapacity, your Franchise Agreement will be automatically terminated.
q. Non-competition covenants during the term of the franchise	Section 9.1	Unless we agree otherwise in writing, neither you, your General Managers, owners and their affiliates, officers and directors if you are an entity, and your parents, spouses, natural and adopted children ("***Restricted Persons***") may not have any involvement in any Competitive Business. "***Competitive Business***" means any business operating or granting franchises or licenses to others to operate a business offering at wholesale or retail, or engaged in the production of, (conjunctively or disjunctively)

Provision	Section in Franchise Agreement	Summary
		specialty coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, coffee making equipment, including single-serve coffee machines and related single-serve coffee, espresso, and/or powder capsules, cups, hats, t-shirts and novelty items, and other specialty ingredients or offering any other goods or services similar to any other Coffee Bean Product. A Restricted Person may own up to 10% of the stock of any company traded on a national securities exchanged, provided that the Restricted Person is not a controlling person, or a member of a group which controls the company. You must not induce, contract or solicit to employ in any manner any person currently employed, or employed during the prior year, by us, our affiliates or franchisees.
r. Non-competition covenants after the franchise is terminated or expires	Section 9.1	Unless we agree otherwise in writing, no Restricted Person may have any involvement in any Competitive Business for 24 months within your Designated Territory or within 10 miles of your Store or any Store then existing. A Restricted Person may own up to 10% of the stock of any company traded on a national securities exchanged, provided that the Restricted Person is not a controlling person, or a member of a group which controls the company. You must not induce, contract or solicit to employ in any manner any person currently employed, or employed during the prior year, by us, our affiliates or franchisees for 2 years following the termination of the agreement.
s. Modification of the agreement	Sections 4.2, 6.1 and 15.4	The Manuals are subject to change. Modifications become effective upon delivery of written notice to you, unless the notice specifies a longer period. Amendments to the Franchise Agreement must be in writing and signed by both parties.
t. Integration/merger clause	Section 15.24	All agreements between the parties are in the Franchise Agreement and its exhibits. Only the terms of the Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document

Provision	Section in Franchise Agreement	Summary
		and franchise agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Sections 15.9 and 15.13	Except for certain claims, all disputes must be mediated in Los Angeles, California. If not resolved by mediation, the disputes must be resolved by arbitration, subject to state law.
v. Choice of forum	Sections 15.9 and 15.13	Subject to state law, except for certain claims, all disputes must be mediated in Los Angeles, California. If not resolved by mediation, the disputes must be arbitrated in Los Angles, California, subject to state law. Unless prohibited by local law, litigation must be in Los Angeles, California. Both you and us waive the right to a trial by jury. Except for the indemnification requirements in Section 13.4 of the Franchise Agreement, in the event of a dispute, both you and us waive punitive damages to the maximum extent permitted by applicable law.
w. Choice of law	Section 15.10	Subject to state law, California law applies, except for the provisions respecting Non-Competition, which are governed by local law.

This table lists important provisions of the Area Development Agreement. You should read these provisions in the agreement attached to this Disclosure Document.

Provision	Section in Area Development Agreement	Summary
a. Term of the franchise	Section 3.1	Typically 10 years, but subject to the developer franchisee's specific development obligation in the Area Development Agreement.
b. Renewal or extension of the term	Sections 3.2-3.3	Up to 10 years. Determined in increments of 5 years. Although we use the term "renewal" to refer to extending our franchise relationship at the end of your initial term (and any other renewal or extension of the initial term), you must at our option sign a new Area Development Agreement with materially different terms and conditions than your original contract.
c. Requirements for you to renew or extend	Sections 3.2-3.3	Not less than 6 months before the expiration of the initial term you must provide us with a proposed development plan. If we determine

Provision	Section in Area Development Agreement	Summary
		that further development of your Development Area is desirable, we will notify you in writing within 90 days before the expiration of your Area Development Agreement, and you can sign a new Area Development Agreement for additional development of your Development Area. You must sign a new Area Development Agreement and pay the then-current Initial Development Fee and Territory Fee. If you do not exercise your right to sign a new Area Development Agreement, we may own, operate, franchise or license other to operate additional Stores in your Development Area.
d. Termination by you	None	Not Applicable.
e. Termination by franchisor without cause	None	Not Applicable.
f. Termination by franchisor with cause	Sections 11.1 and 11.2	We can terminate if you materially default under your Area Development Agreement, an individual Franchise Agreement, or any other agreement between you and us or any of our affiliates.
g. "Cause" defined - defaults which can be cured	Section 11.1	You have 5 days to cure non-payment of fees, and 15 days to cure defaults not listed in "h" below.
h. "Cause" defined - defaults which cannot be cured	Sections 11.1 and 11.2	Non curable defaults: bankruptcy, insolvency, dissolution or liquidation, disposition for benefit of creditors, permitting a judgment of more than $25,000 to exist against him for more than 30 days, an order of attachment, execution or other judicial seizure is issued against your business or property and not dismissed within 30 days, misrepresentations in acquiring your Area Development Agreement, unapproved transfers; failure to meet Minimum Development Obligation failure (however, we will not terminate your Area Development Agreement if you have opened 75% of the number of Stores required to be opened and you pay 150% of the Guaranteed Minimum Royalty for each store that you were obligated to but did not open); any breach relating to unfair competition described in Article X; failure to obtain and maintain, as applicable, the required initial capitalization and minimum net worth described in Item 7.

Provision	Section in Area Development Agreement	Summary
i. Your obligations on termination/ nonrenewal	Section 11.4	You will have no further right to develop or operate additional Stores which are not, at the time of termination, the subject of a then existing Franchise Agreement between you and us or our affiliates. You may continue to own and operate all Stores pursuant to then-existing Franchise Agreements.
j. Assignment of contract by franchisor	Section 8.1	No restriction on our right to assign.
k. "Transfer" by you - definition	Section 8.3	Includes transfer of the agreement or changes in ownership of the entity which owns it.
l. Franchisor's approval of transfer by you	Section 8.3	Transfers require our prior written consent, which will not be unreasonably withheld.
m. Conditions for Franchisor's approval of transfer	Section 8.3	You must have fully performed all of your obligations under the Area Development Agreement, sign a continuing guarantee of the performance of the new Developer, sign a general release, and subordinate any amount owed by your transferee to you to amounts owed by your transferee to us. The new Developer: must qualify, assume your obligations under the Area Development Agreement and sign a new Area Development Agreement. The new Developer and its Certified Training Manager, General Manager or other employees responsible for the operation of its Stores must complete training. (See also "r" below) You must concurrently assign all Franchise Agreements signed pursuant to the Area Development Agreement, to the same assignee. If Developer is one or more individuals and is assigning the Area Development Agreement to an entity which all of the individuals constituting Developer own and control, each of the owners must sign a guarantee. You must pay the $5,000 transfer fee.
n. Franchisor's right of first refusal to acquire your business	Section 8.7	We can match any offer for your business.

Provision	Section in Area Development Agreement	Summary
o. Franchisor's option to purchase your business	Section 8.8	We may purchase all, but not less than all of the interest in the Developer in the event of (a) we (or our parent has a public offering), (b) we enters into an agreement to sell all or substantially all of our assets, or to merger or otherwise combine with any entity, or (c) a sale of 50% or more of our outstanding membership interests or stock to persons who, before the sale, were not affiliates.
p. Your death or disability	Section 8.5	Your representative must notify us of any death or disability within 30 days of its occurrence and of its desire to continue the Agreement, and satisfies our reasonable requirements of a transferee, or transfers the agreement to a transferee acceptable to us, subject to "m" above. If your interest is not transferred within 90 day following your (or a major member, partner or shareholder's) death or legal incapacity, your Area Development Agreement will be automatically terminated.
q. Non-competition covenants during the term of the franchise	Section 10.1	Unless we agree otherwise in writing, no Restricted Person may have any involvement in the any business that offers at wholesale or retail, or engaged in the production of, specialty coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other products which are similar to products we authorize to be sold in the Stores. You must not induce, contract or solicit to employ in any manner any person currently employed, or employed during the prior year, by us, our affiliates or franchisees.
r. Non-competition covenants after the franchise is terminated or expires	Section 10.2	Unless we agree otherwise in writing, upon the expiration, termination or assignment of the Area Development Agreement or the cessation of any Restricted Person's relationship with you, no entity or Restricted Person who was a Restricted Person before the expiration, termination or assignment of the Area Development Agreement or the cessation of the Restricted Person's relationship with you may have any involvement in any business that offers at wholesale or retail, or engages in the production of, specialty coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other products which are similar to products

Provision	Section in Area Development Agreement	Summary
		we authorize to be sold in the Stores for 2 years within your Development Area or within an area within 10 miles from the location of any Store then existing (unless the business derives less than 20% of its gross revenues from the sale of specialty or premium coffee). A Restricted Person may own up to 10% of the stock of any company traded on a national securities exchanged, provided that the Restricted Person is not a controlling person, or a member of a group which controls the company. You must not induce, contract or solicit to employ in any manner any person currently employed, or employed during the prior year, by us, our affiliates or franchisees for 2 years following the termination of the agreement.
s. Modification of the agreement	Section 16.9	The agreement can be modified or amended only by written agreement of all of the parties.
t. Integration/merger clause	Section 16.9	All agreements between the parties are in the Area Development Agreement and its exhibits. Only the terms of the Area Development Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Area Development Agreement may not be enforceable
u. Dispute resolution by arbitration or mediation	Section 15	Except for certain claims, all disputes must be mediated in Los Angeles, California. If not resolved by mediation, the disputes must be resolved by arbitration, subject to state law.
v. Choice of forum	Section 15	Subject to state law, except for certain claims, all disputes must be mediated in Los Angeles, California. If not resolved by mediation, the disputes must be arbitrated in Los Angeles, California, subject to state law. Unless prohibited by local law, litigation must be in Los Angeles, California. Both you and us waive the right to a trial by jury and punitive damages to the maximum extent permitted by applicable law.
w. Choice of law	Section 16.8	Subject to state law, California law applies, except for the provisions respecting Non-Competition, which are governed by local law.

ITEM 18.
PUBLIC FIGURES

We currently do not use any public figure to promote our franchise, nor is there any public figure involved in any respect with the actual management or control of SMCC. There is no investment by any public figure in SMCC.

ITEM 19.
FINANCIAL PERFORMANCE REPRESENTATION

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet 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 tables below provide selected historical and unaudited financial and operating data for Company-Owned and franchised Coffee Bean Stores in the United States fiscal year 2023.

- Table 1 provides selected financial and operating data for the 35 Traditional Company-Owned Drive Thru Stores in operation during all of fiscal year 2023.
- Table 2 provides selected financial and operating data for the 72 Traditional Company-Owned non-Drive Thru Stores in operation during all of fiscal year 2023.
- Table 3 provides selected financial and operating data for the 10 Franchised Drive Thru Stores in operation during all of fiscal year 2023.
- Table 4 provides selected financial and operating data for the 18 Traditional Franchised Stores, excluding Drive Thru Stores, Special Distribution Stores and Kiosks, in operation during all of fiscal year 2023.
- Table 5 provides selected financial and operating data for the 58 full-service and Kiosk Special Distribution Stores in operation during all of fiscal year 2023.

Methodology

We have included the results of only *The Coffee Bean & Tea Leaf*® Stores that were open and operating for the entirety of the 2023 fiscal year. This means we have excluded Stores that opened during the 2023 fiscal year or otherwise did not report a full year of data to us. International locations are also excluded from the results.

The information presented is based on our unaudited financial statements and, for franchised Stores, information included in royalty reports and other unaudited financial reports provided to us by our franchisees. We have not audited this information, nor have we otherwise verified its accuracy. Company-owned Stores are substantially similar to the franchised stores offered in this Disclosure Document. However, due to factors such as quantity discounts for Coffee Bean Products and services, franchisor approval costs, reduced training and labor costs, and insurance discounts, your costs of operation may be higher than the costs incurred by our Affiliates which operate the company-owned Stores. Your accountant can help you develop your own estimated operational costs. Further, franchisees do not consistently provide reliable COGS information and that data is not included in the tables below.

The information presented regarding past operating results for Stores is not a full profit and loss or income statement, or statement of cash flows, and has not been audited and does not meet standards generally applicable to audited financial statements.

Definitions

"*Company-Owned Stores*" means Coffee Bean Stores that are owned and operated by SMCC Ireland, its affiliates, or general partnerships of which our are affiliates are partners.

"*Traditional Stores"* are full-service Coffee Bean Stores other than Special Distribution Stores.

"*Special Distribution Stores*" or "*SDS"* means Coffee Bean Stores located at institutional settings, including hotels, airports, colleges, universities, schools, grocery stores, supermarkets, hospitals, military and other governmental facilities, office or in-plant food service facilities, department stores, duty free shops, shopping mall food courts operated by a master concessionaire, and any venue in which food service is or may be provided by a master concessionaire or contract food service provider.

"*Drive Thru Stores*" means a full-service Traditional Coffee Bean Store that also includes a dedicated service window or similar means for the provisions of products and services to customers remaining in their motor vehicle.

"*Kiosk*" means a Coffee Bean Store of typically less than 800 square feet, including storage and other back of house areas, with limited or no dedicated seating. Kiosks are generally located in office complexes, shopping malls or at specific street locations.

"*Gross Revenues*" is defined in the same manner as in the Franchise Agreement, namely the aggregate amount of all sales (plus tips and service charges except for tips to the extent paid directly by the customer to an employee and not entered in or through the cash register) of Coffee Bean Products and other goods, services and supplies sold, made, rendered or prepared in, or in connection with, the operation of the Store, or which are promoted or sold under or using any of the Marks, including sales made at or away from the premises of the Store (if permitted), whether for cash or credit or barter (and, if for credit or barter, whether or not payment is received therefor), but excluding all Federal, state or municipal sales, use, value added or service taxes collected from customers and paid to the appropriate taxing authority.

"*COGS*" means costs of goods sold, which includes revenue spent on food and beverage products and ingredients; paper, cups and related supplies; and non-food and beverage retail products. COGS does not include other expenses such as occupancy costs (which include rent, common area maintenance, and personal property taxes), operating expenses (which include Royalty Fees, Central Marketing Fund contributions, advertising, equipment maintenance, facilities maintenance, operating & cleaning supplies, technology fees, restaurant security, pest control, credit card fees, postage & freight, utilities, and other restaurant related operating expenses), non-operating expenses (which include the costs of property and liability insurance, license & permit fees, legal fees, and other similar Store-related expenses).

Table 1

Company-Owned Drive Thru Stores			
	Total	Top 25%	Bottom 25%
Number of Stores	35	9	9
Gross Revenues			
Average	$1,582,493	$2,052,662	$1,119,417
Highest	$2,290,862	$2,290,862	$1,291,520
Median	$1,570,142	$2,023,784	$1,116,858
Lowest	$785,712	$1,885,084	$785,712
Stores Exceeding Average	19	4	4
COGS (% of Gross Revenues)			
Average	31.3%	30.9%	31.5%
Highest	33.9%	32.4%	33.6%
Median	31.2%	31.2%	32.2%
Lowest	28.3%	29.7%	28.3%
Stores Exceeding Average	15	5	5

Table 2

Company-Owned Stores (non-Drive Thru)			
	Total	Top 25%	Bottom 25%
Number of Stores	72	18	18
Gross Revenues			
Average	$1,136,662	$1,485,673	$856,443
Highest	$2,246,225	$2,246,225	$953,126
Median	$1,097,403	$1,406,809	$872,793
Lowest	$712,146	$1,300,892	$712,146
Stores Exceeding Average	32	6	11
COGS (% of Gross Revenues)			
Average	32.0%	30.7%	33.2%
Highest	35.3%	32.4%	35.3%
Median	32.3%	30.7%	33.2%
Lowest	27.9%	27.9%	28.8%
Stores Exceeding Average	38	9	9

Table 3

Franchised Drive Thru Stores			
	Total	Top 25%	Bottom 25%
Number of Stores	10	3	3
Gross Revenues			

Average	$1,122,482	$1,589,118	$752,423
Highest	$1,650,503	$1,650,503	$806,173
Median	$1,002,893	$1,632,977	$736,788
Lowest	$714,308	$1,483,873	$714,308
Stores Exceeding Average	4	2	1

Table 4

Traditional Franchised Stores (excluding Drive Thru Stores, Special Distributions Stores and Kiosks)			
	Total	Top 25%	Bottom 25%
Number of Stores	18	5	5
Gross Revenues			
Average	$686,539	$1,061,341	$341,891
Highest	$1,316,278	$1,316,278	$479,497
Median	$683,630	$959,743	$376,510
Lowest	$206,302	$913,925	$206,302
Stores Exceeding Average	9	2	3

Table 5

Franchised Special Distribution Stores (including SDS Kiosks)			
	Total	Top 25%	Bottom 25%
Number of Stores	58	15	15
Gross Revenues			
Average	$1,062,181	$2,114,360	$297,711
Highest	$4,788,912	$4,788,912	$469,306
Median	$938,126	$1,689,187	$311,354
Lowest	$106,682	$1,425,454	$106,682
Stores Exceeding Average	25	5	9

Some outlets have earned these amounts. Your individual results may differ. There is no assurance that you'll earn as much.

Some factors that can affect results include the location or market in which a Store operates, the Store's size, product or service mix, labor and other costs, as well as existing and potential competition.

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial performance representation, we do 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 Prabs Moodley at 550 S. Hope St, Suite 2100 Los Angeles, CA 90071, (310) 237-2326, the Federal Trade Commission, and the appropriate state regulatory agencies.ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System-Wide Store and Kiosk Summary For Fiscal Years 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised – Domestic*	2021	26	23	-3
	2022	23	26	+3
	2023	26	26	0
Company-Owned-Domestic**	2021	111	109	-2
	2022	109	106	-3
	2023	106	108	+2
Total Outlets	2021	137	132	-5
	2022	132	132	0
	2023	132	134	+2

Table No. 1-1

System-Wide Special Distribution Store Summary For 2021 to 2023

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised (domestic)*	2021	60	54	-6
	2022	54	55	+1
	2023	55	51	-4
Company-Owned**	2021	3	3	0
	2022	3	3	0
	2023	3	3	0
Total Outlets	2021	63	57	-6
	2022	57	58	+1
	2023	58	54	-4

*SMCC Ireland is the franchisor for all franchised stores and kiosks that existed as of October 1, 2019 when all franchise agreements were transferred to SMCC Ireland. Domestic franchise agreements signed after October 1, 2019 may be directly with SMCC Ireland or with ICT as subfranchisor. International franchise agreements signed after October 1, 2019 may be with our affiliate CBTL, as subfranchisor, or directly with SMCC Ireland. These figures include all franchised and subfranchised Stores system-wide.

** These figures include Stores operated by our affiliates and by general partnerships of which our affiliates are partners.

Table No. 2

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

Column 1 State/Country	Column 2 Year	Column 3 Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 2-1

Transfers of Special Distribution Stores (Domestic) from Franchisees to New Owners (other than us)
For Years 2021 to 2023

Column 1 State/Country	Column 2 Year	Column 3 Number of Transfers
Total	2021	0
	2022	0
	2023	0

Table No. 3

Status of Franchised Stores and Kiosks (Domestic)
For Years 2021 to 2023*+

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termin-ations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
California	2021	5	0	0	0	0	0	5
	2022	5	2	0	0	0	0	7
	2023	7	1	0	1	0	0	7
Hawaii	2021	11	0	0	2	0	0	9
	2022	9	2	0	1	0	0	10
	2023	10	0	0	0	0	0	10
New York	2021	1	0	0	0	0	0	1
	2022	1	1	2	0	0	0	0
	2023	0	0	0	0	0	0	0
Nevada	2021	8	0	0	0	0	0	8
	2022	8	0	0	0	0	0	8
	2023	8	0	0	0	0	0	8
Oregon	2021	0	0	0	0	0	0	0
	2022	0	1	0	0	0	0	1
	2023	1	0	0	0	0	0	1
	2021	26	0	0	3	0	0	23

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Termin-ations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Total	2022	23	6	2	1	0	0	26
	2023	26	1	0	1	0	0	26

Table No. 3-2

Status of Franchised Special Distribution Stores (Domestic)
For Years 2021 to 2023*+

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Arizona	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
California	2021	31	6	0	9	0	0	28
	2022	28	2	0	1	0	0	29
	2023	29	0	0	2	0	0	27
Colorado	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Georgia	2021	3	0	0	0	0	0	3
	2022	3	0	0	0	0	0	3
	2023	3	0	0	0	0	0	3
Hawaii	2021	9	0	0	0	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Indiana	2021	1	0	0	1	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
Maryland	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	0	0	0	1
Michigan	2021	1	0	0	0	0	0	1
	2022	1	0	0	0	0	0	1
	2023	1	0	0	1	0	0	0
Nevada	2021	10	0	0	1	0	0	9
	2022	9	0	0	0	0	0	9
	2023	9	0	0	0	0	0	9
Washington D.C.	2021	2	0	0	0	0	0	2
	2022	2	0	0	0	0	0	2
	2023	2	0	0	1	0	0	1

Col. 1 State	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Terminations	Col. 6 Non-Renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased Operations – Other Reasons	Col. 9 Outlets at End of the Year
Total	2021	60	6	0	12	0	0	54
	2022	54	2	0	1	0	0	55
	2023	55	0	0	4	0	0	51

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

+ SMCC Ireland is the franchisor for all franchised special distribution stores that existed as of October 1, 2019 when all franchise agreements were transferred to SMCC Ireland. Domestic special distribution store franchise agreements signed after October 1, 2019 may be with ICT, as subfranchisor, or directly with SMCC Ireland.

*If multiple events occurred affecting an outlet, this table shows the event that occurred last in time.

+SMCC Ireland is the franchisor for all franchised stores and kiosks that existed as of October 1, 2019 when all franchise agreements were transferred to SMCC Ireland. Domestic franchise agreements signed after October 1, 2019 may be directly with SMCC Ireland or with ICT as subfranchisor.

Table No. 4

Status of Company and Affiliate-Owned Stores and Kiosks (Domestic)
For Years 2021 to 2023*

Col. 1 State / Country	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
Arizona	2021	6	0	0	0	0	6
	2022	6	0	0	0	0	6
	2023	6	2	0	0	0	8
California	2021	106	0	0	2	0	106
	2022	106	0	0	0	0	106
	2023	106	0	0	0	0	106
Total	2021	111	0	0	2	0	109
	2022	109	0	0	3	0	106
	2023	106	2	0	0	0	108

* These figures include Stores operated by our affiliates and by general partnerships of which our affiliates are partners.

Table No. 4-1

Status of Company and Affiliate-Owned Special Distribution Stores (Domestic)
For Years 2021 to 2023*

Col. 1 State / Country	Col. 2 Year	Col. 3 Outlets at Start of Year	Col. 4 Outlets Opened	Col. 5 Outlets Reacquired from Franchisee	Col. 6 Outlets Closed	Col. 7 Outlets Sold to Franchisees	Col. 8 Outlets at End of the Year
California	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3
Total	2021	3	0	0	0	0	3
	2022	3	0	0	0	0	3
	2023	3	0	0	0	0	3

* These figures include Stores operated by our affiliates and by general partnerships of which our affiliates are partners.

Table No. 5

Projected Domestic Store and Kiosk Openings As of December 31, 2023

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchise Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Arizona	0	0	4
California	0	1	4
Total	0	1	8

Table No. 5-1

Projected Special Distribution Store Openings As of December 31, 2023*

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchise Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
Total	**0**	**0**	**0**

*Includes projected new special distribution franchises granted by us, as subfranchisor, or directly by SMCC Ireland.

Attached as Exhibit “F” is a list of the names, addresses and telephone numbers of all The Coffee Bean & Tea Leaf franchisees/subfranchisees and developers as of the end of our most recently completed

fiscal year, December 31, 2023. Also attached as part of Exhibit "F" is a list of the names, addresses and telephone numbers of all franchisees/subfranchisees or developers who have had a franchise terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily had ceased to do business under a Franchise Agreement or Area Development Agreement during our fiscal year ending December 31, 2023 or have failed to communicate with ICT or us within 10 weeks of the date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

Also attached as part of Exhibit "F" is a list of our domestic company-owned and affiliate-owned locations.

In some instances, current and former franchisees sign provisions restricting their ability to speak only about their experience with "The Coffee Bean & Tea Leaf" franchise system. You may wish to speak with current and former franchisees but be aware that not all such franchisees will be able to communicate with you.

ITEM 21.
FINANCIAL STATEMENTS

Attached as Exhibit "D" are our audited Financial Statements for the fiscal year ending December 26, 2021 and December 31, 2022 and December 31, 2023.

ITEM 22.
CONTRACTS

Attached as Exhibit "A-1" is a copy of our current form of Traditional Store Franchise Agreement (including Lease Addendum).

Attached as Exhibit "A-3" is a copy of our current form of Special Distribution Store Franchise Agreement.

Attached as Exhibit "B" is a copy of our current form of Area Development Agreement.

Attached as Exhibit "C" is a copy of our current form of Guaranty.

ITEM 23.
RECEIPT

Two copies of an acknowledgment of your receipt of this Disclosure Document appear as Exhibit "I."

Exhibit "A-1"
Traditional Franchise Agreement

FRANCHISE AGREEMENT

BETWEEN

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

AND

_____

Developer

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Page

THE COFFEE BEAN & TEA LEAF

FRANCHISE AGREEMENT

THIS **FRANCHISE AGREEMENT** (the "**Agreement**") is between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law, ("**Company**"), and _____, a(n) _____, ("**Developer**"), with reference to the following facts:

A. Company has the right to grant franchises to use, in the United States and certain other geographic markets, the name, trademark and service mark "The Coffee Bean & Tea Leaf," and such other trademarks, service marks, trade names, logotypes, insignias, trade dress, designs and other commercial symbols as Company may from time to time authorize or direct Developer to use in connection with the operation of "The Coffee Bean & Tea Leaf" stores (the "**Marks**").

B. Company has the right to franchise a system for the operation of stores featuring premium coffee beverages, espresso drinks, premium teas, roasted coffee beans and blends, prepackaged coffees, prepackaged teas, baked goods, snacks and other food items and products, which may include but are not limited to coffee making equipment, cups, hats, t-shirts, miscellaneous branded items and other novelty and food items and ancillary products, including among other things distinctive signs, food recipes, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory and marketing techniques (the "**System**").

C. Developer desires to obtain a license and franchise to operate a single Coffee Bean Store, under the Marks and in strict accordance with the System, and the standards and specifications prescribed by Company; and Company is willing to grant Developer such license and franchise under the terms and conditions of this Agreement.

D. Company's agent for service of process in the state of New York is the Secretary of State of New York, 41 State Street, Albany New York, 11231, copies of which should be sent to Company in accordance with Section 15.21 of this Agreement.

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1
PREAMBLES; AND DEFINITIONS

1.1 Date of Agreement. The date of this Agreement is _____, 20___ (the "**Effective Date**").

1.2 Certain Fundamental Provisions. In this Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Agreement, the following terms, shall have the meanings set forth below, unless the context otherwise requires:

(a) Check if the Licensed Store is a Kiosk [___]

(b) "**Advertising and Promotional Materials Rate**" means 0.5%.

(c) "**Central Marketing Fee Rate**" means 2%.

(d) "**Designated Territory Radius**" means 0.25 miles.

(e) Developer's Notice Address is:

_____
_____
_____
Fax No._____

(f) "**Guaranteed Minimum Royalty**" means, as applicable, 1/12th of $25,000 (or $12,500 if the Licensed Store is Kiosk).

(g) "**Initial Franchise Fee**" means $_____.

(h) "**Initial Investment**" means a paid-up debt-free capitalization of at least $_____ as set forth in Section 6.18 of this Agreement.

(i) "**Store Technology Initial Fee**" means $_____.

(j) "**Minimum Capitalization**" means $_____.

(k) "**Minimum Net Worth**" means $_____.

(l) The Licensed Store shall be located at (the "**Premises**"):

_____
_____
_____

(m) "**Royalty Rate**" means 5.5%.

ARTICLE 2
GRANT OF FRANCHISE

2.1 Grant. Subject to the terms and conditions of this Agreement, Company awards Developer the right, license and franchise (the "**Franchise**"), during the Term, to use and display the Marks, and to use the System to operate one (1) Coffee Bean Store at, and only at, the Premises upon the terms and subject to the provisions of this Agreement and all ancillary documents thereto. This Agreement does not grant Developer the right to, and Developer may not, operate or develop a CBTL-Brand Single-Serve Store pursuant to this Agreement. Developer may offer and sell CBTL-Brand Single-Serve Products at the Licensed Store only if and for so long as Company has authorized them as approved Coffee Bean Products pursuant to Section 3.8.

2.2 Initial Term of the Franchise Agreement. The initial term of this Agreement will be 10 years, commencing on the Effective Date ("**Initial Term**"). This Agreement may be

renewed as provided in Section 2.3 of this Agreement and may be terminated prior to expiration of its term in accordance with Article 11 and Article 12 of this Agreement. References in this Agreement to the "**Term**" of this Agreement mean the Initial Term and any Renewal Term as the context so requires.

2.3 Renewal Term.

(a) Renewal Term. Subject to the conditions contained in this Section, at the expiration of the Term hereof, Developer shall have the right (the "**Renewal Right**") to enter into a new Franchise Agreement in the Then-Current form of Franchise Agreement (the "**Renewal Franchise Agreement**") for a 10-year period (the "**Renewal Term**"). The Renewal Term shall commence upon the date of expiration of the Initial Term hereof. The Renewal Franchise Agreement may contain terms materially different than those contained in this Agreement and the Renewal Franchise Agreement shall be modified to conform to the Renewal Rights granted above.

(b) Form and Manner of Exercise. Developer shall exercise its Renewal Right, if at all, strictly in the following manner:

(i) At least 12 months before the expiration of the Term, Developer shall notify Company in writing ("**Renewal Notice**") that it intends to exercise its Renewal Right and no sooner than the waiting period required by Applicable Law but no more than 30 business days after Developer receives Company's franchise disclosure document, if applicable, and execution copies of the Renewal Franchise Agreement, Developer shall execute the copies of said Renewal Franchise Agreement and return them to Company.

(ii) If Developer shall have exercised its Renewal Right in accordance with this Section 2.3 and satisfied all of the conditions contained in Section 2.3(c) of this Agreement, Company shall execute the Renewal Franchise Agreement executed by Developer and at or prior to the expiration of the Term deliver one fully executed copy thereof to Developer.

(iii) If Developer fails to perform any of the acts, or deliver the notice required pursuant to the provisions of Section 2.3(b)(i) of this Agreement, in a timely fashion, such failure shall be deemed an election by Developer not to exercise its Renewal Right and, at Company's election, shall automatically cause Developer's said Renewal Right to lapse and expire.

(c) Conditions Precedent to Renewal. Developer's Renewal Right is conditioned upon Developer's fulfillment of each and all of the following conditions precedent:

(i) At the time Developer delivers its Renewal Notice to Company and at all times thereafter until the commencement of the Renewal Term, Developer shall have fully performed all of its material obligations under this Agreement, the Manuals and all other agreements then in effect between Developer and Company (or its Affiliates).

(ii) Developer shall undertake and complete, at its expense and at least 6 months prior to the commencement of the Renewal Term, a reasonable remodel of the Premises and the Coffee Bean Store operated pursuant hereto to comply with the Company's then-current

specifications and standards for new Coffee Bean Stores as set forth in the Manuals or otherwise in writing by Company.

(iii) Without limiting the generality of Section 2.3(c)(i) of this Agreement, Developer shall not have committed 2 or more material breaches of this Agreement during any 12-month period during the Term of this Agreement for which Company shall have delivered notices of default, whether or not such defaults were cured.

(iv) Developer shall execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its affiliates and their officers, directors, agents, shareholders and employees.

(v) Upon execution of the Renewal Franchise Agreement, Developer shall pay to Company a renewal franchise fee ("**Renewal Fee**") equal to 50% of the Initial Franchise Fee.

(d) Notice Required by Law. If Applicable Law requires that Company give notice to Developer prior to the expiration of the Term, this Agreement shall remain in effect on a week-to-week basis until Company has given the notice required by such Applicable Law. If Company is not offering new franchises, is in the process of revising, amending or renewing its form of Franchise Agreement or franchise disclosure document, or is not lawfully able to offer Developer its Then-Current form of Franchise Agreement, at the time Developer delivers its Renewal Notice, Company may, in its sole subjective discretion, (i) offer to renew this Agreement upon the same terms set forth herein for a Renewal Term determined in accordance with Section 2.3 of this Agreement, or (ii) offer to extend the Initial Term hereof on a week to week basis following the expiration of the Initial Term hereof for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of franchise agreement.

2.4 Certain Rights and Limitations Within Developer's Designated Territory.

(a) Subject to any additional restrictions as may be applicable pursuant to the Area Development Agreement, during the Term, Company shall not open or operate (directly or through an Affiliate), or license or franchise any other person or Entity to open or operate a Coffee Bean Store at any Venue which is located within the Designated Territory, subject to the following:

(b) Company expressly reserves the exclusive, unrestricted right, in its sole and absolute discretion, directly and indirectly, to itself and through its employees, Affiliates (including without limitation International Coffee & Tea, LLC ("**ICT**")), representatives, licensees, franchisees, assigns, agents and others:

(i) to own or operate and to license others (which may include its Affiliates) to own or operate: (x) Coffee Bean Stores at any location outside the Designated Territory, regardless of proximity to the Licensed Store; (y) Coffee Bean Stores at Special Distribution Sites within and outside the Designated Territory, regardless of proximity to the Licensed Store; and (z) in the event of a merger or acquisition, stores and other businesses of any type operating under names other than "CBTL" or "The Coffee Bean & Tea Leaf", at any location within and outside the Designated Territory, regardless of its proximity to the Licensed Store.

(ii) to produce, license, distribute, market, and sell food, beverage and non-food products, including Coffee Bean Products, pre-packaged coffee, tea, food, snacks and beverage products; books; equipment; clothing; souvenirs and promotional and novelty items, under the Marks or other marks at any outlet (regardless of its proximity to the Licensed Store or any Coffee Bean Store under development at the Premises, or under consideration by Developer), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of office services, Proudly Pour Sales Agreements, the Internet, mail order catalogs, direct mail advertising and other distribution and licensing methods ("**Alternate Channels of Commerce**") and to use, in connection with such production, licensing, distribution, marketing and sale, 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 the Company, including the Marks.

(iii) to produce, license, distribute, market and sell, single-serve coffee machines under the "CBTL" or other marks and all enhancements, features and accessories, incidental thereto, and single-serve coffee, tea, espresso, and/or powder capsules under the "CBTL" or other marks ("**CBTL-Brand Single-Serve Products**"), through Alternate Channels of Commerce; and

(iv) to license, develop and operate stores under the "CBTL" or other marks (and which may include the "The Coffee Bean & Tea Leaf" Mark and logo), which primarily feature the sale of CBTL-Brand Single Serve Products ("**CBTL-Brand Single-Serve Stores**") within or outside the Designated Territory.

ARTICLE 3
SITE SELECTION, LEASE OF PREMISES AND DEVELOPMENT OF THE LICENSED STORE; OPERATION

3.1 Premises.

(a) Developer's Licensed Store shall be located and operated at and only at the Premises.

(b) If no location has been inserted in the blank space provided in Section 1.2(l) of this Agreement at the time of execution of this Agreement, Developer shall promptly following the execution hereof locate one or more proposed sites which meet Company's then-current standards and specifications. Developer shall submit to Company such demographic and other information regarding the proposed site(s) and neighboring areas as Company shall require, in the form prescribed by Company ("**Site Review Request**"). Company may seek such additional information as it deems necessary within 30 days of submission of Developer's Site Review Request, and Developer shall respond promptly to such request for additional information. If Company shall not deliver written notice to Developer that Company accepts the proposed site, within 30 days of receipt of Developer's Site Review Request, or within 30 days after receipt of such additional requested information, whichever is later, the site shall be deemed accepted. If the Company accepts the proposed site it shall notify Developer of its preliminarily acceptance of the site ("**Preliminary Acceptance**"), which Preliminary Acceptance shall be subject to further

analysis by Company and successful negotiation by Developer of a final lease or purchase agreement acceptable to Company, and such other conditions as Company may impose. Promptly following mutual execution of this Agreement, or Developer's receipt of Preliminary Acceptance, if no Premises has been inserted in the blank space provided above, Developer shall proceed to negotiate a lease or purchase agreement for the site and shall submit to Company a copy of the proposed lease or purchase agreement, as applicable, relating to Company for Final Acceptance. Promptly following Company's receipt of the proposed final lease or purchase agreement, as applicable, which meets Company's requirements, and evidence of Developer's satisfaction of all conditions set forth in the Preliminary Acceptance, Company shall notify Developer ("**Final Acceptance**"). Developer shall not enter into any lease or purchase agreement for the Premises unless Developer has received Final Acceptance relating to the proposed site and such Premises shall be deemed to be the "Premises" as defined above.

(c) Company may voluntarily (without obligation) assist Developer in obtaining an acceptable location. Neither Company's said assistance, if any, its acceptance of Developer's proposed site, nor its acceptance of the proposed lease or purchase agreement, shall be construed to insure or guarantee the profitable or successful operation of the Premises by Developer, and Company hereby expressly disclaims any responsibility therefor. Developer acknowledges its sole responsibility for finding the Premises. Developer acknowledges its sole responsibility for finding each site for the Coffee Bean Store it develops pursuant to this Agreement.

3.2 Acquisition of the Premises.

(a) Developer's Obligation to Obtain Lease. Unless Developer owns the Premises, Developer shall promptly obtain a lease for the Premises. Developer shall obtain Company's acceptance of the terms of the lease prior to Developer's execution of the lease. Developer shall not execute a lease which Company has denied, and Developer must deliver a copy of the signed, accepted lease to Company within 15 days after its execution. Any lease must be in a form satisfactory to Company and must, unless Company shall otherwise consent in writing:

(i) Provide for notice to Company of any default by Developer under the lease and provide Company with a right to cure the default. If Company cures any default, the total amount of all costs and payments incurred by Company in curing the default will be immediately due and owing to Company by Developer;

(ii) Provide that Developer may assign Developer's interest under the lease to Company or Company's Affiliate without the lessor's consent, and provide that it may be further assigned or sublet to a "The Coffee Bean & Tea Leaf" developer approved by Company during the initial term or any renewal term of the Lease; Company reserves the right to reject any site as to which the lessor refuses to stipulate to such a right of assignment;

(iii) Authorize and require the lessor to disclose to Company, upon Company's request, sales and other information that Developer furnishes to the lessor;

(iv) Provide that Company, one of Company's Affiliates or, in the case that clause (4) below is applicable, Company's assignee may assume the lease:

(1) Upon termination of this Agreement;

(2) If Developer fails to exercise any options to renew or extend the lease;

(3) If Developer commits a default that gives the lessor the right to terminate the lease; or

(4) If Company or its Affiliates or Company's assignee purchases the Licensed Store as permitted by Section 12.6 of this Agreement.

(v) Provide that the term of the lease shall be equal to or exceed the Term of this Agreement such that Developer shall have the right to occupy the Premises for the full then-current Term of the Agreement.

(vi) Provide that the lease shall automatically terminate upon the termination of this Agreement, subject to Company's option as provided in (iv) above; and

(vii) Provide that upon expiration or termination of the lease for any reason, Developer shall, upon Company's demand, remove all of the Marks from the Premises and modify the decor of the Premises so that it no longer resembles, in whole or in part, a Coffee Bean Store, and if Developer fails to do so, Company will be given written notice and the right for Company or its designee to enter the Premises to make such alterations. Upon execution, Developer shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon it under the Lease.

(b) Lease Addendum. The lease shall, unless Company otherwise provides prior written consent, include the addendum attached hereto as **Exhibit "D**".

(c) Expiration of Lease and Relocation. Developer may not relocate the Licensed Store without Company's prior written consent. In that regard, if: (i) a lease terminates without Developer's fault prior to expiration of this Agreement, (ii) the Premises are destroyed, condemned or otherwise rendered unusable as a Coffee Bean Store in accordance with this Agreement, (iii) in the reasonable judgment of Company and Developer, there is a change in the character of the location of the Premises sufficiently detrimental to its business potential to warrant its relocation, or (iv) in the reasonable judgment of Company, the continued operation of the Licensed Store at the Premises is not commercially or economically viable or optimal; then Company will not unreasonably withhold permission for relocation of the Licensed Store to a site within or approximate to the Designated Territory which meets Company's then-current site criteria, subject to the requirements of this Agreement, including this Article 3 and the rights of then-existing Developers under their franchise agreements with Company. Any such relocation will be at Developer's sole expense. Developer must seek and obtain Company's acceptance of the replacement site and re-open Developer's Coffee Bean Store, which shall conform to Company's plans and specifications which are in effect from time to time, at the new location as

soon as reasonably practicable but in no event more than 180 days after the closing of the original location. For purposes of clarity, the expiration of a lease on its terms prior to the expiration of this Agreement shall not be considered a termination without Developer's fault that would entitle Developer to relocate the Store pursuant to this Section 3.2(c). Except to the extent a right to relocate is required by law, Developer shall not be entitled to relocate the Licensed Store pursuant to this Section 3.2(c) or otherwise more than once during the Term and any store relocations shall, at Company's option, be deemed a new Store requiring, without limitation (i) the execution of a new Franchise Agreement on Company's Then-Current form and payment of an Initial Franchise Fee, or a renewal of this Agreement subject to the conditions precedent to renewal set forth Section 2.3(c) above; (ii) Developer's de-identification of the former location in the manner described in Section 12.4; and (iii) Developer's reimbursement of Company's costs incurred in connection with the relocation; provided, however, that so long as the relocation is done in accordance with this Section 3.2(c), it shall not be considered an abandonment of the original Premises that would otherwise obligate Developer, without limitation, to pay liquidated damages pursuant to Section 12.7.

(d) Effect of Company's Acceptance of Lease. Company's acceptance of a lease for the Premises does not constitute an express or implied warranty by Company as to the suitability of the site for a Coffee Bean Store or for any other purpose, or that the operation of a Coffee Bean Store operated at the Premises will necessarily be successful or profitable. The acceptance indicates only that Company believes the Premises and the terms of the lease fall within the acceptable criteria established by Company as of the time period encompassing the evaluation. Both Developer and Company acknowledge that application of criteria that have been effective with respect to other sites and premises in the United States, or elsewhere, may not be predictive of potential for a specific site and that, subsequent to Company's acceptance of a site, demographic and/or economic factors, including competition from other food businesses, included in or excluded from Company's criteria, could change, thereby altering the potential of a site. The uncertainty and instability of the factors included in the criteria are beyond Company's control and Company will not be responsible to Developer for the failure of the site to meet expectations as to potential revenue or operational criteria. Developer's acceptance of a franchise for the operation of a Coffee Bean Store at the site is based on Developer's own independent investigation of the suitability of the site.

3.3 Licensed Store Development.

(a) Plans and Specifications. Developer is responsible for constructing and developing the Licensed Store. Promptly following Company's acceptance of Developer's Premises and Developer's execution of a lease for the Premises (if Developer does not already own it), Company shall deliver to Developer one copy of the current master template plans and specifications (the "**Template Plans**") for a Coffee Bean Store; provided, however, that Company shall not be obligated to deliver such Template Plans if Company has already done so pursuant to the Area Development Agreement. Developer shall modify and revise such Template Plans for a Coffee Bean Store at the Premises in accordance with the Manuals, which revisions shall include Developer engaging Company's designated (or if not designated, accepted by Company) design professionals (including, without limitation, architects, interior designers, and construction contractors) who will prepare the necessary revisions to modify the Template Plans to conform

with all applicable ordinances, building codes and permit requirements. Developer must comply with these plans and specifications and with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. Developer shall submit construction plans and specifications to Company for Company's approval before construction of the Licensed Store commences, and Developer shall submit all revised plans and specifications to Company for Company's approval during the course of construction. Upon completion of construction, Developer shall provide Company with a set of "as built" plans, photos and specifications.

(b) Architect; Interior Designer; Contractors. All design and construction work will be done by competent, licensed professionals, including licensed architects and contractors. If any design or construction professional (including the architect, general contractor or subcontractors) selected by Developer (and accepted by Company) fails to construct the Licensed Store on schedule and in accordance with Company's standards and specifications, to the reasonable satisfaction of Company, Company reserves the right to require Developer to use an architect, general contractor, and/or subcontractors designated by Company. In such event, Company may also require Developer to use a construction manager or other construction management services designated by Company. Company's acceptance in the instances described in this subsection will not be unreasonably withheld.

(c) Acknowledgment. Developer acknowledges that Company has the right, but no obligation, to designate architects, contractors, and other design and construction professionals to help insure consistency, uniformity, and quality within the System. However, Developer also acknowledges and agrees that neither Company nor Company's Affiliates are liable to Developer in any way for the work performed by any architect, contractor, or other design or construction professional or for any other acts or omissions of any architect, contractor, or other design or construction professional, regardless of whether or not the architect, contractor, or other design or construction professional was designated, approved or accepted by Company.

(d) Company's Inspection Rights. Company, Company's Affiliates, and Company's consultants and agents have the right to inspect the Premises and the construction work from time to time during the course of construction to verify the progress of construction and Developer's compliance with the terms of this Agreement. Developer shall reimburse Company for the reasonable costs and expenses of Company and Company's Affiliates incurred in making these inspections, including payments to consultants and agents retained by Company or Company's Affiliates to assist in making the inspections and including a reasonable allocation of overhead and administrative expense. Developer acknowledges that these inspections are for Company's sole benefit and that Developer is not entitled to rely on those inspections for any purpose.

(e) Development Obligations. Within 90 days following the date Company accepts Developer's Premises, Developer shall do each of the following:

(i) Secure all financing required to develop and operate the Licensed Store;

(ii) Obtain all required building, utility, sign, health, sanitation, business, environmental and other Permits and licenses required for construction and operation of the Licensed Store and, upon request, promptly provide evidence of such Permits to Company;

(iii) Construct all required improvements to the Premises and decorate the Licensed Store in compliance with plans and specifications that Company approves;

(iv) Purchase and install all fixtures, furnishings, equipment and signs required for the Licensed Store. However, Company reserves the right, in Company's sole discretion, to install all required signs at the Premises at Developer's sole expense; and

(v) Purchase an opening inventory of Coffee Bean Products, materials and supplies.

3.4 Fixtures, Furnishings, Equipment and Signs. In developing and operating the Licensed Store, Developer shall use only the fixtures, furnishings, equipment (including cash registers and computer hardware and software) and signs that Company requires and has approved for Coffee Bean Stores as meeting the specifications and standards for quality, design, appearance, function and performance. Company reserves the right to designate approved suppliers for some or all of the fixtures, furnishings, equipment and signs. Developer shall place or display at the Premises (interior and exterior) only the signs, emblems, lettering, logos and display materials that Company approves in writing, subject to Company's right to install all required signs at the Premises as provided above. All fixtures, furnishings and equipment used in connection with the operation of the Licensed Store will be free and clear of all liens, claims and encumbrances, except for liens, claims or encumbrances asserted by Company or its Affiliates and except for third party purchase money security interests and third-party equipment leases.

3.5 Licensed Store Opening. Developer will not open the Licensed Store for business until:

(a) Developer has completed construction of the Licensed Store in accordance with the requirements of Sections 3.2, 3.3 and 3.4 of this Agreement;

(b) Company accepts the Licensed Store;

(c) Developer and Developer's Licensed Store personnel have completed the required pre-opening training to Company's satisfaction within 60 days prior to the Licensed Store opening, or if such training has been completed more than 60 days prior to opening, Developer and Developer's Licensed Store personnel shall have completed such refresher training within 60 days prior to opening as Company may require; and

(d) Company has received evidence that Developer has obtained all insurance coverages required by Section 6.12 of this Agreement and that the insurance is in full force and effect. Developer shall open the Licensed Store for business within 5 days after Company notifies Developer that the conditions set forth in this Section 3.5 have been satisfied, but in any event within 270 days after the Effective Date. Developer's Licensed Store will be deemed to be open

when Developer first commences the sale of Coffee Bean Products from the Premises to the general public.

3.6 Grand Opening Promotion. Developer shall conduct a grand opening advertising and promotion program for Developer's Licensed Store, expending no less than $10,000 on such program. Developer's grand opening promotion:

(a) Is in addition to advertising and promotion required by Article 7 of this Agreement;

(b) Will utilize marketing and public relations programs and media and advertising materials approved by Company, in the manner specified in Article 7; and

(c) Will be conducted in accordance with any specifications and standards prescribed by Company and in accordance with a grand opening plan which Developer prepares and submits to Company for approval at least 45 days prior to the opening date of the Licensed Store.

3.7 Continuous Operation; Supervision.

(a) Continuous Operation Covenant. Once the Licensed Store is open for business, Developer must continuously operate the Licensed Store for not less than the number of hours per day and the number of days per Week as specified in the Manuals (presently not less than 14 hours per day and 7 days per Week (including National holidays)); provided, however, that Company will not unreasonably withhold its consent to different hours of operation on a case by case basis where required by Applicable Law or where, for example, differing shopping center hours are mandated by the lessor.

(b) On-Site Supervision. Developer (or one of Developer's trained principal Owners) or other representative of Developer who has been fully trained and certified by Developer's Certified Training Manager, if Developer is an Entity) must spend at least 8 hours per Week in actual, on-site supervision of the Licensed Store. Without limiting the foregoing, Developer shall cause a General Manager, or an assistant-store manager, trained in accordance with the Systems Standards, to provide on-site supervision of the Licensed Store during all times when such Licensed Store shall be open to the public.

3.8 Coffee Bean Products. In operating Developer's Licensed Store, Developer may offer for sale only those Coffee Bean Products that Company approves in writing from time to time for Developer to sell at the Premises. The Coffee Bean Products that Developer initially is authorized to offer at Developer's Licensed Store are specified in the Manuals. In the future, Company may change, impose conditions upon, add to, or eliminate which Coffee Bean Products Developer is authorized to offer at the Premises, and without limiting the foregoing, Company may authorize Developer to offer and sell CBTL-Brand Single-Serve Products at the Licensed Store (subject to subsequent changes, conditions and elimination of the same as authorized products). Developer must offer all Coffee Bean Products that Company authorizes Developer to sell; however, Company is not required to authorize Developer to sell all available Coffee Bean

Products. Developer shall not offer for sale or sell any alcoholic beverages without the prior written consent of Company.

3.9 Store Refresh. Without liming Developer's obligations hereunder to maintain the condition and appearance of the Licensed Store in accordance with the System Standards and in addition to Developer's obligations under Section 2.3(c)(ii), but not more frequently than once every 5 years during the Term, Company may require Franchisee, at Franchisee's sole cost and expense, to refurbish, renovate and improve the Licensed Store to conform to the Then-Current System Standards. Such renovation may include structural changes to the Licensed Store and replacement or modification of FF&E, décor, and trade dress as well as such other changes as Company may direct. Developer shall undertake such work upon notice from Company, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same, unless Company agrees in writing to a longer period of time. Developer shall provide Company with a time schedule for the construction and renovation of the Licensed Store. Company shall not be liable to Developer on account of any lost income, profits, opportunities, or otherwise as a result of being required to undergo the renovation.

ARTICLE 4
TRAINING AND GUIDANCE

4.1 Training.

(a) Company Training and Assistance.

(i) If this Agreement pertains to the first Coffee Bean Store owned or operated by Developer (or Developer's Affiliates), then Company shall provide, or cause to be provided, the following training to Developer:

(1) A 15-day (as determined by Company in its reasonable business judgment) initial training program ("**Initial Training**") for the Certified Training Manager and the first General Manager. The Initial Training shall be held at Company's corporate offices, at a Company-owned or Affiliate-owned Coffee Bean Store in Southern California, or such other place or places as may be designated by Company. The Initial Training will focus on Coffee Bean Store operations and management and may include such matters as Coffee Bean Store operations, sales and marketing techniques and guidelines, site selection criteria, lease negotiation guidelines, administrative and financial guidelines, public relations, and monitoring of Coffee Bean Store operations. Training will be conducted by Company's management or individuals approved by such management. Company shall not pay any salary for on-the-job training, and all wages, salary, transportation, food and personal expenses of those individuals attending training shall be the sole responsibility of Developer. Following the successful completion of the Initial Training as provided above, Developer's Certified Training Manager and certified General Managers shall, at its sole cost, train the employees at each Coffee Bean Store. All costs and expenses of Coffee Bean Store staffing and training shall be borne exclusively by Developer, except as otherwise expressly provided herein to the contrary.

(2) In addition to the Initial Training, a 5-day training program for one Owner and one other person designated by Developer and accepted by Company (the

"**Owner Training**"). The Owner Training shall be held at Company's corporate offices, at a Company-owned or Affiliate-owned Coffee Bean Store in Southern California, or such other place or places as may be designated by Company. The Owner Training will focus on the System and concept and overall operations of Coffee Bean Stores and may include such matters such as, marketing, equipment and maintenance, leadership, financial reporting, and labor management. Training will be conducted by Company's management or individuals approved by such management. Company shall not pay any salary for on-the-job training, and all wages, salary, transportation, food and personal expenses of those individuals attending training shall be the sole responsibility of Developer.

If this Agreement has been executed pursuant to the Area Development Agreement or pertains to the second or subsequent Coffee Bean Store owned or operated by Developer (or Developer's Affiliates), Company shall not provide, or cause to be provided, the training set forth in Section 4.1(a)(i) of this Agreement.

(ii) In addition to the Initial Training described in Section 4.1(a)(i) of this Agreement, but except if this Agreement has been executed pursuant to the Area Development Agreement (in which case this Section 4.1(a)(ii) shall not apply) Company shall:

(1) send 1-3 training or operations staff members to the Licensed Store for a period of up to 15 days, commencing at or around the scheduled opening date of the Licensed Store, if the Licensed Store is the first Coffee Bean Store owned or operated by Developer (or its Affiliates), to provide additional training and assistance to Developer; or

(2) send 1-2 training or operations staff members to the Licensed Store for a period of up to 10 days, commencing at or before the scheduled opening date of the Licensed Store, if the Licensed Store is the second or third (but not subsequent) Coffee Bean Store owned or operated by Developer (or its Affiliates) to provide additional training and assistance to Developer.

(iii) Developer shall reimburse Company for, or at Company's request advance, all costs (except salary) and expenses for travel, meals and lodging incurred by Company, its Affiliates, and their personnel in connection with the assistance to be provided in Section 4.1(a)(ii) of this Agreement (first class airfare and lodging accommodations in the case of its senior executives, and business class in all other cases).

(iv) Developer shall have the right to inquire of Company headquarters staff, field representatives and training staff with respect to problems relating to the operation of the Coffee Bean Stores, by telephone or correspondence, and Company shall use its best efforts to diligently respond promptly to such inquiries. Developer shall provide all necessary training, assistance and consultation required for its employees at Developer's sole cost and expense.

(v) Developer acknowledges that Company has demonstrated consistency and high standards of services and methods of operation. Accordingly, Developer and Company agree to Company's control over the quality of the products and services being offered by Developer and the image, appearance, style and methods of operations of the Coffee Bean Stores, all of which the parties intend to be observed for the benefit of Company and Developer.

(vi) Upon Developer's request, Company may in its discretion, send one or more representatives to Licensed Store to assist Developer. Such assistance shall be subject to Company's scheduling needs, availability of personnel, legal restrictions. Developer shall pay the reasonable travel and living expenses incurred by such representatives, and reimburse Company or its Affiliates, as applicable, for the representatives' direct and indirect salary and related payroll costs.

(b) Training by Developer.

(i) Training for Employees. Prior to the Licensed Store's opening, Developer shall employ and continue to employ throughout the Term at least one (1) Certified Training Manager and one (1) General Manager to manage the Licensed Store. If Developer operates more than one Store, whether pursuant to an Area Development Agreement or otherwise, Developer shall also employ a Director of Operations. Developer shall cause its Certified Training Manager to provide the General Manager and any Director of Operations with not less than 15 days of training in all aspects of Coffee Bean Store operations, including drink making, in strict accordance with the System Standards. Such training shall also include instruction in how to train Licensed Store employees and Developer shall certify a General Manager to train the employees of any individual Licensed Store only upon such General Manager's satisfaction of the training certification requirements prescribed by Company, as in effect from time to time. Before the opening of each Licensed Store, Developer shall cause all Licensed Store employees to receive not less than 7 days initial training in all aspects of Coffee Bean Store operations, including drink making, in strict accordance with the System Standards, which training shall be provided either by Developer's Certified Training Manager, or by a General Manager who has been certified by the Certified Training Manager to train such Licensed Store employees. Developer shall similarly provide all subsequently hired Licensed Store employees to receive not less than 7 days initial training in all aspects of Licensed Store operations, which training may be provided at the Licensed Store during normal working hours, in accordance with such in-Licensed Store training methods and procedures as Company may prescribe from time to time.

(ii) Failure to Complete Training. If the individual designated to receive training to become a Certified Training Manager, or a substitute trainee reasonably acceptable to Company, does not satisfactorily complete the initial training program and/or the Certified Training Manager training, as applicable, Company has the right to terminate this Agreement pursuant to Section 12.2 of this Agreement.

(c) Refresher Training. Company, at its sole discretion, may provide on an optional or mandatory basis, such supplemental or additional training programs as Company may deem necessary or appropriate for the proper operation of the Licensed Store, and in the case of mandatory training Company may require Developer, its Certified Training Manager and/or General Manager to attend. Developer shall pay Company's then-current, reasonable training charges and expenses which Company may impose for optional courses, but Company shall not impose a charge fee for mandatory supplemental or additional training programs. In any event, Developer shall pay all travel, living, compensation, and other expenses, if any, incurred by Developer and/or Developer's employees in connection with attending such additional training.

4.2 Manuals. If Company has not already done so, Company will loan to Developer during the Term one copy of the Manuals, or at Company's option, Company will make the Manuals available to Developer on the Intranet. Developer shall operate the Licensed Store in strict compliance with the standard procedures, policies, rules and regulations set forth in the Manuals. The Manuals shall be modified from time to time to reflect changes and improvements in the image, specifications, standards, procedures, Coffee Bean Products, System, and System Standards which shall be disclosed to Developer. However, no addition or modification will be made that would alter Developer's fundamental status and rights under this Agreement. Company shall loan one copy of each subsequent revision to the Manuals, or make such revisions available to Developer on the Intranet or extranet. Such revisions shall become effective upon Developer's receipt thereof. Company shall maintain a "master copy" of the Manuals, as revised from time to time, and in the event of a dispute over the content of the Manuals, the version maintained by Company shall control. Company intends to post such "master copy" on the Intranet, to which Developer shall be allowed electronic access, subject to the then-current terms of use. Developer may not at any time copy any part of the Manuals, either physically or electronically. Developer must keep Developer's copy of the Manuals at Developer's Licensed Store at all times. If Developer's copy of the Manuals is lost, destroyed or significantly damaged, Developer will be obligated to obtain from Company, at Company's then-applicable charge, a replacement copy of the Manuals. Developer acknowledges that the Manuals belong to Company, and, upon termination of this Agreement, Developer will return the Manuals to Company.

4.3 Guidance and Operating Assistance. Although Company does not have an obligation to do so, Company may advise Developer from time to time of operating problems of the Licensed Store which come to Company's attention. At Developer's request, Company will furnish to Developer guidance and operating assistance in connection with:

(a) Methods, standards, specifications and operating procedures utilized by Coffee Bean Stores;

(b) Purchasing required fixtures, furnishings, equipment, signs, Coffee Bean Products, materials and supplies;

(c) Advertising and promotional programs;

(d) Employee training; and

(e) Administrative, bookkeeping, accounting and general operating and management procedures.

The guidance and assistance may, in Company's discretion, be furnished in the form of references to the Manuals, bulletins and other written materials, electronic computer messages, telephonic conversations and/or consultations at Company's or its Affiliate's offices or at the Licensed Store. Company will not be liable to Developer or any other person, and Developer waives all claims for liability or damages of any type (whether direct, indirect, incidental, consequential, or exemplary), on account of any guidance or operating assistance offered by Company in accordance with this Section 4.3, except to the extent caused by Company's gross

negligence or intentional misconduct. Developer shall pay Company's then-current charges for the additional assistance indicated in this Section 4.3.

4.4 Annual Conference. Company intends to host an annual conference or meeting of franchisees and developers in which case one of Developer's Owners or its General Manager shall be obligated to attend. Company will not charge a registration fee to attend, but Developer will bear all of the Travel Expenses of its attendees to attend such meeting and, in that regard, Developer may be required to pay a fee to Company to pay for a portion of Developer's attendees' meals and/or local transportation provided by Company at the annual conference.

ARTICLE 5
FEES

5.1 The Initial Franchise Fee. Developer shall pay Company or its designee a franchise fee equal to the Initial Franchise Fee upon execution of this Agreement. The Initial Franchise Fee is deemed fully earned upon execution of this Agreement and is not refundable. The Initial Franchise Fee represents payment for Developer's right to use the Marks and the System in the development and operation of Developer's Licensed Store.

5.2 Store Technology Initial Fee. Developer shall pay Company or its designee, concurrently with the Initial Franchise Fee, the Store Technology Initial Fee. The Store Technology Initial Fee represents payment for the initial deployment and set-up of the point-of-sale system and related payment platforms and computer hardware. The Store Technology Initial Fee is deemed fully earned when paid and is nonrefundable once the point-of-sale system is installed.

5.3 Royalty Fee. Developer shall pay Company or its designee within 10 days following the end of each Accounting Period a royalty fee (the "**Royalty Fee**") equal to the product of the Royalty Rate multiplied by the Licensed Store's Gross Revenues during such Accounting Period but in no event less than the Guaranteed Minimum Royalty, beginning with the month in which a Licensed Store first opens to the public, or 270 days after the Effective Date, whichever is sooner (the "**Minimum Royalty Commencement Date**"). If the Minimum Royalty Commencement Date occurs other than on the first day of a month, the Guaranteed Minimum Royalty for the first calendar month for which a Guaranteed Minimum Royalty is due will be prorated based on a 30-day month.

5.4 Café Technology System Fee. Upon at least 30 days' prior written notice from Company, Developer shall pay to Company or its designee concurrently with its Royalty Fee payments, Company's Then-Current café technology system fee (the "**Café Technology System Fee**") as determined by Company in its reasonable discretion, but which shall not exceed $1,500 collectively per Accounting Period. The Café Technology System Fee is payment to Company and its Affiliates for the ongoing subscription and/or participation fees for the point-of-sale system, database management and related payment platforms and support.

5.5 Central Marketing Fee. Developer shall pay to Company or its designee concurrently with its Royalty Fee payments, a central marketing fee equal to the product of the Central Marketing Fee Rate multiplied by the Licensed Store's Gross Revenues during each

Accounting Period (the "**Central Marketing Fee**"); provided that Developer shall expend not less than 1% of Developer's monthly Gross Revenues on local advertising in accordance with this Agreement; and provided further that, Company shall have the right to increase the aggregate Central Marketing Fee Rate and foregoing local adverting spend to 4% of the Licensed Store's Gross Revenues per Accounting Period. Company shall cause the Central Marketing Fee to be contributed to the Marketing Program, which shall be administered in the manner provided in Section 7.1 of this Agreement.

5.6 Advertising and Promotional Materials Fee. Developer shall pay to Company or its designee concurrently with its Royalty Fee payments, an advertising and promotional materials fee equal to the product of the Advertising and Promotional Materials Rate multiplied by the Licensed Store's Gross Revenues during each Accounting Period (the "**Advertising and Promotional Materials Fee**").

5.7 Customer Facing Technology Fee. Developer shall pay to Company or its designee concurrently with its Royalty Fee payments Company's Then-Current customer facing technology fee as determined by Company in its reasonable discretion, but which shall not exceed $750 collectively per Accounting Period (the "**Customer Facing Technology Fee**"). The Customer Facing Technology Fee is payment to Company and its Affiliates for use and access to the customer loyalty application, online ordering platform, payment gateway and other related customer facing technology, including capital recoupment for the continued development thereof.

5.8 Consultant Fee. If this Agreement is for one of Developer's first 2 Coffee Bean Stores (or its first Kiosk), then Developer may be required by Company to retain a consultant, as designated (or otherwise approved) by Company and who may be a Company employee or other representative, at Developer's cost (not to exceed $30,000 for each Coffee Bean Store (or $20,000 if the Coffee Bean Store is a Kiosk), exclusive of travel, accommodation and out-of-pocket expenses) to supervise the operational establishment of the Licensed Store.

5.9 Late Charge; Interest on Late Payments; Payment Due Dates. All payments to Company or any Company Affiliate shall be payable in U.S. currency in immediately available funds. Developer shall make all filings and submissions required by Applicable Law. If Developer shall fail to pay to Company or its Affiliates the entire amount of any payment due hereunder promptly when due, Developer shall pay to Company or its Affiliates, as appropriate, in addition to all other amounts which are due but unpaid (excluding the late fee described below), interest on the unpaid amounts, from the due date thereof, at the rate of 1.5% per month, or the highest rate allowable under Applicable Law, whichever is less. In addition, Company may, at its option, charge a late fee of up to $100 for each delinquent payment. The parties stipulate that such late fee represents a reasonable estimate of the additional administrative costs which will be incurred by Company and which shall be in addition to and not in lieu of any other remedies available to Company at law or in equity on account of any such default. This Section does not constitute Company's or Company's Affiliates' agreement to accept payments after they are due or a commitment by Company or Company's Affiliates to extend credit to Developer or otherwise to finance the operation of the Licensed Store. Company further reserves the right, exercisable upon advance written notice to Developer, to require payment of the Royalty Fees, and any or all other fees payable concurrently therewith, on a Weekly basis, rather than each Accounting Period.

5.10 Application of Payments. Regardless of any designation by Developer, Company has sole discretion to apply any payments by Developer to any of Developer's past due Royalty Fees, purchases from Company or Company's Affiliates, interest or any other amounts owed to Company or Company's Affiliates. Unless otherwise agreed in writing by Company, all payments due to Company or its Affiliates and designees are nonrefundable.

5.11 Electronic Funds Transfers; Estimated Gross Revenues. At Company's request, Developer must make the payments due to Company and Company's Affiliates under this Agreement by electronic funds transfers, and Developer must comply with the methods and procedures specified by Company and perform the acts and sign the documents, including **Exhibit "E"** hereto, as may be modified from time to time by Company, and such other authorization forms that Developer's bank and Company's bank may require to accomplish payment by electronic funds transfer. Under this procedure, Developer will be required to authorize Company to initiate debit entries and/or credit collection entries to a designated checking or savings account for payments of fees and other amounts, including late charges and interest, payable to Company and Company's Affiliates. Developer will make the funds available to Company for withdrawal by electronic transfer no later than the required payment due date. If Developer has not timely reported the Gross Revenues of its Store for any reporting period, or if Company is otherwise unable to access and accurately determine Developer's Gross Revenues for any reporting period, then Company may, at its option, estimate such Gross Revenues, and calculate the corresponding fees which shall be due by Developer hereunder, and debit or otherwise recover such fees from Developer, based on (a) an average of the Gross Revenues during the last prior twelve reporting periods for which a report of Gross Revenues was provided to or obtained by Company (or during all reporting periods for which a report of Gross Revenues was provided to or obtained by Company if fewer than twelve in total have been reported), or (b) the information for the applicable reporting period(s) that Company is able to retrieve from Developer's computer system and/or point-of-sale software.

ARTICLE 6
ADDITIONAL OBLIGATIONS

6.1 System Standards.

(a) Developer acknowledges and agrees that the operation of the Licensed Store in accordance with the System Standards is the essence of this Agreement and is essential to preserve the goodwill of the Marks and all Coffee Bean Stores. Therefore, at all times during the term of this Agreement, Developer will maintain and operate the Licensed Store strictly in accordance with each of the System Standards. The System Standards are set forth in the Manuals. System Standards may include standards, specifications, requirements and restrictions concerning some or all of the following matters pertaining to the Licensed Store:

(i) Design, layout, decor, appearance and lighting; periodic and daily maintenance, cleaning and sanitation; replacement of obsolete or worn-out fixtures, furnishings, equipment and signs; use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;

(ii) Types, specifications, models, brands, maintenance and replacement of required equipment, fixtures, furnishings and signs;

(iii) Approved, disapproved and required Coffee Bean Products and other items and services to be offered for sale;

(iv) Designated and approved suppliers (including Company or Company's Affiliates) of equipment, fixtures, furnishings, signs, Coffee Bean Products, other food products, materials and supplies;

(v) Required use of designated or approved computer hardware and software systems and equipment, including electronic or computerized point of sale register systems, with telecommunications capability, which shall permit Company or its Affiliate to poll on a daily basis at time(s) selected by the Company, such computerized system and/or the point of sale system to retrieve and store sales, sales mix, usage, and operations data, as well as the required execution of software license, use, support, and maintenance agreement(s) in connection therewith;

(vi) Required use of "loyalty cards," "loyalty programs," "kitchen expeditors," and online and mobile ordering programs and applications;

(vii) Required use of or participation in Company's or its Affiliate's data warehouse (or third party data warehouse) program;

(viii) Required maintenance of a high-speed internet data connection (or other connection required from time to time by Company) and dedicated telephone and data lines;

(ix) Use or non-use of credit and debit cards, check verification services, stored value cards, electronic fund transfer systems, and/or other non-cash systems;

(x) Payment of vendors; terms and conditions of sale and delivery of and payment for Coffee Bean Products, materials, supplies and services sold to Developer by Company, Company's Affiliates or unaffiliated suppliers;

(xi) Marketing, advertising and promotional activities and materials required or authorized for use which Developer agrees may include advertising in Developer's Licensed Store of Coffee Bean Products not available in Developer's Licensed Store;

(xii) Use of the Marks;

(xiii) Qualifications, training, dress, appearance and staffing of employees;

(xiv) The manner in which Developer's employees working at the Licensed Store receive training in the System, including the content, duration and scope of such training;

(xv) Prohibitions against Developer's introduction of any modifications to the System or the Licensed Store without the prior written consent of Company;

(xvi) Minimum hours of operation;

(xvii) Methods, standards, specifications, and operating procedures for Coffee Bean Stores, including quality and customer service requirements, adherence to the "SPMS" store quality management scheme, sales terms and terms under which Developer is required to guarantee customer satisfaction with Coffee Bean Products, accept returns, and provide replacement products;

(xviii) Restrictions on the storage, use, or sale of old materials, supplies, or products, and requirements relating to the disposition of old or unsalable Coffee Bean Products;

(xix) Participation in market research and testing and product and service development programs and applications designated by Company;

(xx) Management by full-time managers who have successfully completed Company's required training program; communication of the identities of the managers and other personnel with management or supervisory responsibilities; replacement of managers and other personnel whom Company determines to be unqualified to manage or supervise the Licensed Store; and other matters relating to the management of the Licensed Store and its management personnel;

(xxi) Bookkeeping, accounting, data processing and record keeping systems and forms and methods, formats, content and frequency of reports to Company or its Affiliate of sales, revenues, financial performance and condition, tax returns, and other operating and financial information, including the procedures for providing periodic (currently Weekly) sales information of the Licensed Store to Company or its Affiliate, and that Developer will allow;

(xxii) Types, amounts, terms and conditions and approved underwriters and brokers of public liability, product, business interruption, crime loss, fire and other required insurance coverage; Company's and/or its Affiliates' rights under the policies as additional named insureds; required or impermissible insurance contract provisions; assignment of policy rights to Company or its designee; periodic verification of the coverage that must be furnished to Company or its designee; Company's right to obtain insurance coverage for the Licensed Store at Developer's expense if Developer fails to obtain required coverage; Company's and its Affiliates' right to defend claims; and similar matters relating to insurance and insured and uninsured claims;

(xxiii) Compliance with applicable laws, rules, and regulations (including those relating to design, building codes, zoning, health, safety, or sanitation); obtaining required licenses and permits; adherence to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and with Company and Company's Affiliates; and notification to Company if any action, suit or proceeding is commenced against Developer or the Licensed Store; and

(xxiv) Regulation of the other elements and aspects of the appearance, operation of and conduct of business as Company determines from time to time, in Company's sole discretion, to be required to preserve or enhance the efficient operation, image or goodwill of Coffee Bean Stores and the Marks.

(b) The System Standards may be periodically modified by Company, and Developer acknowledges that the modifications may obligate Developer to invest additional capital in the Licensed Store and to incur higher operating costs. Developer shall incorporate all such modifications within the time periods that Company specifies. All references to this Agreement include all System Standards as periodically modified by Company.

(c) Without limiting the generality of the foregoing, Developer shall comply with all Applicable Laws, including, federal, state and local safety and health laws and regulations, with respect to its operations. In the event the conduct of the preparation and/or sale of the Coffee Bean Products at the Licensed Store, pursuant to this Agreement, constitutes an imminent danger to the public health and if Developer fails to correct or eliminate the conduct creating such danger within twenty-four (24) hours (or shorter period if the danger requires a shorter period to correct or eliminate the danger), after written notice from Company demanding any such correction, Developer must, upon written notice from Company, immediately temporarily cease operating the Licensed Store, in which case Developer shall waive and hold Company and its Affiliates harmless from any and all liability arising out of or related to the closure of the Licensed Store or the cessation of the dangerous conduct or condition. The Licensed Store may not reopen until Company, in its reasonable discretion, determines that the conduct or practice that created the danger has been eliminated and will not be repeated. Without limiting anything in this Agreement, neither Company nor any of its Affiliates shall be liable for, and Developer shall indemnify and hold Company and its Affiliates harmless from, any and all losses, damages or liabilities incurred by Developer, directly or indirectly, as a result of Developer's production and use of fresh coffee extract notwithstanding the Company's receipt and review of the inspection reports referred to above.

6.2 Performance of Duties and Obligations. Developer will at all times faithfully, honestly and diligently perform Developer's obligations under this Agreement and Developer will continuously exert Developer's best efforts to promote and enhance the business of the Licensed Store. Further, Developer's Director of Operations, if applicable, shall devote his/her full time, attention and effort to the development, support and operation of Developer's Stores and the obligations as provided in this Agreement. If the Director of Operations has or later intends to engage in any other business interests, then Developer shall immediately provide notice to Company of such other business interests. Such notice shall include the name of the other business interest(s); the identity of the person(s) or entity(ies) that own the business; a disclosure of the Director of Operations' ownership interest in such business, if any; a description of the business; a summary of the Director Operations' involvement with such business; a list of pertinent contact information for such business, including its address, phone number(s), fax number(s), and any website address(es); and such other information as Company may reasonably request. Company shall have the right to require that Developer designate a replacement Director of Operations or confirm that the Director of Operations shall cease its other business interests if Company

determines, in its sole discretion, that any such other business will impair or otherwise prevent the Director of Operations from fulfilling its duties and responsibilities.

6.3 Employees. Subject to Developer's compliance with the System Standards and terms of this Agreement, Developer shall hire all employees of the Licensed Store, and Developer will be exclusively responsible for the terms of their employment and compensation, for their proper training, and for compliance with all Applicable Laws, including applicable insurance, employment and payroll laws, rules, and regulations.

6.4 Restrictions on Operations and Customers. Developer may not operate the Licensed Store at any site other than the Premises without Company's prior written consent. Developer may not sell Coffee Bean Products approved for sale or services of the Licensed Store or any materials, supplies, or inventory bearing the Marks at any site other than the Premises without Company's prior written consent. However, this restriction will not apply to the offering of samples of Coffee Bean Products approved for sale at or directly in front of the Licensed Store. In addition, Developer may not sell to anyone any materials, supplies, or inventory used in the preparation of any Coffee Bean Products, except as permitted in the Manuals. Developer may only sell finished Coffee Bean Products that have been approved for sale and then only to retail customers. Developer may not sell any Coffee Bean Products to any person or entity purchasing the Coffee Bean Products for resale. Developer shall use its best efforts to ensure that the Gross Revenues in each Accounting Period from the sale of coffee, espresso drinks, and premium teas shall not be less than 80% of the total Gross Revenues derived from the sale of all food and drinks during such Accounting Period. Upon written notice from Company that Developer's sales mix is not in conformity with the foregoing, Developer shall be given at least 30 days to readjust its sales mix to the required allocation, failing which Company shall have the right to terminate this Agreement.

6.5 Accounting, Reports and Financial Statements. Developer shall establish and maintain accurate and complete books and records concerning the business of the Licensed Store. Accordingly, Developer shall furnish the following information, data, and reports to Company or its designated Affiliate on the forms and in the manner (i.e., via email, facsimile, mail, or other method selected from time to time by Company) that Company prescribes from time to time:

(a) Sales Reporting. Not later than 2 days following the end of each Week (or such other period as may be specified by Company from time to time (including, without limitation, daily reporting), reports for the Licensed Store indicating for the previous Week the Weekly and daily sales information and guest count for such period;

(b) Statistical Reports. Not later than 10 days following each Accounting Period, reports for the Licensed Store indicating for the previous Accounting Period the: Royalty Fee, Advertising and Promotional Materials Fee and Central Marketing Fee computations and Gross Revenues;

(c) Monthly Financials. Within 20 days after the end of each Accounting Period, complete monthly financial statements for the Licensed Store for the previous Accounting Period (i.e., balance sheets, statements of operations, cash flows and retained earnings);

(d) Advertising Reports. Within 45 days after the end of each Accounting Period, an advertising and marketing report detailing all press articles, advertising, print, artwork, budget information, and local marketing activities;

(e) Annual Reports. Within 90 days after the end of each of Developer's fiscal years, audited financial statements (i.e., balance sheets, statements of operations, cash flows and retained earnings) for the Licensed Store as of the end of that fiscal year, and prepared in accordance with GAAP consistently applied, and prepared by an independent auditor approved by Company; and

(f) Tax Returns or Statutory Filings. Within 10 days after tax returns or other statutory filings required by Applicable Law are filed, exact copies of federal and state income, sales and any other required tax returns or statutory filings, and the other forms, records, books and other information as Company may periodically require.

If this Agreement shall be executed pursuant to an Area Development Agreement and such Area Development Agreement shall be in effect, then Company may require Developer to provide to Company or its designated Affiliate combined reports showing aggregate results of all of Developer's Coffee Bean Stores in addition to the results of the Licensed Store. Each report and financial statement will be signed and verified by Developer in the manner Company specifies. Company and its Affiliates may disclose data derived from the sales reports to other existing and prospective developers and licensees. Company and its Affiliates may, on a daily basis (or other periodic basis), access the database contained in the computerized records of the Licensed Store and transfer the data from Developer's database to Company's database. Company and its Affiliates may also access the database contained in the computerized records of the Licensed Store to obtain and verify the reports that Developer is required to provide in accordance with this Agreement.

6.6 Retention of Records. Developer shall keep full, complete and proper books, records and accounts of Gross Revenues and of Developer's operations at the Licensed Store. All the books, records and accounts will be prepared by the independent auditor approved by Company, will be kept in the English language, and will be retained for a period of at least 3 years, or such longer period required under Applicable Law, following the end of each fiscal year. The books and records will include daily cash reports; cash receipts journal and general ledger; cash disbursements journal and Weekly payroll register; monthly bank statements and daily deposit slips and canceled checks; tax returns (sales and income); supplier invoices; dated sales information (detail and summary); semi-annual balance sheets and monthly profit and loss statements; daily production records and Weekly inventories; records of promotions and coupon redemptions; records of all corporate accounts; and such other records as Company may request.

6.7 Company's Right to Inspect the Licensed Store. To determine whether Developer is complying with this Agreement and with all System Standards and whether the Licensed Store is in compliance with the terms of this Agreement, Company, Company's Affiliates and their designated agents may, at any reasonable time and without prior notice to Developer:

(a) Inspect the Premises;

(b) Observe, photograph and record the Licensed Store's operations for such consecutive or intermittent periods as Company deem necessary;

(c) Remove samples of any Coffee Bean Products, materials or supplies for testing and analysis;

(d) Interview personnel of the Licensed Store;

(e) Interview customers of the Licensed Store; and

(f) Inspect and copy any books, records and documents relating to the operation of the Licensed Store, either physically or electronically, and with or without notice to Developer.

Developer shall cooperate fully with Company, Company's Affiliates and their designated agents (and make the store manager available to Company and its designees) in connection with any such inspections, observations, photographing, recording, product removal and interviews. Further, Company reserves that right to impose, or require Developer to pay to a designated third-party, quarterly a commercially reasonable per-audit food safety and operations audit fee in connection with such inspections.

6.8 Company's Right to Audit. At any time during business hours with or without prior notice to Developer, Company, Company's Affiliates and Company's representatives may inspect and audit the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Licensed Store as well as Developer's books and records. Developer shall fully cooperate with any representatives and independent accountants hired to conduct any inspection or audit. If an inspection or audit discloses an understatement of the Licensed Store's Gross Revenues, Developer will pay to Company or its designee, within 15 days after receipt of the inspection or audit report, the Royalty Fees due on the amount of the understatement, plus interest (at the rate and on the terms provided in Section 5.9 of this Agreement) from the date originally due until the date of payment. Further, if inspection or audit is made necessary by Developer's failure to furnish reports, supporting records or other information as required by this Agreement, or to furnish the reports, records or information on a timely basis, or if an understatement of Gross Revenues for the period of any audit is determined by the audit or inspection to be greater than 5%, then within 15 days after receipt of the inspection or audit report, Developer will reimburse Company for the cost of the audit or inspection, including the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of Company's or its Affiliates' employees. These remedies are in addition to Company's other remedies and rights under this Agreement or Applicable Law, and this right to audit will continue for 3 years following termination of this Agreement.

6.9 Customer Satisfaction and Surveys. Developer shall participate in such customer experience evaluation and survey programs as Company may require, including presenting to Developer's customers such evaluation forms as Company periodically require and will participate in and request Developer's customers to participate in any customer experience measurement programs or surveys implemented by or on Company's behalf. In that regard, Developer shall pay

on demand from Company a reasonable customer experience measurement program fee for the implementation and ongoing support of Company's customer and guest experience management software service platform.

6.10 Representations and Warranties by Owners. If Developer is an Entity, Developer represents and warrants to Company that (a) Developer is duly organized or formed and validly existing in good standing under the laws of the jurisdiction of Developer's incorporation or formation, is qualified to do business in all jurisdictions in which Developer is required to qualify and has the authority to execute, deliver and carry out all of the terms of this Agreement, and (b) the list of Owners attached to this Agreement as part of **Exhibit "A"** is true and complete as of the Effective Date. If Developer is an Entity, Developer shall, upon request, and from time to time, provide to Company from each of Developer's Owners (other than Company or its Affiliates) and their spouses an undertaking whereby each of such Owners (other than Company or its Affiliates) and their spouses at any time during the Term guarantee in Company's favor the payment of all amounts owed by Developer under this Agreement and performance by Developer of the terms and conditions of this Agreement and assumes full and unconditional liability for the payment and performance of all of Developer's obligations, covenants and agreements under this Agreement and shall be bound by the provisions of Sections 8.1 and 9.1 of this Agreement. Developer shall notify Company promptly in writing of any change in any of Developer's Owners.

6.11 Obligations with Respect to Restricted Persons. Developer represents and warrants to Company that the list of Restricted Persons attached to this Agreement as part of **Exhibit "A"** is true and complete as of the Effective Date. Developer shall notify Company promptly in writing of any change in Restricted Persons. In addition, at Company's request at any time during the term of this Agreement, Developer will obtain and provide to Company a written agreement from each Restricted Person designated by Company and who has not otherwise executed an agreement in accordance with the requirements of Section 6.10 of this Agreement, in which the Restricted Person shall be bound by the provisions of Sections 8.1 and 9.1 of this Agreement.

6.12 Insurance.

(a) Property Insurance. Developer agrees, at all times during the Term and at Developer's sole cost and expense, to keep all of Developer's goods, fixtures, furniture, equipment, and other personal property located on the Licensed Store Premises insured to the extent of 100% of their full replacement cost against loss or damage from fire and other risks normally insured against in "special risks" coverage. Such insurance will include coverage for loss of income and extra expenses, for the actual loss incurred, and include coverage for Developer's obligations to pay the Royalty Fee, the Central Marketing Fee and amounts owed for purchases by Developer from Company or Company's Affiliates, interest due on any of the foregoing and all other amounts owed to Company or Company's Affiliates. If Developer is leasing Developer's Licensed Store Premises, Developer is not required to maintain this insurance coverage until Developer signs a lease for the Licensed Store Premises. Developer must name Company and any Affiliate specified by Company as a loss payee on such policy, as their interests appear.

(b) Liability Insurance. Developer agrees, at Developer's sole cost and expense, at all times during the Term, to maintain in force the following insurance policies, with

the following minimum limits (or such higher limits as Company may specify from time to time in the System Standards). All such policies shall name the Developer as insured, and will cover the Company and any specific Affiliate as an additional insured with respect to Company's liability as grantor, or Affiliate of grantor, of a franchise to Developer. All such policies shall provide that Developer's coverage is primary, and Company's coverage shall be non-contributing (except with respect to any automobile owned by the Company):

(i) Commercial General Liability on an occurrence form at least as broad as ISO form CG 0001 insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the Licensed Store premises, or otherwise arising from Developer's operations, and including products liability insurance, personal and advertising liability insurance, and contractual liability coverage, with the liability limit under such insurance to be not less than $1,000,000 per occurrence, $2,000,000 Products Liability Aggregate, and $2,000,000 General Aggregate per location;

(ii) Business auto liability including coverage for all owned, non-owned and hired autos with a limit of liability of not less than $1,000,000 per accident (combined single limit for personal injury, including bodily injury or death, and property damage); and

(iii) Excess "umbrella" liability providing liability insurance in excess of the coverage limits in clauses (i) and (ii) above, on a coverage form at least as broad as those policies, with a limit of not less than $2,000,000 per occurrence, $2,000,000 per location General Aggregate, and $2,000,000 Products Liability Aggregate. No Aggregate will apply to Auto Liability losses.

(c) Worker's Compensation and Employer's Liability Insurance. Developer also shall maintain and keep in force all worker's compensation insurance on Developer's employees, if any, required under the applicable worker's compensation laws of the state in which the Licensed Store is located, and Employer's Liability insurance with minimum limits of $1,000,000 per accident and $1,000,000 per employee and aggregate for disease.

(d) Other Insurance Policies. At Developer's sole cost, Developer agrees, at all times during the term of this Franchise Agreement, to maintain in force such other and additional insurance policies as a prudent Developer in Developer's position would maintain or as Company may reasonably require.

(e) Policy Requirements. All insurance policies required under this Section 6.12 will contain provisions to the effect that the insurance will not be canceled or coverage reduced below these requirements without at least 30 days (10 days if for premium nonpayment) prior written notice to Company. All such policies will be issued by a company or companies responsible, with a minimum A.M. Best's rating of A- VII at policy inception, and authorized to do business in the state in which the Licensed Store is located, as Developer may determine, and will be approved by Company, which approval will not be unreasonably withheld. All such policies shall include a waiver of any rights of subrogation that Developer and its insurer(s) might otherwise have against Company or any Company Affiliate. Any deductibles or self-insured retentions in excess of $25,000 applicable to such policies must be approved by Company, such approval not to be unreasonably withheld. Notwithstanding the foregoing, Developer's liability

policies may specify that additional insureds will be covered only up to the limits they are required to be covered for.

(f) Evidence of Insurance. The originals of the policies of insurance required by this Agreement will remain in Developer's possession. However, Developer shall give Company copies of the policies upon Company's request. Concurrently with the execution of this Agreement and throughout the term of this Agreement upon Company's request and in any event upon renewal of any insurance policy, Developer must provide Company with evidence from Developer's insurance carriers that Developer has obtained the insurance coverage required by this Agreement, that Developer has paid all of the required premiums, and that the insurance is in full force and effect. If Developer fails to obtain and maintain the required insurance, Company may, at its option, in addition to any other rights it may have, procure such insurance for Developer without notice and Developer shall pay, upon demand, the premiums and Company's costs in taking such action.

(g) Release of Insured Claims. Developer releases and relieves Company and Company's Affiliates, and each of their respective officers, directors, Owners, employees, agents, successors, assigns, contractors, and invitees and waive Developer's entire right of recovery against any of them for all loss or damage arising out of or incident to the perils which are, or are required to be, insured against under this Section 6.12, which perils occur in, on or about the Licensed Store Premises or relate to Developer's business on the Premises, whether due to the negligence of Company or Developer or any of Company's or Developer's related parties.

(h) Adequacy of Insurance – No Representation or Warranty. Company makes no representation or warranty to Developer that the amount of insurance to be carried by Developer under the terms of this Agreement is adequate to fully protect Developer's interest. If Developer believes that the amount of any such insurance is insufficient, Developer is encouraged to obtain, at its sole cost and expense, such additional insurance as Developer may deem desirable or adequate. Developer acknowledges that Company shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Developer hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto.

(i) Insurance Coverage Limits Do Not Limit Developer's Liability To Company. The insurance requirements contained in this Section 6.12 are independent of Developer's indemnification and other obligations under this Agreement and shall not be construed or interpreted in any way to restrict, limit or modify Developer's indemnification or other obligations or in any way limit Developer's obligations under this Agreement.

(j) Definitions. Capitalized terms as used in this Section 6.12 shall have the standard and customary meaning ascribed to the same in the insurance industry absent an express definition thereof set forth in this Agreement.

6.13 Distribution and Purchase of Equipment, Supplies, and Other Products.

(a) Coffee Bean Products. At all times throughout the Term, Developer shall purchase and maintain in inventory such types and quantities of Coffee Bean Products as are needed to meet reasonably anticipated consumer demand. Unless Company otherwise directs in writing, Developer shall purchase Coffee Bean Products solely and exclusively from Company or its designees at Company's then-current published "franchisee" prices (plus tariffs and other costs of shipping and distribution to Developer). Developer acknowledges that the "franchisee" prices include a mark-up to Company (or its Affiliates), and will be subject to review and change from time to time, but no more frequently than biannually (currently during April and October). Developer further acknowledges that the "franchisee" prices may be higher than Company's (or its Affiliate's) internal prices allocated or charged to Coffee Bean Stores operated by the Company or its Affiliates.

(b) Proprietary Products. Company may, from time to time throughout the Term hereof in its sole subjective discretion exercised in good faith, require that Developer purchase, use, offer and/or promote, and maintain in stock at the Licensed Store in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary coffees, teas, coffee extracts, powder mixes and other ingredients and raw materials, which are manufactured in accordance with the proprietary recipes, specifications and/or formulas prescribed by Company ("**Proprietary Products**"). Developer shall purchase Proprietary Products only from Company (if it sells the same, at Company's then-current published "franchisee" prices (plus tariffs and other costs of shipping and distribution to Developer)) or its designees. Company shall not be obligated to reveal such recipes, specifications and/or formulas of such Proprietary Products to Developer, non-designated suppliers, or any other third parties.

(c) Non-Proprietary Products. Company may designate other food products, condiments, beverages, fixtures, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, software, modems and peripheral equipment and other products and equipment other than Proprietary Products which Developer may or must use and/or offer and sell at the Licensed Store ("**Non-Proprietary Products**"). Developer may, but shall not be obligated to, purchase such Non-Proprietary Products from Company, if Company supplies same. Developer may use, offer or sell only such Non-Proprietary Products that Company has expressly authorized, and that are purchased or obtained from Company or a producer, manufacturer, supplier or service provider ("**Supplier**") designated or approved by Company pursuant to this Section 6.13.

(i) Each such Supplier designated or approved by Company must comply with the usual and customary requirements prescribed by Company regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to the reasonable satisfaction of Company: (a) its ability to supply a Non-Proprietary Product meeting the specifications prescribed by Company, which may include, without limitation, specifications as to brand name, contents, quality, freshness and compliance with governmental standards and regulations; and (b) its reliability with respect to delivery and the consistent quality of its products and services.

(ii) If Developer should desire to procure authorized Non-Proprietary Products from a Supplier other than Company or one previously approved or designated by Company, Developer shall deliver written notice to Company of its desire to seek approval of such

Supplier, which notice shall (a) identify the name and address of such Supplier, (b) contain such information as may be requested by Company or required to be provided pursuant to the Manuals (which may include reasonable financial, operational and economic information regarding its business), and (c) identify the authorized Non-Proprietary Products desired to be purchased from such Supplier. Company shall, upon request of Developer, furnish to Developer specifications for such Non-Proprietary Products if such are not contained in the Manuals. The Company may thereupon request that the proposed Supplier furnish Company at no cost to Company product samples, specifications and such other information as Company may require. Company or its representatives shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other Coffee Bean Stores.

(iii) Company will use its good faith efforts to notify Developer of its decision within 60 days after Company's receipt of Developer's request for approval and other requested information and items in full compliance with this Section 6.13; should Company not deliver to Developer, within 60 days after it has received such notice and all information and other items requested by Company in order to evaluate the proposed Supplier, a written statement of disapproval with respect to such Supplier, such Supplier shall be deemed approved as a Supplier of the authorized Non-Proprietary Products described in such notice until such time as Company may subsequently withdraw such approval. Nothing in this article shall require Company to approve any supplier, and without limiting Company's right to approve or disapprove a Supplier in its discretion, Developer acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one Supplier in any given market area and that among the other factors Company may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Company and its licensees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. Company may revoke its approval upon the Supplier's failure to continue to meet any of Company's criteria. Developer agrees that at such times that Company establishes a regional purchasing program for any of the raw materials used in the preparation of Coffee Bean Products, or other Non-Proprietary Products used in the operation of the Licensed Store, which may benefit Developer by reduced price, lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Developer or other tangible benefits to Developer, Developer will participate in such purchasing program in accordance with the terms of such program.

(iv) As a further condition of its approval, Company may require a Supplier to agree in writing: (i) to provide from time to time upon Company's request free samples of any Non-Proprietary Product it intends to supply to Developer, (ii) to faithfully comply with the specifications prescribed by Company for applicable Non-Proprietary Products sold by it, (iii) to sell any Non-Proprietary Product bearing the "The Coffee Bean & Tea Leaf" Marks only to franchisees and licensees of Company and its Affiliates and only pursuant to a Trademark License Agreement in form prescribed by Company, (iv) to provide to Company duplicate purchase invoices for Company's records and inspection purposes and (v) to otherwise comply with Company's reasonable requests.

(v) Developer or the proposed Supplier shall pay to, or reimburse, Company in advance all of Company's reasonably anticipated costs in reviewing the application of the Supplier to service the Developer and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, reinspecting and auditing the Suppliers' facilities, equipment, and food products, and all product testing costs paid by Company to third parties.

(d) Purchases from Company. All goods, products, and supplies purchased from Company shall be purchased in accordance with the purchase order format issued from time to time by Company, the current form of which shall be set forth in the Manuals and on the Intranet. Company may change the prices, delivery terms and other terms relating to its sale of goods, products and supplies to Developer on prior written notice, provided, that such prices shall be equal to Company's then-current published "franchisee" prices (plus tariffs and other costs of shipping and distribution to Developer). Developer acknowledges and agrees that Company may charge a mark-up for selling goods, products and supplies to Developer. Developer acknowledges that the "franchisee" prices will be subject to review and change from time to time, but no more frequently than biannually (currently during April and October). Developer further acknowledges that the "franchisee" prices may be higher than Company's (or its Affiliate's) internal prices allocated or charged to Coffee Bean Stores operated by the Company or its Affiliates. Company in its sole discretion, may discontinue the sale of any good, product or supply at any time if in Company's sole judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. Neither Company nor any Company Affiliate shall be liable to Developer for unavailability of, or delay in shipment or receipt of, merchandise because of temporary product shortages, order backlogs, production difficulties, delays, unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Company. Developer acknowledges that the availability and quantities of particular products may vary from time to time and in the event that particular products are not available in quantities to satisfy the requirements of all franchisees, developers, Company and its Affiliates, Company and its Affiliates may determine how and to whom such products shall be distributed and allocated in its sole discretion. Company and its Affiliates may act as Suppliers of goods, services, products, and/or supplies purchased by Developer, may be designated as the sole Supplier(s) of such goods or services and shall be entitled to a reasonable return comparable to other Suppliers for similar goods and services in the marketplace. Developer agrees to pay, promptly following receipt of a proforma invoice prior to shipment, the prices as set forth in Company's price list, on all goods, services, products, and supplies purchased from Company or any Company Affiliate. Neither Company nor its Affiliates will be liable to Developer as a result of shipments that are delayed because of Developer's non-payment of proforma invoices. On the expiration or termination of this Agreement, or in the event of any material breach of this Agreement by Developer, Company shall not be obliged to fill or ship any orders then pending, or in the case of termination or non-renewal, made any time thereafter by Developer.

(e) Company may collect rebates and credits in the form of cash or services or otherwise from suppliers based on purchases or sales by Developer and retain such amounts for Company's sole use and as profit, notwithstanding any designation by the supplier or otherwise.

(f) Without any diminishment of Developer's rights under this Section, Company shall have the right to assign and delegate its rights and its obligations to Developer under this Section to one or more of its Affiliates. Developer acknowledges that unless Company may otherwise agree in writing on a case-by-case basis, Developer will be required to pay Company (or its Affiliates) in advance, before shipment, for all coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, purchased from Company (or its Affiliates).

6.14 Test Marketing. Company may, from time to time, authorize Developer to test market products and/or services in connection with the operation of the Licensed Store. Developer shall cooperate with Company in connection with the conduct of such test marketing programs and shall comply with the rules and regulations established from time to time by Company in connection herewith.

6.15 Product Recalls. If it is deemed necessary by either Company or any of the approved suppliers to recall from Developer any quantity of any of products, either as a result of the failure of such products to satisfy the proprietary manufacturing specifications issued to approved suppliers by Company, or for any other reason bearing on the quality and/or safety of such products, Developer shall comply diligently with all product recall procedures then in effect, as established from time to time by Company and/or suppliers. Developer shall not be required to bear the costs associated with the recall of any product unless such recall is attributable to Developer's negligent or intentional conduct. In such event, Developer shall bear all costs and expenses incurred by it, and/or Company, and/or any of the approved suppliers in complying with such recall procedures, if (and then only to the extent) such recall is the result of the negligence or intentional conduct of Developer. If Developer fails or refuses to comply with the recall of such products hereunder upon request by Company, Company may take such action as it deems necessary to recall such products from the System and Developer shall promptly reimburse Company for its costs and expenses (including, without limitation, attorneys' fees) incurred in such recall procedure to the extent such recall is the result of the negligence or intentional conduct of Developer; any such action taken by Company shall not relieve Developer of its other obligations hereunder.

6.16 Intranet. Company or its Affiliate may, at their option, establish and maintain an Intranet through which franchisees of Company and Company's Affiliates may communicate with each other, and through which Company and Developer may communicate with each other and through which Company may disseminate the Manuals, updates thereto and other confidential information. As between Developer and Company, Company shall have sole discretion and control over all aspects of the Intranet, including the content and functionality thereof. Company will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Developer.

(a) If Company establishes an Intranet, Developer shall have the privilege to use the Intranet, subject to Developer's strict compliance with the standards and specifications, protocols and restrictions that Company may establish or prescribe from time to time. Developer acknowledges that, as administrators of the Intranet, Company and its Affiliates can technically access and view any communication that any person posts on the Intranet. Developer further acknowledges that the Intranet facility and all communications that are posted to it will become

Company's property, free of any claims of privacy or privilege that Developer or any other person may assert.

(b) Upon receipt of notice from Company that the Intranet has been established, Developer shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Company and its Affiliates to send messages to and receive messages from Developer, subject to the standards and specifications.

(c) If Developer shall breach this Agreement or any other agreement with Company or its Affiliates, Company may, in addition to, and without limiting any other rights and remedies available to Company, disable or terminate Developer's access to the Intranet without Company having any liability to Developer, and in which case Company shall only be required to provide Developer a paper copy of the Manuals and any updates thereto, if none have been previously provided to Developer, unless not otherwise entitled to the Manuals.

6.17 Business and Ethical Practices.

(a) As of the date of this Agreement, Developer and each of its Owners shall be and, during the Term shall remain, in full compliance with all Applicable Laws in each jurisdiction in which Developer or any of its Owners, as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including but not limited to the following prohibitions:

(i) Neither Developer nor any of its Owners shall make any expenditure other than for lawful purposes or directly or indirectly offering, giving, promising to give or authorizing the payment or the gift of any money, or anything of value, to any person or Entity, while knowing or having reason to know that all or a portion of such money or thing of value will be given or promised, directly or indirectly, to any government official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (a) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (b) inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality.

(ii) No government official, official of an international organization, political party or official thereof, or candidate is an Owner or has any investment interest in the revenues or profit of Developer.

(b) Neither Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the United States International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(c) Neither Developer, any of its Owners nor any employee of either of them is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/". Neither Developer, any of its Owners nor any employee of either of them is named or described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, as amended and updated from time to time. Developer is neither directly nor indirectly owned nor controlled by the government of any country that is subject to a United States embargo. Nor does Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Developer agrees that Developer will notify Company in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

(d) Developer represents that it understands and has been advised by legal counsel on the requirements of the Applicable Laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at www.justice.gov/criminal/fraud/fcpa.html), as amended, any local foreign corrupt practices laws, and the USA Patriot Act of 2001, as amended, and hereby acknowledges the importance to Company and the parties' relationship of Developer's compliance with any applicable auditing requirements and any requirement to report or provide access to information to Company or any government, that is made part of any Applicable Law. Developer must take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

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DEVELOPER INITIALS

(e) Developer represents to Company that it has taken all necessary and proper action required by the laws of the jurisdiction in which the Designated Territory is located and has the right to execute this Agreement and perform under all of its terms.

6.18 Capitalization Of Developer; Guaranty, Letter of Credit.

(a) Capitalization of Developer.

(i) Developer represents and warrants to Company (and promptly upon request Developer shall provide Company evidence satisfactory to Company confirming) that (i) upon execution of the Agreement that Developer's capitalization is not less than the Minimum Capitalization amount, comprised of the Initial Investment; (ii) upon execution of the Agreement, Developer has received a cash contribution in the aggregate of not less than the Initial Investment in exchange for Equity issued or to be issued in Developer; (iii) at all times during the Term, Developer's debt-to-asset ratio shall not exceed 1:1; (iv) at all times during the Term, Developer shall maintain a Net Worth of not less than the Minimum Net Worth; and (v) throughout the Term, Developer shall not cause or permit any Distribution to or for the direct or indirect benefit of any of its Owners, except to the extent that after such Distribution Developer's Net Worth shall remain at or in excess of the Minimum Net Worth and Developer's debt-to-asset ratio shall not exceed 1:1.

(ii) Developer's failure to have received the Initial Investment on or before the Effective Date, or to deliver the written evidence requested by Company pursuant to Section 6.18(a)(i), shall constitute an incurable material breach of the Agreement, entitling Company to terminate the Agreement upon written notice, and to retain the Initial Franchise Fee without reimbursement to Developer of any portion thereof.

(b) Guaranty. If Developer is an Entity, each Owner and his/her spouse, shall unconditionally guaranty Developer's compliance with the terms and performance of its obligations hereunder pursuant to the guaranty in substantially the form attached hereto as **Exhibit "B"** (the **"Guaranty"**). A material breach of such Guaranty shall be deemed a material breach of this Agreement.

(c) Letter of Credit.

(i) Developer shall deliver to Company, on the Effective Date, an irrevocable and unconditional negotiable standby letter of credit (the "**Letter of Credit**") in favor of Company in an amount equal to twenty thousand dollars and 00/100 ($20,000.00) (the "**L/C Amount**") in lawful money of the United States. The Letter of Credit shall be: (A) issued by a bank reasonably acceptable to Company, with an office in Los Angeles County, California; (B) in the L/C Amount; (C) in form and content as that attached hereto as **Exhibit "C"** or shall otherwise be reasonably acceptable to Company; and (D) subject to the terms and conditions stated in this Section. In lieu of a single $20,000 letter of credit, Developer may deliver to Company a single irrevocable and unconditional negotiable standby letter of credit (the "**Aggregate L/C**") in favor of Company in an amount equal to twenty thousand dollars ($20,000) multiplied by the total number of franchise agreements executed by and between Developer and Company under the Area Development Agreement, not to exceed two hundred thousand dollars ($200,000) in the aggregate, provided, however, that such letter of credit otherwise satisfies the terms and conditions of this Agreement and shall be held as security for the full and faithful performance by Developer's obligations under this Agreement (and any renewal or replacement of the same), and each and every other agreement between Developer (or any of its Affiliates), on the one hand, and Company or any of its Affiliates (including CBTL Franchising, LLC and ICT), on the other hand, other than the Area Development Agreement, but including purchase orders for the purchase by Developer or its permitted Affiliates. If delivered, the Aggregate L/C shall be the deemed to be the "Letter of Credit" for purposes of this Agreement. Notwithstanding the foregoing, the Letter of Credit shall have a term of not less than 1 year and shall be automatically renewed at least 45 days prior to expiration of each period for an additional term of not less than 1 year each and shall remain in effect throughout the term of this Agreement (and any renewal or replacement of the same) (such last expiration date being the "**L/C Termination Date**"). Developer shall pay all expenses, points and/or fees incurred by Developer in obtaining and maintaining the Letter of Credit. Developer represents warrants and covenants that the security for the Letter of Credit (and any renewal letter of credit) shall not include or be considered to be part of any equity (including the Initial Investment) of Developer.

(ii) The Letter of Credit shall be held by Company as security for the full and faithful performance by Developer of Developer's obligations under this Agreement (and any renewal or replacement of the same), and each and every other agreement between Developer (or any of its Affiliates), on the one hand, and Company or any of its Affiliates (including CBTL

Franchising, LLC and ICT), on the other hand, other than the Area Development Agreement, but including purchase orders for the purchase by Developer or its permitted Affiliates (each of the foregoing an "**Obligation**"). If (A) Developer defaults with respect any Obligation, or (B) if Developer fails to renew the Letter of Credit at 45 days prior to its expiration, or (C) Developer has filed a voluntary petition under the United States Bankruptcy Code (the "**Bankruptcy Code**"), or Developer's creditors have filed an involuntary petition under the Bankruptcy Code, then Company, in its sole and absolute discretion, shall be entitled to draw upon all or any part of the Letter of Credit and shall be able to apply any portions thereof for the payment of the required amount of any sum in default, and for the payment of any amount that Company may spend or may become obligated to spend by reason of Developer's default, and to compensate Company for loss or damage that Company suffers by reason of Developer's default. The use, application or retention of the Letter of Credit, or any portion thereof, shall not (i) prevent Company (or any of its Affiliates) from exercising any other rights or remedies provided under this Agreement or by law, it being intended that Company shall not be required to first proceed against the Letter of Credit, or (ii) operate as a limitation on any recovery to which Company may otherwise be entitled.

(iii) To the extent that Company has not drawn upon the Letter of Credit pursuant to the terms of this Agreement, the Letter of Credit shall be returned to Developer within 45 days following the L/C Termination Date. However, if Developer has delivered to Company an Aggregate L/C, then Company's obligation to return the Letter of Credit to Developer will only arise if Developer simultaneously delivers a letter of credit in accordance with the terms of any or all other franchise agreements (and other agreements) between Developer and Company. Developer acknowledges that Company has the right to transfer or pledge its interest in the Agreement and Developer agrees that in the event of any such transfer, Company shall have the right to transfer or assign the Letter of Credit to the transferee or pledgee with any fee in connection therewith being paid by Developer, and, in the event of any such transfer, Developer shall look solely to such transferee or pledgee for the return of the Letter of Credit. Company shall not be required to keep said Letter of Credit or any drawn funds thereunder separate from its general accounts. No trust relationship is created herein between Company and Developer with respect to the Letter of Credit. Developer acknowledges and agrees that (A) the Letter of Credit constitutes a separate and independent contract between Company and the issuing bank, (B) Developer is not a third party beneficiary of such contract, (C) Company's claim under the Letter of Credit for the full amount due and owing thereunder shall not be, in any way, restricted, limited, altered or impaired by virtue of any provision of the Bankruptcy Code, including, but not limited to, Section 502(b)(6) thereof.

6.19 Co-Branding; Vending and Other Machines. Developer may not engage in any co-branding in or in connection with the Licensed Store except with Company's prior written consent. Company shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Company has recognized that co-branding chain as an approved co-brand for operation within Coffee Bean Stores. "Co-branding" includes the operation of an independent business, product line (including branded coolers, refrigerators or other equipment), or operating system owned or licensed by another entity (not Company) that is featured or incorporated within the Licensed Store or is adjacent to the Licensed Store and operated in a manner which is likely to cause the public to perceive it to be related to the Licensed Store. Except with Company's written approval, Developer shall not cause or permit vending, gaming machines, pay telephones,

automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Licensed Store.

6.20 Data Protection. Developer will comply with all applicable consumer privacy and data protection laws and data privacy regulations and with any consumer privacy and data protection policies of Company periodically in effect in connection with the transfer of any personal information and other data under this Agreement, including without limitation the European Union's General Data Protection Regulation in so far as it applies to the operations of the Developer. Developer acknowledges that it will respect and maintain the confidentiality and security of the personal data handled, stored, collected or processed by it and shall comply with any and all data protection guidelines as may be issued by Company in the Manuals or otherwise.

ARTICLE 7
MARKETING AND PROMOTION

7.1 The Marketing Program.

(a) An amount equal to all Central Marketing Fees contributed by Developer and other developers in the United States will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised, and Company-owned/Affiliate-owned Coffee Bean Stores ("**Marketing Program**"). Such expenditures may include, without limitation (i) to conduct marketing studies, surveys and research, to produce and purchase video, audio and print commercials, advertisements and other marketing materials, media advertising, and outdoor advertising; and (ii) payments to Company or its Affiliates for internal expenses, costs and other overhead incurred in connection with the operation of its marketing/advertising department(s), if any, and the operation and administration of the Marketing Program. The Marketing Program may, among other things, pay for such activities conducted for the benefit of co-branding, or other arrangements where "The Coffee Bean & Tea Leaf" products and/or services are offered in conjunction with other marks or through alternative channels of distribution. Company and its Affiliates may, but are not required to, contribute any funds to the Marketing Program on account of Coffee Bean Stores owned or operated by Company or its Affiliates. Company may retain the services of third-party individuals, companies, consultants or advertising or other agencies, including consultants or agencies owned by, operated by or affiliated with Company and including other franchisees and developers, to provide services for the Marketing Program. The Marketing Program may be used to defray direct expenses of Company or Affiliate employees related to the operation of the Marketing Program, to pay for attorney's fees and other costs related to the defense of claims against the Marketing Program or against Company or any Company Affiliate relating to the Marketing Program, and to pay costs with respect to collecting amounts due to the Marketing Program. Company shall determine, in its final and subjective discretion, exercised in good faith, the cost, media, content, format, style, timing, allocation and all other matters relating to the Marketing Program and such advertising, public relations and promotional campaigns conducted as part of the Marketing Program. Developer acknowledges that not all developers are or shall be required to contribute, or contribute the same percentage of Gross Revenues, to the Marketing Program. Although the Company will attempt to allocate advertising expenditures fairly and in good faith, nothing herein shall be construed to require Company to allocate or expend (or cause to be expended) Marketing Program contributions or allocations so as to benefit any particular

franchisee, Developer or group of developers or developers on a pro rata or proportional basis or otherwise. Company may make copies or samples of advertising materials available to Developer with or without additional reasonable charge, as determined by Company. Any additional advertising shall be at the sole cost and expense of Developer. The Marketing Program shall, as available, provide to Developer marketing, advertising and promotional formats and sample materials at the Marketing Program's direct cost of producing such items, plus shipping and handling.

(b) All Central Marketing Fees received from Developer and all other developers and franchisees of Company shall be administratively segregated on the Company's or its Affiliate's books and records, as applicable. Nothing herein shall be deemed to create a trust fund, and Company (or its Affiliate, as applicable) may commingle Central Marketing Fees with its general operating funds and expend or direct the expenditure of such sums in the manner herein provided. At Developer's request, Company will furnish to Developer within 180 days after the end of Company's fiscal year, an unaudited report certified as correct by an officer of Company showing the Marketing Program balance at the beginning of the year, the total amount contributed by franchisees, and the amount actually expended for the year, and remaining balance or deficit in the Marketing Program at the end of the fiscal year end.

(c) If less than the total of all contributions and allocations to the Marketing Program are expended during any fiscal year, such excess may be accumulated for use during subsequent years. An amount greater or less than the aggregate contributions to the Marketing Program may be spent in any fiscal year and the Marketing Program may borrow funds to cover deficits or invest surplus funds. If Company or any Company Affiliate advances money to the Marketing Program, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Marketing Program may be retained by Company or Company's Affiliate for their own use in their sole discretion.

(d) Company reserves the right to suspend contributions to and operations of any of the Marketing Programs for one or more periods and the right to terminate a Marketing Program upon 30 days' prior written notice to Developer. All unspent moneys on the date of termination will be distributed to Company's developers, Company, and Company's Affiliates in proportion to their respective contributions to that Marketing Program during the preceding 12-month period. Company may reinstate a Marketing Program upon the same terms and conditions as set forth in this Agreement upon 30 days' prior written notice to Developer.

7.2 Advertising and Promotional Activities by Developer.

(a) In addition to any contributions by Developer to the Marketing Program, Developer agrees that, during each calendar quarter of the Term of this Agreement, Developer will spend at least 1% of the Gross Revenues from Developer's Licensed Store for that period (subject to adjustment as provide in Section 5.5) on local marketing, advertising and related programs. Developer shall document and report to Company, at Company's reasonable request and in such form and format as Company may reasonably require, all amounts spent on local advertising. Company may require that Developer become a member of a marketing cooperative to coordinate advertising in a particular market area and to contribute all or a portion of the amount that Company require Developer to spend on advertising in accordance with this Section to the

cooperative, to be used for advertising as determined by the cooperative. Developer must also spend on marketing and advertising at least any amount that is required under Developer's lease. Developer agrees that all advertising, promotion and marketing by Developer will comply with the requirements of Article 8, will be completely clear and factual and not misleading, and will conform to the highest standards of ethical marketing and with the promotion policies which may be prescribed by Company, and shall, if required by Company, state that Developer is a licensee of Company. Prior to use, all press releases and policy statements and samples of all local advertising, marketing and related materials not prepared or previously approved by Company will be submitted to Company for approval. Pamphlets, brochures, cards or other promotional materials offering free or discounted price Coffee Bean Products may only be used if approved in advance by Company. If Company does not give Developer written approval of any advertising or other promotional materials within 30 days from the date of receipt by Company of the materials, Company will be deemed to have approved the submission. Developer shall not use any advertising, marketing or related materials that Company has disapproved. Developer also shall list the Licensed Store in the principal telephone directories distributed in Developer's metropolitan area, and as Company may designate, the cost of which shall be in addition to Developer's required expenditure described above.

(b) Developer shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup, auction site such as eBay.com or Amazon.com, or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Company's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Company may establish or prescribe from time to time.

(c) Without limiting anything contained in this Agreement, Developer shall not engage or otherwise use the services of a third-party marketing or promotional consultant or firm, without first obtaining Company's prior written consent (and after providing Company with such information regarding such third party as Company shall request) and provided that such consent is not subsequently revoked.

7.3 Website.

(a) As between Company and Developer, Company is the owner of, and will retain all right, title and interest in and to the domain name "coffeebean.com"; the URL: "www.coffeebean.com"; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; all Software; all Content prepared for, or used on, the Website; and all intellectual property rights in or to any of them.

(b) Company and its Affiliates have established the Website. Company may, at its sole option, from time to time, without prior notice to Developer: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iii) substitute, modify, or rearrange the Website, at Company's sole option, including in any manner that Company considers necessary or desirable to, among other things, (a) comply with applicable

laws, (b) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (v) limit or restrict end user access (in whole or in part) to the Website; and (vi) disable or terminate the Website without Company having any liability to Developer.

(c) The Website may include one or more interior pages that identify Coffee Bean Stores, including the Licensed Store, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales and/or relations with Company's investors.

(d) Company may, from time to time, establish or cause to be established the Developer Page. Company may permit Developer to customize or post certain information to the Developer Page, subject to Developer's execution of the then-current participation agreement required by Company, and Developer's compliance with the procedures, policies, standards and specifications that Company may establish or prescribe from time to time. Such participation agreement may require the Developer to pay a reasonable fee for the privilege of having a Developer Page, and may include, without limitation, specifications and limitations for the data or information to be posted to the Developer Page, customization specifications, the basic template for design of the Developer Page, parameters and deadlines specified by Company, disclaimers, and such other standards and specifications and rights and obligations of the parties as Company may establish or prescribe from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by Developer for any purpose will be deemed to be a "work made for hire" under the copyright laws, and therefore, as between Company and Developer, Company shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Developer hereby assigns those modifications to Company for no additional consideration and with no further action required and shall execute such further assignments(s) as Company may request.

(e) Without limiting Company's general unrestricted right to permit, deny and regulate Developer's participation on the Website in Company's sole discretion, if Developer shall breach this Agreement, or any other agreement with Company or its Affiliates, Company may disable or terminate the Developer Page and remove all references to the Licensed Store on the Website until said breach is cured.

7.4 Promotional Activities. During the times specified by Company, Developer shall participate in all local, regional, and national promotional, marketing, advertising, research or public relations programs including local, regional and national pricing promotions (to the extent permitted by Applicable Law), "loyalty cards," and "loyalty programs" and such other promotions that Company or the Marketing Program may institute.

ARTICLE 8
CONFIDENTIAL INFORMATION AND USE OF THE MARKS

8.1 Confidential Information. Certain Confidential Information may be disclosed to Developer in the initial training program and subsequent training, the Manuals and in guidance furnished to Developer. Developer is not acquiring any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to Developer in the operation of the

Licensed Store during the Term. Developer's use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement. The Confidential Information is proprietary, includes Company's and its Affiliate's trade secrets and is disclosed to Developer solely on the condition that Developer agrees:

(a) Not to use Confidential Information in any other business or capacity;

(b) To maintain the absolute confidentiality of Confidential Information during and after the Term of this Agreement;

(c) Not to make unauthorized copies of any portion of Confidential Information disclosed in written or other tangible form; and

(d) To adopt and implement all reasonable procedures that Company prescribes to prevent unauthorized use or disclosure of Confidential Information, including restrictions on disclosure of Confidential Information to Developer's employees and Restricted Persons with a need to know, limiting access to some or all of the Manuals to specific employees, and use of non-disclosure and non-competition provisions as Company prescribes in employment agreements with employees and other agreements with Restricted Persons who may have access to the Confidential Information.

8.2 Concepts Developed by Developer. As between Company and Developer, Company shall own all copyrights and other intellectual property rights to the Manuals, and any and all works, ideas, concepts, formulas, trade secrets, know how, recipes, methods, techniques relating to the operation of the Coffee Bean Stores or the services or products offered or sold in connection therewith ("**Intellectual Property**"), and Developer shall not claim or assert any right, title or interest in such copyrights or other proprietary rights, or to the information contained in or embodying the Intellectual Property. If Developer or any of its employees or contractors during the term of this Agreement, develops, creates, invents, conceives or otherwise devises any Intellectual Property, all such Intellectual Property shall be the sole property of Company and Company shall be the sole owner of all worldwide rights in connection therewith. As between Company and Developer, all Intellectual Property shall be the sole property of Company, and Company shall be the sole owner of all worldwide rights in connection therewith. To the extent possible under Applicable Law, Developer agrees that the Intellectual Property developed, created, invented, conceived or otherwise devised by Developer (or its employees or contractors) shall be considered "works made for hire" on behalf of Company under 17 U.S.C. Section 101. To the extent not deemed "works made for hire", Developer hereby assigns to Company, and shall execute any instruments required by Company to effectuate such assignment, any and all rights that it may have or acquire in such Intellectual Property, including the right to modify such Intellectual Property and the right to sue for past and future infringement of any of such rights. Developer agrees to waive and/or release all rights of restraint and moral rights in the Intellectual Property. Developer shall assist Company in every proper way (but at Company's expense) to obtain and enforce patents, copyrights, trademarks or other proprietary rights in such Intellectual Property and Developer will execute all documents for use in applying for and obtaining such rights and enforcing them as Company may desire. If Company is unable for any reason whatsoever to secure Developer's signature to any lawful and necessary document required to apply for or execute any application with respect to such Intellectual Property, Developer hereby

irrevocably designates and appoints Company and its duly authorized officers and agents, as his agents and attorneys-in-fact to act for and in his behalf and to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks or other rights therein, with the same legal force and effect as if executed by Developer. If and to the extent Developer has or acquires any rights in the Intellectual Property, Developer hereby grants to Company a non-exclusive, royalty-free, transferable, sub-licensable, irrevocable, perpetual, worldwide license in, to and under its rights to make, have made, modify, create derivative works of, use, sell, import, export, license, publicly display, market, distribute, grant security interests in or otherwise commercially exploit the Intellectual Property. Developer will fully and promptly disclose to Company all Intellectual Property conceived or developed by Developer during the term of this Agreement. Developer may not test, offer, or sell any new products without Company's prior written consent.

8.3 Ownership and Goodwill of Marks. Developer acknowledges that Company and its Affiliates claim ownership rights in the Marks and that Developer's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable standards, specifications and operating procedures that Company require. Any unauthorized use of the Marks by Developer will constitute a breach of this Agreement and an infringement of Company's rights in the Marks. Developer agrees that Developer's usage of the Marks and any goodwill established by that use will be for Company's exclusive benefit. This Agreement does not confer any goodwill or other interests in the Marks upon Developer, other than the right to operate a Coffee Bean Store in compliance with this Agreement. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols Company or its Affiliates may authorize for Developer's use in the future.

8.4 Limitations on Developer's Use of Marks. Developer shall use the Marks as the sole identification of the Licensed Store. However, Developer will identify itself as the independent owner of the Licensed Store in the manner Company may require. Developer will not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Developer under this Agreement), or in any modified form, nor may Developer use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by Company. Developer may use the Marks on its letterhead in conjunction with said Entity's name and in accordance with the System Standards. Developer shall display the Marks prominently at the Licensed Store, on supplies or materials designated by Company and in connection with packaging materials, forms, labels and advertising and marketing materials. All Marks will be displayed in the manner Company requires. Developer shall use the registration symbol "®" in connection with Developer's use of the Marks that are registered. Developer shall use the symbol "™" in connection with Developer's use of the Marks for which trademark registration applications are pending. Developer shall refrain from any business or marketing practice which may be injurious to Company's or Company's Affiliates' business and the goodwill associated with the Marks and other Coffee Bean Stores. Developer shall give such notices of trade and service mark registrations as Company specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

8.5 Discontinuance of Use of Marks. If it becomes advisable at any time in Company's sole discretion for Company or Developer to modify or discontinue use of any Mark or use one or more additional or substitute trade or service marks, Developer shall comply with Company's directions to modify or discontinue the use of the Mark or use one or more additional or substitute trade or service marks within a reasonable time after notice from Company. Company will reimburse Developer for Developer's reasonable direct expenses in materially modifying or discontinuing the use of a Mark and substituting a different trademark or service mark. However, Company will not be obligated to reimburse Developer for any loss of goodwill associated with any modified or discontinued Mark or for any expenditures made by Developer to promote a modified or substitute trademark or service mark.

8.6 Notification of Infringements and Claims. Developer shall immediately notify Company of any apparent infringement of or challenge to Developer's use of any Mark or claim by any person of any rights in any Mark, and Developer will not communicate with any person other than Company or Company's counsel in connection with the infringement, challenge or claim. Company and its Affiliates will have sole discretion to take the action Company and its Affiliates deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative or court proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. Developer shall execute any instruments and documents, render such assistance and do those things as, in the opinion of Company's legal counsel, may be necessary or advisable to protect and maintain Company's interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain Company's interests in the Marks.

8.7 Company's Indemnification of Developer.

(a) Developer shall give immediate written notice to Company of any improper use of the Marks or any other trade name or service mark used by any third party which is similar to the Marks which comes to Developer's attention. Upon receipt of written notification, Company or its Affiliate may, at its option, elect to undertake and control the prosecution, defense or settlement of any legal action in connection with such improper usage or infringement. Neither Company nor its Affiliate shall be obligated to take any action, however, and shall not be liable to Developer on account of its decision not to take action. In connection therewith, Developer shall assist Company and its Affiliates in carrying out such action, provided that Company will reimburse Developer promptly for any expenses it incurs at the request of Company or its Affiliate upon submission of proof of such expenses in form reasonably satisfactory to Company. Subject to the continuing option and right of Company and its Affiliates to elect to undertake and control the prosecution, defense or settlement of any legal action in connection with such improper usage or infringement, upon Company's prior consent, Developer may, at its sole cost, take any such action in connection with the improper usage infringement.

(b) Developer shall immediately notify Company if any third party shall assert any challenge, claim or action against Developer for infringement or unfair competition ("**Trademark Claim**") on account of the use by Developer, or both, of the Marks. Company or its Affiliate will undertake and control the defense or settlement of such Trademark Claim and Company will reimburse Developer promptly for all reasonable out-of-pocket expenses (not including consequential damages or loss of income) incurred by Developer in connection with the

defense or settlement of the Trademark Claim upon submission of proof thereof in form reasonably satisfactory to Company; provided, however, that such obligations of Company or its Affiliate to defend and to reimburse Developer will exist only if Developer has used the Marks in strict accordance with the terms of this Agreement and the rules, regulations, procedures, requirements and instructions of Company, has promptly notified Company of the challenge, claim or action as set forth above, and has otherwise fully cooperated with Company or its Affiliate in the defense of any such action.

8.8 Copyrights. Company and its Affiliates claim copyrights in the Confidential Information, the Manuals, Company's construction plans, specifications and materials, printed advertising and promotional materials and in related items used in operating the Franchise. Such copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the federal copyright laws, where appropriate, by virtue of Company's placing the appropriate notice of copyright on such items. The provisions of Sections 8.3, 8.4, 8.5, 8.6 and 8.7 of this Agreement relating to Marks also apply to copyrights owned by Company and its Affiliates, as if copyrights were included within the definition of Marks.

ARTICLE 9
COVENANTS REGARDING OTHER BUSINESS INTERESTS

9.1 Non-Competition. Developer acknowledges that the System has been developed by Company and/or its Affiliates at great effort, time, and expense, and that Developer has regular and continuing access to valuable and confidential information, training, and trade secrets regarding the System. Developer recognizes its obligations to keep confidential such information as set forth herein. Developer therefore agrees as follows:

(a) During the Term, in addition to any covenants then in effect between Company and Developer pursuant to the Area Development Agreement or any other Franchise Agreement, except with Company's prior written consent, or as expressly permitted hereunder, no Restricted Person, shall, in any capacity whatsoever, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Competitive Business, wherever located.

(b) To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cessation of any Restricted Person's relationship with Developer, each person or Entity who was a Restricted Person before such event shall not for a period of 2 years thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Competitive Business, (i) within 1 mile from the Premises or (ii) within an area within ten (10) miles from the location of any then-existing Coffee Bean Store, without the Company's prior written consent; provided that a Restricted Person may own up to 10% of the stock of any company traded on a national securities exchange, provided that such Restricted Person is not a Controlling person of, or a member of a group which Controls, such company.

9.2 Trade Secrets. In view of the importance of the Marks and the Confidential Information and the incalculable and irreparable harm that would result to the parties in the event of a breach of the covenants and agreements set forth herein in connection with these matters, the

parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the U.S. federal courts sitting in Los Angeles County, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in Los Angeles, California.

9.3 Confidentiality and Press Releases. Developer shall not disclose the substance of this Agreement to any third party except as necessary to inform lessors from which it is seeking leases or lessors which are parties to leases in order to obtain renewals of, or avoid terminations of, such leases or as necessary to obtain any governmental permits, licenses or other approvals, or to the extent required by the lawful order of any court of competent jurisdiction or federal, state, or local agency having jurisdiction over Developer, provided that Developer shall give Company prior notice of such disclosure. Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Licensed Store hereunder shall be made by Developer without the written approval of Company in advance of such press release or announcement.

9.4 Effect of Applicable Law. In the event any portion of the covenants in this Article 9 violates Applicable Laws affecting Developer, or is held invalid or unenforceable in a final judgment to which Company and Developer are parties, then the maximum legally allowable restriction permitted by law shall control and bind Developer. Company may at any time unilaterally reduce the scope of any part of the above covenants, and Developer shall comply with any such reduced covenant upon receipt of written notice.

9.5 Developer's Affiliates. For purposes of this Article only, "**Developer**" shall mean and include the Developer and Developer's parent, spouse and minor children if Developer is an individual, and its Owners, officers and directors if Developer is an Entity. In no event shall the term "**Developer**" refer to Company or any of Company's direct or indirect Owners, Affiliates or subsidiaries, or the officers or directors of any of them, even if Company owns an Equity or other pecuniary interest in Developer.

ARTICLE 10
ASSIGNMENT

10.1 Assignment by Company. This Agreement is fully transferable by Company, in whole or in part, without the consent of Developer and shall inure to the benefit of any transferee or their legal successor to Company's interests herein; provided, however, that such transferee and successor shall expressly agree to assume the obligations which are transferred by Company. Without limiting the foregoing, Company may (i) assign any or all of its rights and obligations under this Agreement to a Subsidiary or Affiliate; (ii) sell its assets, its Marks, or its System outright to a third party; (iii) go public; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Developer who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof).

10.2 Assignment by Developer.

(a) This Agreement has been entered into by Company in reliance upon and in consideration of the individual or collective character, reputation, skill, attitude, business ability, and financial capacity of Developer or, if applicable, its Owner(s) who will actively and substantially participate in the development, ownership and operation of Licensed Store. Accordingly, except as otherwise may be permitted herein, neither Developer nor any person with an interest in Developer (other than Company, if applicable) shall, without Company's prior written consent, make any Assignment. Any such purported Assignment occurring by operation of law or otherwise without Company's prior written consent shall constitute a default of this Agreement by Developer, and shall be null and void. Except in the instance of Developer advertising to sell its Licensed Store and assign this Agreement in accordance with the terms hereof, Developer shall not, without Company's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Developer's Lease or the real or personal property used in connection with Developer's Licensed Store. Developer shall not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Licensed Store to use the System granted pursuant to this Agreement. Developer may serve customers only from the Licensed Store. Developer may not operate any other permanent or temporary mobile vending vehicle, cart, Kiosk or any other form of distribution without Company's advance written consent. This Agreement may not be assigned or transferred to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no Equity of Developer or any direct or indirect Owner of Developer may be offered for sale to the public under the Securities Act, nor may Developer become a reporting company under the Securities Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation.

(b) If Developer and its Owner(s) are in full compliance with the terms and obligations of this Agreement and all other agreements between Developer and Company, and if Company elects not to exercise the Right of First Refusal, and if Company shall approve a proposed Assignment restricted under Section 10.2(a) of this Agreement, Company may impose any reasonable condition to its consent to such Assignment, including without limitation, the satisfaction of some or all of the following condition which shall be deemed reasonable: (i) the proposed assignee and its Owner(s) shall be of good moral character, meet the then-applicable standards and qualifications for developers, including possession of sufficient business experience, aptitude, and financial resources to perform Developer's obligations under this Agreement; (ii) shall assume all obligations of Developer and its Owner(s) under this Agreement by a written assumption agreement approved by Company, provided however, that such assumption shall not relieve Developer (as transferor/assignor) of any such obligations; or at Company's option, shall have executed a replacement franchise agreement on Company's Then-Current form and the transferee's Owner(s) and their spouses shall execute a continuing guaranty in favor of Company of the performance and payment by the transferee/assignee of all obligations and debts to Company and its Affiliates under the replacement franchise agreement; (iii) if this Agreement has been executed pursuant to an area development agreement or otherwise operates multiple Stores, Developer must concurrently transfer/assign to the same assignee that area development agreement and all other franchise agreements relating thereto; (iv) Developer shall have fully performed all

Developer's obligations under this Agreement and all other franchise agreements or any other agreement with Company or any Company Affiliate, and Developer is not then in default under any such agreement; (v) the assignee shall agree to refurbish the Licensed Store as needed (in Company's sole discretion) to match the building design, trade dress, color scheme and presentation then used by Company within the 12-month period preceding the assignment for its Coffee Bean Store (such refurbishment may include structural changes, remodeling, redecoration and modifications to existing improvements); (vi) Developer and its Owner(s) shall execute a general release, in form satisfactory to Company, of any and all claims against Company and Company's Affiliates and each of their respective Owners, managers, officers, directors, employees, and agents; (vii) Developer shall obtain Company's approval of the material terms and conditions of such transfer, and in connection therewith, Company shall have the right, without limitation, to consider whether the price and terms of payment are so burdensome as to adversely affect the Licensed Store; (viii) Developer and its Owners shall enter into an agreement with Company providing that all obligations of the proposed transferee to make any payments owing to Developer or its Owner(s), including, without limitation, installment payments of the purchase price or interest thereon, shall be subordinate to the proposed transferee's obligations to make any payments owing to Company or Company's affiliates, including, without limitation, royalties and payments for purchases from Company or Company's Affiliates; (ix) there shall not be any suit, action, or proceeding pending, or to the knowledge of Developer any suit, action, or proceeding threatened, against Developer with respect to the Licensed Store; (x) the transferee/assignee, its Certified Training Manager, General manager or other employees responsible for the operation of the Licensed Store shall have satisfactorily completed Company's initial training program; and (xi) Developer shall pay Company or its designee a transfer fee in the amount of $5,000. This Agreement may not be transferred to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no shares of Developer or any direct or indirect Owner of Developer may be offered for sale through the public offering of securities. In addition to and without limitation of the foregoing, it shall be reasonable for Company to disapprove any proposed transfer if, as a result thereof, the ownership interests in Developer will be, in Company's reasonable business judgment, so widely held by different persons as to materially compromise the financial stake and dedication of those person(s) in whose individual or collective character, skill, attitude, and business ability Company has placed reliance in entering into this Agreement or is willing to place reliance in approving such transfer.

(c) The term "**Assignment**" means: (1) directly or indirectly to sell, assign (by operation of law or otherwise), transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement, or in the assets of the Licensed Store other than the sale of Coffee Products at retail in the ordinary course, and (2) if Developer is an Entity, each of the following shall be deemed to be an Assignment: (i) the transfer of 25% or more in the aggregate, whether in one or more transactions, of the Equity or voting power of Developer, by operation of law or otherwise; (ii) the issuance of any Equity Securities which itself or in combination with any other transaction(s) results in the Owner(s) existing as of the Effective Date, as applicable, owning 75% or less of the Equity or voting power of Developer as constituted as of the date of such issuance; (iii) if Developer is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or limited partner owning 25% or more of the voting power, property, profits or losses, or partnership interests of the Partnership (each of which is referred to hereinafter as a "**Partnership Right**"), or the admission of any additional general

partner or the transfer by any general partner of any of its Partnership Rights in the Partnership; (iv) the death or legal incapacity of any Owner(s) owning 25% or more of the Equity, or voting power of Developer; (v) any merger, stock redemption, conversion, consolidation, reorganization or recapitalization involving Developer; and (vi) the amendment of the articles, bylaws or operating agreement of Developer, or any other transaction, that would transfer control of the Developer. If Developer is an Entity, Developer shall promptly provide Company with notice of each and every change or issuance of Equity Securities by Developer and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Developer, notwithstanding that the same may not constitute an "Assignment".

(d) If Developer is an individual and desires to assign this Agreement to an Entity controlled by Developer and which Developer is an Owner, Company may impose any reasonable condition (including those set forth in Section 10.2(b) of this Agreement), and may require:

(i) Developer to be at the time of Assignment, and agree to remain throughout the Term, the owner of all or the majority of the equity interests in the Entity or, if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the Entity as that individual had in this Agreement prior to the transfer;

(ii) Developer to provide to Company prior to the Assignment all documents reasonably requested by Company, and

(iii) The Owners of the Entity to personally guarantee the obligations to be performed under this Agreement by the assignee Entity.

(e) Developer represents that the information set forth in **Exhibit "A"** is true and correct in all respects; Developer shall notify Company in writing within 10 days of any change in the information set forth in **Exhibit "A,"** including providing copies of all amendments to Developer's "Entity Documents" a defined in **Exhibit "A."**

(f) Developer promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer. Developer shall upon demand, reimburse Company for its direct and indirect costs, including attorneys' fees, to review any revised or supplemental **Exhibit "A."**

(g) Company's consent to any transfer or assignment shall not constitute a waiver of any subsequent Assignment by Developer or its assignee or transferee or waiver of any claim that Company may have against Developer.

10.3 Company's Right of First Refusal.

(a) If Developer desires to enter into or effect and Assignment, or, if Developer is an Entity, any of its Owners desire, to transfer any or all of its Equity of Developer (notwithstanding that such transfer may not constitute an Assignment), Developer (or such Owner, as applicable) shall obtain a bona fide, executed written offer for such Assignment or transfer from the assignee or transferee (the "**Bona Fide Offer**"). Company (or its nominee) shall have the right,

exercisable by delivery of written notice to Developer (and the applicable Owner(s)) within 30 days from the date of its receipt of an exact copy of said offer, to purchase the property, rights, Equity, and/or interest which is the subject of the Bona Fide Offer (the "**Right of First Refusal**"). The price payable by Company (or its nominee) for such purchase shall be the same price, and the sale shall be on the same terms (except as set forth in Section 10.3(b) of this Agreement) as proposed pursuant to the Bona Fide Offer; *provided, however*, if the Bona Fide Offer provides for the payment of any non-cash consideration, Company (or its nominee) shall have the right to substitute an equivalent amount of cash. Developer shall provide Company (and/or its nominee) and its (or the nominee's) representatives reasonable access during normal business hours to Developer's personnel, properties, contracts, books and records, and other documents and data, and copies of such contracts, documents, books and records, and financial, operating, and other data and information as Company may reasonably request for a period, to complete its due diligence review of Developer.

(b) Not later than 60 days after delivery of notice of its exercise of its Right of First Refusal to Developer, and, if applicable, the appropriate Owner(s), Company (or its nominee) and Developer, or the appropriate Owner(s) shall consummate such purchase, and in the case of an assignment or transfer of this Agreement, this Agreement shall thereupon terminate and Developer shall have no further rights under this Agreement; provided however, that Developer shall continue to perform those provisions of this Agreement which by their nature survive its termination. No failure of Company (or its nominee) to exercise the Right of First Refusal on any occasion shall constitute a waiver of such right as to any other occasion. If Company (or its nominee) does not exercise the Right of First Refusal by delivery of written notice to Developer (and, if applicable, the appropriate Owners) within 30 days of receipt of the copy of the Bona Fide Offer, Developer or its Owner may complete the sale to such purchaser pursuant to and on the same terms as Bona Fide Offer, subject to Company's approval as provided above in Section 10.2 of this Agreement. If the transfer or Assignment is not completed within 90 days after delivery of the Bona Fide Offer to Company, or if there is a material change in the terms of the transfer or Assignment, Company shall again have the right of refusal as provided herein. Developer shall cause each of its Owners (other than Company) to agree to be bound by the terms of this Section 10.3.

10.4 Company's Rights in Connection with a Liquidity Event.

(a) Developer and each Owner hereby grant Company (or its nominee) the right, but not the obligation, on the terms and conditions set forth herein, to purchase (the "**Purchase Option**") all but not less than all of the Developer's Interest following the occurrence of a Liquidity Event, but subject to the consummation of the transaction contemplated by the Liquidity Event, involving (1) all or substantially all of the United States Coffee Bean Stores owned by Company or any Affiliate of Company, and (2) all or substantially all of the rights of Company and Company's Affiliates as licensors and franchisors of Coffee Bean Stores in the United States.

(b) The Purchase Option may be exercised, if at all, until the date which is five years after a Liquidity Event. If Company (or its nominee) desires to purchase Developer's Interest, then Company (or its nominee) shall deliver written notice ("**Option Notice**") to Developer stating (i) that it is exercising the Purchase Option; and (ii) the anticipated closing date

of the purchase and sale of Developer's Interest. The purchase price (the "**Purchase Price**") for Developer's Interest shall be the Fair Market Value of Developer's Interest.

(c) Promptly following (but not later than 10 days thereafter) the date of the Option Notice, Developer (on behalf of each Owner) and Company shall each appoint one Investment Bank in accordance with Section 10.4(d) of this Agreement and diligently proceed to determine the Fair Market Value of the Developer's Interest within 40 days after the date of the Option Notice. Developer shall, during such 40-day period provide Company and its representatives reasonable access during normal business hours to Developer's personnel, properties, contracts, books and records, and other documents and data, and copies of such contracts, documents, books and records, and financial, operating, and other data and information as Company may reasonably request for a period, to complete its due diligence review of Developer. Within 10 days following the determination of the Fair Market Value of the Developer's Interest, Company (or its nominee) shall have the right to withdraw the Option Notice at which time the Option Notice and the Purchase Option shall be of no further force or effect.

(d) The Fair Market Value ("**Fair Market Value**") of Developer's Interest shall be determined by a valuation of Developer's Interest as of the date of the Option Notice and utilizing, among other things, the date of most recently available audited and unaudited financial statements of Developer, and shall be conducted as follows: Company and Developer shall each obtain a valuation of Developer's Interest from an experienced, reputable and independent investment bank or appraiser in the United States, or as otherwise agreed by Company (or its nominee) ("**Investment Bank**"). Fair Market Value shall be the average of the valuations determined by the Investment Banks if those two valuations do not vary by more than 10%. If such valuations vary by more than 10%, then the two Investment Banks shall jointly select a third independent Investment Bank, who must unless otherwise agreed by Company (or its nominee) and Developer be recognized as one of the top-ten investment banks in the United States and must confirm in writing that it has no conflict of interest with Company, Developer or their respective Owners (except to the extent Developer and Company may consent in writing), and the Fair Market Value of Developer's Interest shall then be the average of (i) the value determined by the third Investment Bank, and (ii) the value determined by one of the first two Investment Banks that is the nearest in value to the value determined by the third Investment Bank. Each party shall bear the cost of the Investment Bank selected by such party, and the parties shall share equally in the cost of the third Investment Bank, if applicable. The Fair Market Valuation as determined pursuant to this process shall include a methodology to adjust Fair Market Value to reflect material changes between the date of the Option Notice and the closing of the transaction.

(e) The closing of the sale and purchase of Developer's Interest pursuant to the exercise of the Purchase Option shall occur not later than 120 days after the date of the Option Notice at the offices of the Company or at such other time and place as Company and Developer mutually agree, except that if in Company's reasonable opinion regulatory or shareholder or member approval is required under applicable law or the rules or regulations of any exchange on which its securities are traded, then such 120 day period shall be extended to 210 days, or until such date as all approvals (or non-appealable denials) have been obtained. Developer shall cause each of its Owners (other than Company) to agree to be bound by the terms of this Section, which obligations shall survive the termination or expiration of this Agreement. In connection with any

purchase of Developer's Interest under this Section or any other Section of this Agreement by Company or its nominee, there will be customary representations and warranties (and customary qualifications), and reasonable indemnities by Developer and its Owners, and the Fair Market Value shall be adjusted, if and as necessary to reflect any material positive or negative changes in the balance sheet between the effective date of the Fair Market Value determination and the closing date.

(f) At the closing:

(i) Company (or its nominee) shall pay each of Developer's Owners (other than the Company or its Affiliates) their pro-rata share of the Purchase Price in U.S. dollars, payable by wire transfer or other immediately available funds, except as otherwise set forth below;

(ii) Developer and its Owners (other than Company or its Affiliates) shall, as applicable, deliver the certificate(s) representing the Developer's Interest to Company (or its nominee), along with a duly executed documents in form and substance satisfactory to Company (or its nominee) and its counsel so as to vest good and marketable title to the Equity purchased.

(g) Notwithstanding the foregoing, in the case of a Liquidity Event consisting of a Public Offering, at the election of each of the holders of the Equity Securities of Developer (which election shall bind all holders of Equity Securities of Developer, other than Company), the Purchase Price may be paid in the form of Public Equity Securities, or a combination of cash and such Public Equity Securities. Further, if an Owner elects to accept Public Equity Securities, Developer shall execute (and cause each Owner to execute) such documents and agreements, if any, required to be executed by stockholders (or members) of the Company Public Entity, including shareholders' agreements, buy-sell agreements, and other agreements required to be executed by any underwriter of the Company Public Entity which agreements may, among other things, restrict the purchase, quantity or resale of such Public Equity Securities. The Developer's Owners, and the Public Equity Securities to be issued pursuant to the Purchase Option, shall have comparable resale restrictions to those rights and restrictions to which holders of similar amounts of Public Equity Securities shall be subject, or if required by the underwriter, to which Affiliates of the Company and the Public Equity Securities of Company owned by such Affiliates shall be subject, in connection with the closing of the Public Offering. Each share of Public Equity Securities shall be valued at the mean of the closing prices for the Public Equity Securities over the 5 trading days prior to the date immediately preceding the closing date of the purchase, or the public offering price if closed contemporaneously with, or within 5 trading days after, the Company's Public Offering.

(h) The parties further agree that nothing in this Section shall bind Company to purchase Developer's Interest at the Fair Market Value unless Company elects to exercise its Purchase Option and, in such event, Developer (and Developer shall cause its Owners) to be bound by the determination of the Fair Market Value as determined in accordance with this Section 10.4, which shall be final, conclusive and binding on the parties.

(i) Developer shall cause each of Owners, and each of their respective successors, assigns, and transferees, to agree to be bound by this Section 10.4.

10.5 Legend Conditions. If Developer is an Entity or if this Agreement is assigned to an Entity, such entity shall conduct no business other than the business contemplated hereunder. The articles of partnership, partnership agreement, articles of incorporation, memorandum of association, articles of organization or other organizational documents of such Entity shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in this Agreement. All issued and outstanding stock certificates of an Entity which is corporation, or certificates representing each Owner's Equity in an Entity other than a corporation, shall bear a legend referring to the restrictions in this Agreement.

ARTICLE 11
DEFAULTS

11.1 General. Company shall have the right to terminate this Agreement only for "cause." "**Cause**" is hereby defined as a material breach of this Agreement. Company shall exercise its right to terminate this Agreement upon notice to Developer upon the following circumstances and manners.

11.2 Automatic Termination Without Notice. Subject to Applicable Laws of the jurisdiction in which the Licensed Store is located to the contrary, Developer shall be deemed to be in material default under this Agreement, and all rights granted herein shall at Company's election automatically terminate without notice to Developer if: (i) Developer shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Developer shall allow a judgment against him in the amount of more than $25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) if the Licensed Store, the Premises or Developer's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against Developer remains unsatisfied for 30) days (unless a supersedes or other appeal bond has been filed); (iv) if a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Licensed Store, and it is not discharged within 5 days of such levy or attachment; (v) if Developer permits any mechanics lien to attach to the Licensed Store or to any equipment; (vi) allows or permits any judgment to be entered against Company or any Company Affiliate, arising out of or relating to the operation of the Licensed Store; (vii) a condemnation or transfer in lieu of condemnation; (viii) Developer is dissolved or liquidated, if an order is made or resolution passed for the winding-up, dissolution or liquidation of Developer; or (ix) Developer makes a material misrepresentation or omission in obtaining the rights granted by this Agreement.

11.3 Option to Terminate Without Notice. Developer shall be deemed to be in default and Company may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon receipt of notice by Company upon the occurrence of any of the following events:

(a) Abandonment. If Developer shall abandon the Licensed Store. For purposes of this Agreement, "abandon" shall refer to (i) Developer's failure, at any time during the term of this Agreement, to keep the Premises or Licensed Store open and operating for business

for a period of 5 consecutive days, except as provided in the Manuals, (ii) Developer's failure to keep the Premises or Licensed Store open and operating for any period after which it is not unreasonable under the facts and circumstances for Company to conclude that Developer does not intend to continue to operate the Licensed Store, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Developer's control, (iii) failure to actively and continuously maintain and answer the telephone listed by Developer for the Licensed Store solely with the "The Coffee Bean & Tea Leaf" name; (iv) the withdrawal of permission from the applicable lessor that results in Developer's inability to continue operation of the Licensed Store; or (v) closing of the Licensed Store required by law if such closing was not the result of a violation of this Agreement by Company;

(b) Death or Disability of Developer. Upon the death or permanent disability of Developer, if Developer is an individual, or, if Developer is Entity, any Owner of a Controlling interest in Developer, the executor, administrator, conservator, or other personal representative of such person ("**Representative**") or Developer shall, within 30 days following such death or disability, (i) notify Company of any death or disability; (ii) if Developer is an individual, notify Company of its desire to continue as Developer hereunder (in which case no transfer fee shall be payable pursuant to Section 10.2 of this Agreement), and (iii) if Developer is an individual, or if such deceased or permanently disabled Owner is the Chief Executive Officer or Director of Operations, appoint a designated successor reasonably acceptable to Company to continue to oversee the proper ongoing development and operation of the Developer and the Licensed Store, (iv) otherwise reasonably satisfy Company that Developer's (if an individual) or such Owner's (if Developer is an Entity) heir(s) meet all of the standards and qualifications for a transferee Developer, or Owner, as the case may be, or agrees to transfer promptly following such death or disability, his or her Equity in Developer to a third party who satisfies such standards and qualifications, and subject to Company's right to approval of such transfer and the Right of First Refusal. Failure to satisfy or transfer Developer's interest to a third party who satisfies such standards within 90 days following such death or disability shall constitute a breach of this Agreement.

(c) Repeated Defaults. If Developer shall default in any material obligation as to which Developer has previously received 3 or more written notices of default from Company setting forth the material breach complained of within the preceding 12 months, including violations of Section 6.4 of this Agreement, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure;

(d) Misrepresentation. If Developer makes any material misrepresentations in connection with the execution of this Agreement or the acquisition of the Licensed Store;

(e) Violation of Law. If Developer fails, for a period of 10 days after having received notification of noncompliance from Company or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Licensed Store;

(f) Health or Safety Violations. Developer's conduct of the Licensed Store licensed pursuant to this Agreement is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health (for example, selling spoiled food knowing

that the food products are spoiled or allowing a dangerous condition arising from a lack of security for customers to continue despite Developer's knowledge of such condition), or selling regularly unauthorized products to the public after notice of default and continuing to sell such products whether or not Developer has cured the default after one or more notices;

(g) Under Reporting. If an audit or investigation conducted by Company or its agent/designee discloses that Developer has knowingly maintained false books or records, or submitted false reports to Company or any Company Affiliate, or knowingly understated its Gross Revenues or withheld the reporting of same as herein provided;

(h) Criminal Offenses. If Developer or any of its officers, directors, or key employees is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Company, to adversely affect the reputation of "The Coffee Bean & Tea Leaf" brand, System, Marks or the goodwill associated therewith, or Company's and Company's Affiliates' interests therein;

(i) Assignment Without Consent. If Developer purports to make any Assignment without Company's prior written consent or otherwise violates Section 10.2 of this Agreement;

(j) Capitalization; Net Worth. Developer's failure to obtain the Initial Investment, deliver evidence of receipt thereof, or Developer's failure to maintain the Minimum Net Worth in accordance with Section 6.18(a) of this Agreement; or

(k) Intellectual Property Misuse. If Developer materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Company's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Licensed Store, or the "The Coffee Bean & Tea Leaf" chain generally and/or if Developer engages in the unauthorized use, disclosure, or duplication of the Confidential Information, excluding independent acts of employees or others if Developer shall have exercised its best efforts to prevent such disclosures or use.

11.4 Termination With Notice and Opportunity to Cure. Except for any default by Developer under Sections 11.2 or 11.3 of this Agreement, and as otherwise expressly provided elsewhere in this Agreement, Developer shall have 10 days (5 days in the case of any default in the timely payment of sums due to Company or its Affiliates) after Company's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Company. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Company may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

11.5 Reimbursement of Company Costs. In the event of a default by Developer, all of Company's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Company's administrative employees shall be paid to Company by Developer within 5 days after cure.

11.6 Cross Default. Except for a default or termination of the Area Development Agreement consisting solely of Developer's failure to meet the development schedule thereunder, any material default by Developer under the terms and conditions of this Agreement, any lease, or any other agreement between Company (or its Affiliate), and Developer, or any default by Developer of its obligations to any advertising cooperative of which it is a member, shall be deemed to be a material default of each and every said agreement. Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Company may, at its option, terminate any or all said agreements.

11.7 Notice Required By Law. Notwithstanding anything to the contrary contained in this Article 11, in the event any valid, Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the parties hereto shall limit Company's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

11.8 Termination by Developer. Developer may terminate this Agreement due to a material default by Company of its obligations hereunder, which default is not cured by Company within 60 days after Company's receipt of prompt written notice by Developer to Company detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, Company shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion.

ARTICLE 12
TERMINATION OF AGREEMENT

12.1 Termination Upon Expiration of Term. This Agreement will terminate upon expiration of the Term of this Agreement, unless terminated earlier as provided in Article 11 or Section 12.2 of this Agreement.

12.2 Company's Right to Terminate in Certain Other Circumstances.

(a) Failure to Complete Training. Company will have the right to terminate this Agreement effective upon delivery of notice of termination to Developer: (i) if Developer or the individual selected to receive training as a Certified Training Manager fails to complete all phases of the initial training program to Company's satisfaction prior to the opening of the Licensed Store, or (ii) if Developer's Certified Training Manager shall fail to provide the General Manager of the Coffee Bean Store not less than 15 days training in all aspects of Coffee Bean Store operations, including drink making, in strict accordance with the System Standards. No refund of the Initial Franchise Fee will be made in these circumstances.

(b) Failure to Open. If Developer has not opened Developer's Licensed Store as required by Article 3 within 270 days after the Effective Date, Company will also have the right

to terminate this Agreement effective upon delivery of notice of termination to Developer. No refund of the Initial Franchise Fee will be made in these circumstances.

12.3 Payment of Amounts Owed to Company and Others following Termination. Developer shall pay Company within 15 days after the date of termination of this Agreement, or such later date as the amounts due to Company is determined, the Royalty Fees, Central Marketing Fees, amounts owed for purchases by Developer from Company or Company's Affiliates, interest due on any of the foregoing, liquidated damages pursuant to Section 12.7 if applicable, and all other amounts owed to Company or Company's Affiliates which are then unpaid.

12.4 Discontinuance of the Use of the Marks following Termination. Developer agrees that, upon termination of this Agreement, Developer will:

(a) Not directly or indirectly at any time or in any manner (except with respect to other Coffee Bean Stores owned and operated by Developer) identify itself or any business as a current or former Coffee Bean Store, or as a Developer, licensee or dealer of Company or Company's Affiliates, use any Mark, any colorable imitation of a Mark or other indicia of a Coffee Bean Store in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Company or Company's Affiliates;

(b) Deliver to Company all signs, sign-faces, sign cabinets, marketing materials, forms, invoices and other materials containing any Mark or otherwise identifying or relating to a Coffee Bean Store and allow Company, without liability, to remove all such items from the Licensed Store;

(c) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Developer's use of any Mark;

(d) If Company (or its assignee) does not purchase the Licensed Store as provided in Section 12.6 of this Agreement, make the changes to the exterior and interior appearance of the Licensed Store as are reasonably required by Company;

(e) Deliver all materials and supplies identified by the Marks in full cases or packages to Company for credit and dispose of all other materials and supplies identified by the Marks within 30 days after the effective date of termination of this Agreement;

(f) Notify the telephone company and all telephone directory publishers of the termination of Developer's right to use any telephone and telecopy numbers and any regular, classified or other telephone directory listings associated with any Mark and authorize transfer of those rights to Company or at Company's direction. Developer agrees that, as between Developer and Company, Company has the sole rights to and interest in all telephone and telecopy numbers and directory listings associated with any Mark. Developer authorizes Company and appoints Company and any of Company's officers as Developer's attorney in fact, to direct the telephone company and all telephone directory publishers to transfer any telephone and telecopy numbers and directory listings relating to the Licensed Store to Company or at Company's direction, should Developer fail or refuse to do so, and the telephone company and all telephone directory publishers

may accept such direction or this Agreement as conclusive of Company's exclusive rights in the telephone and telecopy numbers and directory listings and Company's authority to direct their transfer; and

(g) Furnish Company, within 30 days after the effective date of termination, with evidence satisfactory to Company of Developer's compliance with the obligations in this Section 12.4.

12.5 Discontinuance of Use and Return of Customer Data and Confidential Information following Termination. Developer agrees that, upon expiration or termination of this Agreement, then except as permitted by the express terms of any other then validly subsisting written franchise agreement between the parties, Developer will immediately cease to use any Customer Data and Confidential Information disclosed to Developer pursuant to this Agreement or otherwise and Developer will immediately return to Company all Customer Data, all copies of the Manuals, and any other Confidential Information or other materials which Company or any Company Affiliate has loaned to Developer.

12.6 Company's Option to Purchase Licensed Store.

(a) Option to Purchase. Upon termination or expiration of this Agreement other than as a result of Company's default, Company or Company's assignee will have the option, exercisable by giving written notice thereof within 60 days from the date of such termination or expiration, to acquire from Developer, the inventory of Coffee Bean Products, materials, and supplies that are in good and saleable condition and not obsolete or discontinued (the "**Inventory**") and the equipment, furnishings, signs, and the other tangible assets of the Licensed Stores (collectively, with the Inventory, the "**Assets**"). Company will have the unrestricted right to assign this option to purchase and Company's rights under this Section 12.6. Company will be entitled to all customary warranties and representations in connection with Company's purchase, including representations and warranties as to ownership, condition of and title to the Assets, no liens and encumbrances on the Assets, and validity of contracts and agreements and liabilities benefiting Company or affecting the Assets, contingent or otherwise.

(b) Purchase Price. The purchase price for the Assets will be equal to the sum of the net book value of the Licensed Store's Assets, other than Inventory, plus the lesser of cost and the then-current wholesale market value of the Inventory. The purchase price will not include any payment for goodwill. Company will have the right to set off against and reduce the purchase price by any and all amounts owed by Developer to Company or Company's Affiliates. Company may exclude from the Assets purchased any equipment, furnishings, signs, and usable inventory of Coffee Bean Products, materials, or supplies of the Licensed Stores that Company has not approved as meeting Company's standards for Coffee Bean Stores, and the purchase price will be reduced by the replacement cost of such excluded items which are required in the operation of the Licensed Stores being purchased.

(c) Payment of Purchase Price. The purchase price will be paid in cash at the closing of the purchase, which will take place no later than 90 days after Developer's receipt of Company's notice of exercise of this option to purchase the Licensed Stores, at which time Developer will deliver instruments transferring to Company good and merchantable title to the

Assets purchased, free and clear of all liens and encumbrances and with all sales and other transfer taxes paid by Developer, and with all licenses or permits of the Licensed Stores which may be assigned or transferred. If the closing of the purchase does not occur within the 90-day period because Developer fails to act diligently in connection with the purchase, the purchase price will be reduced by 10%. The purchase price will be further reduced by 10% per month for each subsequent month Developer fails to act diligently to consummate the purchase. Prior to closing, Developer and Company will comply with the applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Licensed Store is located.

(d) Lease of Premises. In connection with the purchase of the Assets of a Licensed Store, Developer will also deliver to Company or its designee an assignment of the lease for the Licensed Store premises. If Developer owns the premises of the Licensed Store, Developer shall lease the premises to Company for a term of 5 years with two successive 5-year renewal options at fair market rental and upon commercially reasonable terms and conditions prevailing in the market area in which the Licensed Store is located, during both the Initial and Renewal Term.

(e) Interim Management. If Company exercises the option to purchase the Licensed Store, pending the closing of such purchase, Company may appoint a manager to maintain the operation of the Licensed Store or, at Company's option, require Developer to close the Licensed Store during such time period without removing any assets. If Company appoint a manager to maintain the operation of the Licensed Store pending closing of such purchase, all funds from the operation of the Licensed Store during the period of management by Company's appointed manager will be kept in a separate fund, and all expenses of the Licensed Store, including compensation, other costs, and travel and living expenses of Company's appointed manager, will be charged to such fund. As compensation for such management services, Company will charge such fund 10% of the Gross Revenues of the Licensed Store during the period of Company's management. Operation of the Licensed Store during any such period will be on Developer's behalf, provided that Company will have a duty only to utilize Company's good faith effort and will not be liable to Developer for any debts or obligations incurred by the Licensed Store or to any of Developer's creditors for any merchandise, materials, supplies or services purchased by the Licensed Store during any period in which the Licensed Store is managed by Company's appointed manager. Developer will maintain in force for the Licensed Store all insurance policies required by this Agreement until the date of closing.

(f) Termination of Franchise Agreement. Upon the closing of the purchase of the Assets and satisfaction by Developer of all of Developer's obligations under this Agreement accruing through the closing, this Agreement will terminate, subject to Section 12.8 of this Agreement.

12.7 Liquidated Damages For Abandonment. If this Agreement is terminated prior to the expiration of the Term pursuant to Section 11.3(a) by reason of Developer's abandonment, then, in addition to and without limitation of all of Developer's other obligations herein that arise upon the termination or expiration of this Agreement, Developer shall pay to Company, as liquidated damages on account of Developer's abandonment and not as a penalty, an amount equal to the then-net present value of 60 times the average monthly Royalty Fees and Central Marketing Fees that were due and payable on the Gross Revenues of the Licensed Store over the last full 12 months prior to termination (or if Developer has not operated the Licensed Store for 12 months,

then the period from the first full month following the opening of the Licensed Store until the month prior to termination of this Agreement). If the breach occurs at a time when there are less than 60 months remaining on the Term of this Agreement, the multiple shall be reduced to the remaining months in the Term. The liquidated damages shall be full and complete compensation for any damages that Company would have suffered for the failure of Developer to fulfil the complete Term of this Agreement. Any debt of Developer for Royalty Fees, Central Marketing Fees, or product purchases, or any other fees or costs unpaid at the time of termination, will remain owed in addition to the agreed upon liquidated damages. The parties agree that it would be extremely difficult or impractical to fix the amount of actual damages in advance because of uncertainties in the marketplace and differing circumstances that might exist at the time of breach, including uncertainly as to the value to Company of having a Licensed Stores in a particular region or area, the exposure of the business name and trade marks to the public, and marketing of prospective franchises to potentially interested parties. The parties have therefore made a reasonable endeavor to estimate fair compensation for the loss that would be sustained upon Developer's breach of this Agreement and abandonment of the Licensed Store prior to the expiration of the Term. The parties further agree that the above-mentioned damages are reasonable and such would have a reasonable relationship to the actual damages, if such could be precisely determined. For purposes of clarity, Developer shall not be obligated to pay Company liquidated damages pursuant to this Section in connection with a relocation of the Licensed Store pursuant to Section 3.2(c) above.

12.8 Continuing Obligations. All obligations of Developer which expressly or by their nature survive the termination of this Agreement will continue in full force and effect subsequent to and notwithstanding termination and until they are satisfied in full or by their nature expire. Included in the obligations that will continue following termination of this Agreement are the provisions of Article 5, Sections 6.6, 6.7, 6.8, 6.11, 6.12, 6.18(b), 6.18(c), Article 8 and Article 9, Article 12, Sections 13.4 and 14.1, and Article 15 of this Agreement.

ARTICLE 13
RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

13.1 Independent Contractors. This Agreement does not create a fiduciary relationship between the parties. Company and Developer are independent contractors and nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Developer will conspicuously identify itself in all dealings as the owner of the Licensed Store under a franchise granted by Company and will place such other notices of independent ownership on the forms, business cards, stationery, marketing and other materials as Company may require from time to time.

13.2 No Liability for the Act of Other Party. Developer will not employ any of the Marks in signing any contract or applying for any license or permit or in a manner that may result in Company's liability for any indebtedness or obligations of Developer, nor may Developer use the Marks in any way not expressly authorized by Company. Neither Company nor Developer has made or will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other or be obligated by or have any liability under any agreements or representations made by the other. Company will not be obligated for

any damages to any person or property directly or indirectly arising out of the operation of Developer's business authorized by or conducted pursuant to this Agreement.

13.3 Taxes. Company will have no liability for any sales, use, service, withholding tax, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Developer or Developer's assets or upon Company, arising in connection with Developer's sales or the business conducted by Developer pursuant to this Agreement, except for taxes that Company is required by law to collect from Developer with respect to purchases from Company and except for Company's own income taxes. Payment of all such taxes will be Developer's responsibility.

13.4 Indemnification. Developer shall indemnify, defend and hold harmless Company and Company's Affiliates and each of their respective Owners, directors, officers, employees, agents, successors and assigns (the "**Indemnified Parties**") against and to reimburse the Indemnified Parties for any claims, liabilities, lawsuits, demands, actions, damages and expenses arising from or out of (a) any breach of Developer's agreements, covenants, representations, or warranties contained in this Agreement or any other agreement by or among Developer and Company (or any of Company's Affiliates), (b) any damages or injury to any person, including Developer's employees, Company's employees and agents, Developer's customers, and members of the public, suffered or incurred on or about any Licensed Store owned or operated by Developer, (c) product liabilities claims or defective manufacturing of Coffee Bean Products by Developer which are not attributable to Company or a Company Affiliate, or (d) the activities under this Agreement of Developer or any of Developer's officers, owners, directors, employees, agents or contractors. For purposes of this indemnification, claims will mean and include all obligations, actual, consequential, and incidental damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Company will have the right to defend any such claim against Company. This indemnity will continue in full force and effect subsequent to and notwithstanding the termination of this Agreement.

ARTICLE 14
SECURITY AGREEMENT

14.1 Security Agreement. In order to secure full and prompt payment of the fees and other charges to be paid by Developer to Company, and to secure performance of Developer's other obligations and covenants under this Agreement, Developer hereby grants Company a security interest in, lien upon, and right of set off against all of Developer's interest in (a) the improvements, fixtures, inventory, goods, appliances and equipment now or hereafter owned and located at the Licensed Store (whether annexed to the Premises or not) or used in connection with the business conducted at the Premises, including all machinery, materials, appliances and fixtures for generating or distributing air, water, heat, electricity, light, fuel, or refrigeration, for ventilating, cooling or sanitary purposes, for the exclusion of vermin or insects and for the removal of dust, refuse or garbage; all engines, machinery, stoves, refrigerators, furnaces, partitions, doors, vaults, sprinkling systems, light fixtures, fire hoses, fire brackets, fire boxes, alarm systems, brackets, screens, floor tile, linoleum, carpets, plumbing, water systems, appliances, walk-in refrigerator boxes, cabinets, dishwashers, bake ovens, set-up tables, kitchen ranges, display counters and shelves, computers and computer software, and other equipment and installations; all other and

further installations and appliances; (b) all raw materials, work in process, finished goods, and all inventory; (c) all licenses, permits, and contract rights, including telephone and telecopier numbers, telephone and other directory listings, and any other asset owned by Developer and used or useful in connection with operation of the Licensed Store; and (d) all replacements, attachments, additions, accessions, products, and proceeds to and of any of the items included in **clauses (a), (b), or (c)**, in any form, including to insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing (collectively, the "**Collateral**"). However, Company agrees that Company will subordinate Company's security interest to bona fide third-party purchase money financing (including equipment lease financing) made available to Developer in connection with the acquisition, development, and operation of Developer's Licensed Store. Without Company's prior written consent, Developer agrees that no lien upon or security interest in the Collateral or any item thereof will be created or suffered to be created and that no lease will be entered into with respect to any item of Collateral. Without Company's prior written consent, Developer will not sell or otherwise dispose of any item of Collateral, or remove any Collateral from the Premises, unless the same is replaced by a similar item of equal or greater value, and except for the sales of inventory in the ordinary course of business. Developer shall give to Company advance notice in writing of any proposed change in Developer's name, identity, or structure and not to make any the change without Company's prior written consent and compliance with the provisions of this Agreement, including Article 10. Developer shall execute for filing the financing statements and continuation statements as Company may require from time to time. Developer shall pay all filing fees, including fees for filing continuation statements in connection with the financing statements, and to reimburse Company for all costs and expenses of any kind incurred in connection therewith. If Developer defaults under this Agreement, Company will have all the remedies and rights available as a "secured party" with respect to the Collateral under the Uniform Commercial Code as in effect from time to time in the state where the Premises are located. The grant of the security interest by Developer pursuant to this Section will not be construed to derogate from or impair any other rights which Company may have under this Agreement or otherwise under Applicable Law or equity. The provisions of this Section shall survive the termination of this Agreement.

ARTICLE 15
GENERAL PROVISIONS

15.1 Severability. Each article, section, paragraph, term and provision of this Agreement will be considered severable and if, for any reason, any provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Company is a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, and such other portions will continue to be given full force and effect and bind the parties, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party thereto, otherwise upon Developer's receipt of a notice of non-enforcement thereof from Company.

15.2 Rights Provided by Law. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination or non-renewal of this Agreement

than is required under this Agreement, or the taking of some other action not required under this Agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and Company will have the right in Company's sole discretion to modify the invalid or unenforceable provision to the extent required to be valid and enforceable. Developer shall be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion or portions which a court or arbitrator may hold to be unenforceable in a final decision to which Company is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless Company elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

15.3 Waivers by Either Party. Either Company or Developer may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice of waiver to the other or such other effective date stated in the notice of waiver. Any waiver granted by Company will be without prejudice to any other rights Company may have, will be subject to Company's continuing review and may be revoked, in Company's sole discretion, at any time and for any reason, effective upon delivery to Developer of ten days' prior written notice.

15.4 Certain Acts Not to Constitute Waivers. Neither Company nor Developer will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect of Company or Developer to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any waiver, forbearance, delay, failure or omission by Company to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Coffee Bean Stores or franchise agreements; or (c) Company's acceptance of any payments due from Developer after any breach of this Agreement.

15.5 Excusable Non-Performance. Neither Company nor Developer will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform obligations results from transportation shortages; inadequate supplies of equipment, merchandise, supplies, labor, material or energy or the voluntary suspension of the right to acquire or use any of those items in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any Governmental Authority; compliance with any law, ruling, order, regulation, requirement or instruction of any Governmental Authority; acts of God; fires, strikes, embargoes, war or riot; or any other similar event or cause beyond the reasonable control of the party. Any delay resulting from any of those causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

15.6 Injunctive Relief. Notwithstanding anything to the contrary contained in Section 15.9 of this Agreement, Company and Developer will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Company deems to be necessary or appropriate to compel Developer to comply with Developer's obligations hereunder and/or to protect the Marks; or any claim or dispute involving or contesting the validity of any of the Marks. However, the parties will contemporaneously submit their dispute for arbitration on the merits. Developer agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Developer's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

15.7 Rights of Parties Are Cumulative. Company's and Developer's rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement which it is entitled by law or this Agreement to exercise or enforce.

15.8 Costs and Attorneys' Fees. If a claim for amounts owed by Developer to Company or Company's Affiliates is asserted in judicial proceeding or appeal, or if Company or Developer is required to enforce this Agreement in an arbitration or proceeding or appeal, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable arbitrators', accounting and legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. If Company incurs expenses in connection with Developer's failure to pay when due amounts owing to Company or its Affiliates, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, including, but not limited to legal, arbitrators' and accounting fees, Developer will reimburse Company for any such costs and expenses which Company incurs.

15.9 Mediation and Arbitration.

(a) Subject to Section 15.9(b) of this Agreement, the parties hereby agree to first submit any controversy or claim between Company and Developer arising out of or relating to this Agreement or any alleged breach thereof to non-binding mediation ("**Mediation**"). Such Mediation shall occur in Los Angeles, California or by virtual means before a single mediator, using the facilities and mediation rules of a professional dispute-resolution organization selected by Company and reasonably acceptable to Developer (the "**Mediation Organization**"). If the parties cannot agree on a Mediation Organization, they will use the facilities and mediation rules of the National Franchise Mediation Program. The parties shall jointly select a mediator from the panel of mediators maintained by the Mediation Organization. The mediator must be either a retired judge or an individual experienced in franchise law. If the parties are unable to agree on a mediator within 30 days after the claim or controversy is submitted to Mediation, the Mediation Organization will select a mediator who possesses the indicated qualifications. The parties will share the Mediation filing fee equally, but will otherwise separately bear their own costs and expenses (including legal fees) of participating in the Mediation process. Each party agrees cause at least one representative to participate the Mediation conference who has authority to enter into

binding settlement on that party's behalf. Each party further agrees to sign a confidentiality agreement that exempts the mediator from disclosing, orally or in writing, any information the other party discloses to the mediator in confidence at any stage of the Mediation process. If either party fails or refuses to participate in Mediation in accordance with this Section 15.9(a), the other shall be entitled to immediately submit the claim or controversy to binding arbitration in accordance with Section 15.9(c).

(b) Notwithstanding Section 15.9(a), the parties mutually agree that Company is not obligated to mediate any claim or controversy arising from: (i) Developer's alleged infringement of the Marks, or other alleged misappropriation of Company's or its Affiliates' intellectual property; or (ii) Developer's failure to pay when due any Royalty Fees or other monetary obligation to Company or any Company Affiliates.

(c) Subject to Section 15.6 of this Agreement, and except as precluded by Applicable Law, any controversy or claim between Company and Developer arising out of or relating to this Agreement or any alleged breach hereof not resolved through Mediation within 30 days after the Mediation conference concludes, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted exclusively to binding arbitration. Said arbitration shall be conducted before and will be heard by three arbitrators in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, the proceedings shall be held exclusively in the city of Los Angeles, State of California. All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Developer and Company, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee. The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 15.10 of this Agreement. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

(d) Awards. The arbitrator will have the right to award or include in his award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Section 15.8 of this Agreement, provided that the arbitrator will not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to

contest the validity or enforceability of such award. The parties shall be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counter-claim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

(e) Permissible Parties. Developer and Company agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between Developer and Company will not be consolidated with any other arbitration proceeding involving company and any other person or entity.

(f) Survival. The provisions of this Section 15.9 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

15.10 Governing Law. All matters relating to arbitration and within the scope of the federal arbitration act (9 U.S.C. §1 *et seq.*) will be governed by such act. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 *et seq.*) or other Federal law, this agreement and the relationship between Developer and Company will be governed by and construed in accordance the laws of the state of California, without giving effect to principles of conflicts of law, except that (a) the provisions of Section 9.1 of this Agreement (and to the extent applicable, Section 9.4 of this Agreement) respecting Non-Competition Covenants which shall be governed in accordance with the laws of the State where the default of said section occurs, and (b) the California Franchise Investment Law, and any other state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

15.11 Consent to Jurisdiction. Company may institute any action against Developer (which is not required to be arbitrated hereunder) in any state or Federal court of competent jurisdiction in the state of California, and Developer irrevocably submits to the jurisdiction of such courts and waives any objection Developer may have to either the jurisdiction of or venue in such courts.

15.12 Waiver of Punitive Damages. Except with respect to Developer's obligation to indemnify Company pursuant to Section 13.4 of this Agreement, the parties waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of any actual damages it sustains.

15.13 Waiver of Jury Trial. TO THE EXTENT THAT SECTION 15.9 SHALL NOT APPLY OR, IF FOUND UNENFORCEABLE, THE PARTIES, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND THEY AGREE THAT, EXCEPT TO THE EXTENT PROHIBITED BY LAW, LOS ANGELES, CALIFORNIA SHALL BE THE SOLE AND EXCLUSIVE VENUE FOR ANY LITIGATION BROUGHT WITH RESPECT TO MATTERS ARISING UNDER OR RELATING TO THIS

AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

15.14 Binding Effect. Subject to the restrictions on Assignments contained in this Agreement, this Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and will not be modified except by written agreement signed by both Developer and Company.

15.15 Limitation of Claims. Any and all claims arising out of or relating to this Agreement or the relationship among the parties to this Agreement will be barred unless an action or proceeding is commenced within one year from the date Developer or Company knew or should have known of the facts giving rise to such claim.

15.16 No Third Party Beneficiaries. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or Entity not a party to this Agreement.

15.17 Approvals. Except where this Agreement expressly obligates Company reasonably to approve or not unreasonably to withhold Company's approval of any action or request by Developer, Company has the absolute right to refuse any request by Developer or to withhold Company's approval of any action by Developer that requires Company's approval.

15.18 Headings. The headings of the several articles, sections and paragraphs of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

15.19 Joint and Several Liability. If the Developer includes more than one person and/or Entity, such person(s) and/or Entities shall be deemed to be a general partnership and each shall be jointly and severally liable for all obligations and liabilities of Developer.

15.20 Counterparts. This Agreement may be executed in multiple copies, each of which will be deemed an original.

15.21 Notices and Payments. Except as otherwise expressly provided herein, all payments, written notices, reports and documents permitted or required to be delivered by the provisions of the Agreement shall be delivered by hand, by telegraph or telecopier, by FedEx, DHL Worldwide Express, or other reputable overnight courier service ("**Courier**"), or by deposit with United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and shall be deemed so delivered at the time delivered by hand, one business day after transmission by facsimile (with confirming copy sent by mail), 1 business day after deposit with a Courier for delivery, or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed as follows:

If to Company: SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED
550 S. Hope St, Suite 2100
Los Angeles, California 90071
Attn.: General Counsel
Facsimile No.: (310) 815-2504

With copy (which shall not constitute notice) to:

R. Andrew Chereck, Esq.
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, California 90401-2386
Email: andrew.chereck@bclplaw.com

If to Developer: Developer Notice Address (See Section 1.2)

or to such other address as such party may designate by 10 days' advance written notice to the other party.

15.22 Gender and Construction. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article, section or paragraph hereof may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, approval or authorization of Company which Developer may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment or determination, including any decision as to whether any condition or circumstance meets Company's standards or satisfaction, Company may do so in its sole subjective judgment.

15.23 Time of Essence. Time is of the essence of each provision of this Agreement in which time is an element.

15.24 Entire Agreement. This Agreement, the Exhibits incorporated herein, and the Manuals contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. No other agreements concerning the subject matter hereof, written or oral, shall be deemed to exist or to bind any of the parties hereto. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement, are merged and are expressly and superseded by this Agreement, except such representations as are made in any franchise disclosure document delivered to Developer (if required by Applicable Law) and any representations made by Developer in acquisition of this Agreement. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or in any franchise disclosure document delivered to Developer (if required by Applicable Law), and Developer agrees that he has executed this Agreement without reliance upon any such representation or promise. During the Term, this Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties hereto.

15.25 Disclaimers. The success of the business venture contemplated to be undertaken by Developer by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Developer and its Owners as an independent businessman, its active participation in the daily affairs of the business as well as other factors. Company does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Company's operations and not upon any representation as to gross revenues, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth herein or in any franchise disclosure document that Company furnished to Developer, to induce Developer to accept this franchise and execute this Agreement. Developer represents that it has read Agreement and the disclosure document presented by Company, if any, in their entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. Developer further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby. Nothing in this Agreement is intended to disclaim the representations Company made in any franchise disclosure document that Company furnished to Developer.

15.26 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Developer. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF COMPANY.

15.27 Acknowledgement. Developer, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement (or knowingly and willingly has not obtained the advice of counsel), that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

[SIGNATURE PAGE FOLLOWS]

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

COMPANY:

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,
a corporation organized under Irish law

By:_____
Name:_____
Title:_____

DEVELOPER:

By:_____
Name:_____
Title:_____

APPENDIX 1
DEFINITIONS

In addition to the terms defined elsewhere in this Agreement, the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"**Accounting Period**" means each of the 12 accounting periods in Company's fiscal year during the Term, or such other period as Company may designate in writing from time to time. Each Accounting Period begins on a Monday. The first Accounting Period in each quarter consists of five weeks (35 days), the second Accounting Period in the quarter consists of four weeks (28 days), and the third Accounting Period of each quarter consists of four weeks (28 days). This is commonly referred to as the 5,4,4 method of accounting. Currently, the accounting year ends on the Sunday closest to December 31st and, although generally consists of 52 weeks, in some years will consists of 53 weeks.

"**Advertising and Promotional Materials Fee**" shall have the meaning set forth in Section 5.6 of this Agreement.

"**Affiliate**" when used herein in connection with Company or Developer, includes each person or Entity which directly, or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with Company or Developer, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Developer includes any Entity more than 50% of whose stock; membership interests; Partnership Rights; or other equity ownership interests (collectively "**Equity**") or voting Control, is held by person(s) or Entities who, directly or indirectly, own or Control more than 50% of the Equity or voting Control of Developer. Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Developer, the term "**Affiliate**" shall not include or refer to the Company or that Affiliate (the "**Company Affiliate**"), and no obligation or restriction upon an "Affiliate" of Developer, shall bind Company, or said Company Affiliate or their respective officers, directors, or managers.

"**Alternate Channels of Commerce**" shall have the meaning set forth in Section 2.4(b)(ii) of this Agreement.

"**Applicable Law**" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including all immigration, labor, disability, food and drug laws, health and safety regulations, and, if applicable, Americans With Disabilities Act requirements, as in effect on the Effective Date hereof, and as may be amended from time to time.

"**Area Development Agreement**" means that certain Area Development Agreement dated _____, 20___ between Developer and Company, as the same may be amended, restated, supplemented or replaced from time to time.

"**Assignment**" shall have the meaning set forth in Section 10.2 of this Agreement.

"**Café Technology System Fee**" shall have the meaning set forth in Section 5.4 of this Agreement.

"**CBTL-Brand Single-Serve Products**" shall have the meaning set forth in Section 2.4(b)(iii) of this Agreement.

"**CBTL-Brand Single-Serve Stores**" shall have the meaning set forth in Section 2.4(b)(iv) of this Agreement.

"**Central Marketing Fee**" shall have the meaning set forth in Section 5.3 of this Agreement.

"**Certified Training Manager**" means an individual, accepted by Company, who has satisfactorily completed the initial training program and such other supplemental or occasional training programs as are required from time to time by Company and who shall be responsible for initial and ongoing training of each General Manager.

"**Coffee Bean Products**" means the specific espresso drinks and coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, which may include coffee industry related equipment, cups, hats, t-shirts and novelty items, as specified by Company from time to time in the Manuals, or as otherwise directed by Company in writing, for sale at Developer's Licensed Store, prepared and served in strict accordance with Company's and Company's Affiliates' recipes, quality standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

"**Coffee Bean Store**" means a store operated under the Marks and in accordance with the System and specializing in the sale of Coffee Bean Products, and in the case of a licensee or franchisee of Company, pursuant to a validly executed license or franchise agreement, excluding a store operated at a Special Distribution Site and a CBTL-Brand Single-Serve Store.

"**Company**" shall have the meaning set forth in the preamble.

"**Competitive Business**" means any business operating, or granting franchises or licenses to others to operate, a business offering at wholesale or retail, or engaged in the production of, (conjunctively or disjunctively) specialty coffees, premium coffee beverages, espresso drinks, roasted coffee beans and blends, premium teas, prepackaged coffees and teas, baked goods, snacks and other food items and ancillary products, which may include but are not limited to, coffee making equipment, including single-serve coffee machines and related single-serve coffee, espresso, and/or powder, capsules, cups, hats, t-shirts and novelty items, and other specialty ingredients or offering any other goods or services similar to any other Coffee Bean Product.

"**Confidential Information**" means any information relating to the Coffee Bean Products or the development or operation of Coffee Bean Stores or the System, including: (i) site selection criteria; (ii) recipes, ingredients and methods for the preparation of Coffee Bean Products; (iii) methods, techniques, formats, specifications, systems, procedures, sales and marketing techniques and knowledge of and experience in the development and operation of Coffee Bean Stores; (iv) marketing programs for Coffee Bean Stores; (v) knowledge of specifications for and suppliers of

certain Coffee Bean Products, materials, supplies, equipment, furnishings and fixtures; (vi) knowledge of operating results and financial performance of Coffee Bean Stores; (vii) strategic plans and concepts for the development, operation, or expansion of Coffee Bean Stores or the System; and (viii) any negotiated terms of this Agreement, except as otherwise provided by Applicable Law. "Confidential Information" shall not include information which: (a) has entered the public domain or was known to Developer prior to Company's disclosure of such information to Developer, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or any Company Affiliate; (b) becomes known to Developer from a source other than Company or a Company Affiliate and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or a Company Affiliate; or (c) was independently developed by Developer without the use or benefit of other Confidential Information. The burden of proving that particular information is not Confidential Information will reside with Developer.

"**Content**" means all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through the Website.

"**Control**" of or "**Controlling**" an Entity means the power (whether or not exercised) to direct the policies, operations or activities of such Entity by or through the ownership of, or right to vote, or to direct the manner of voting of, securities of such Entity, or pursuant to law or agreement, or otherwise.

"**Courier**" shall have the meaning set forth in Section 15.21 of this Agreement.

"**Customer Data**" means all data, materials, documents, and information, whether or not Confidential Information, concerning or otherwise relating to Store customers and potential customers, including without limitation information regarding customer loyalty, customer transactions, reviews and feedback, customer purchasing and/or customer use of products and services, regardless of how collected or received, and including without limitation such information or data processed, entered into or stored on Developer's point of sale system or other information hardware.

"**Customer Facing Technology Fee**" shall have the meaning set forth in Section 5.7 of this Agreement.

"**Designated Territory**" means the geographic area within the Designated Territory Radius of the Premises.

"**Developer's Interest**" means the issued and outstanding Equity Securities of Developer beneficially owned by each of Developer's Owners, other than the Company or its Affiliates.

"Developer Page" means one or more interior pages of the Website dedicated in whole or in part to the Licensed Store.

"**Director of Operations**" means a full-time employee responsible for the overall operations of Developer's Coffee Bean Stores who shall ensure that all of the Coffee Bean Stores are operated in conformity with the System Standards.

"**Effective Date**" shall have the meaning set forth in Section 1.1.

"**Entity**" means any limited liability company or Partnership, and any trust, association, corporation or other person which is not an individual.

"**Equity**" is defined in the definition of Affiliate.

"**Equity Securities**" means (i) any common stock, preferred stock, membership interests, general or limited partnership interests or other equity security of any individual or Entity, (ii) any security convertible, with or without consideration, into any common stock, preferred stock, membership interests, general or limited partnership interests or other security (including any option to purchase such a convertible security) of any individual or Entity, (iii) any security carrying any warrant or right to subscribe to or purchase any common stock, preferred stock, membership interests, general or limited partnership interests or other security of any individual or Entity, or (iv) any such warrant or right.

"**GAAP**" means the United States Generally Accepted Accounting Principles.

"**General Manager**" means an individual who provides full-time, direct, day to day on-site management of the Licensed Store.

"**Governmental Authority**" means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Revenues**" means the aggregate amount of all sales (plus tips and service charges except for tips to the extent paid directly by the customer to an employee of Developer and not entered in or through the cash register) of Coffee Bean Products and other goods, services and supplies sold, made, rendered or prepared in, or in connection with, the operation of the Licensed Store, or which are promoted or sold directly or indirectly by Developer under or using any of the Marks, including sales made directly or indirectly by Developer at or away from the premises of the Licensed Store (if permitted), whether for cash or credit or barter (and, if for credit or barter, whether or not payment is received therefor), but excluding all Federal, state or municipal sales, use, value added or service taxes collected from customers and paid to the appropriate taxing authority(ies).

"**Initial Term**" shall have the meaning set forth in Section 2.2 of this Agreement.

"**Internet**" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of electronic transmission.

"**Intranet**" means the "The Coffee Bean & Tea Leaf" internal store and/or developer computer network, currently commonly referred to as "Inside The Bean".

"**Kiosk**" means a Coffee Bean Store of typically less than 800 square feet, including storage and other back of house areas, and which may have limited or no dedicated seating. Kiosks are generally located in office complexes, shopping malls or at specific street locations.

"**L/C Amount**" shall have the meaning set forth in Section 6.18(c)(i) of this Agreement.

"**L/C Termination Date**" shall have the meaning set forth in Section 6.18(c)(i) of this Agreement.

"**Letter of Credit**" shall have the meaning set forth in Section 6.18(c)(i) of this Agreement.

"**Licensed Store**" means the Coffee Bean Store licensed to Developer pursuant to this Agreement.

"**Liquidity Event**" means (a) a Public Offering, (b) Company (or a Parent of Company) entering into a letter of intent or an agreement to sell all or substantially all of its assets to, or merge or otherwise combine with, any Entity which is not an Affiliate of Company (or a Parent of Company), or (c) one or more Owners of Company (or of a Parent of Company) entering into a letter of intent or an agreement to effect the sale, conveyance, exchange or assignment by such Owners in one transaction or series of related transactions, of 50% or more of the outstanding Equity of Company (or of a Parent of Company) to any person, group or Entity which is not an Affiliate of Company (or a Parent of Company).

"**Marks**" shall have the meaning set forth in Recital A of this Agreement.

"**Manuals**" means the "The Coffee Bean & Tea Leaf" brand multi-volume Operations Manual Package, as the same may be amended and revised in writing from time to time, including all bulletins, supplements and ancillary manuals.

"**Mediation**" shall have the meaning set forth in Section 15.9(a) of this Agreement.

"**Mediation Organization**" shall have the meaning set forth in Section 15.9(a) of this Agreement.

"**Net Worth**" means Developer's current assets minus total liabilities, all calculated in accordance with GAAP applied on a consistent basis.

"**Owner**" means any direct or indirect shareholder, member, general or limited partner, trustee or beneficiary, or other equity owner of an Entity; provided, that if Company or any Owner or Affiliate of Company has any ownership interest in such Entity, the term Owner shall not include or refer to Company or Company's Owners or Affiliates, and no obligation or restriction upon Developer or its Owners, officers, directors, or managers shall bind Company or its Affiliates, or their respective officers, directors or managers.

"**Parent**" of a specified Entity means an affiliate Controlling such person directly, or indirectly through one or more intermediaries.

"**Partnership**" means any general partnership or limited partnership.

"**Partnership Rights**" mean the partnership interests of a Partnership.

"**Permits**" mean any governmental license, permit or approval required to operate the Licensed Store.

"**Proudly Pour Sales Agreement**" means a written contract between Company, or one of its Affiliates, and an unaffiliated third party, pursuant to which Company or one of its Affiliates agrees to sell to such third party "The Coffee Bean & Tea Leaf" brand coffees and/or teas to be served to and consumed on-site by a customer of a retail café, bakery or other restaurant operated by such third party as one or more items on the menu offered by such retail café, bakery or other restaurant.

"**Public Offering**" means Company (or a Parent or Subsidiary of the Company other than the Developer) (the "**Company Public Entity**") becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended or registers a class of its Equity Securities (the "**Public Equity Securities**") under Article 12 or Article 15 of the Securities Exchange Act of 1934, as amended, or shall have entered into an agreement or letter of intent for an underwritten initial public offering of shares of its Equity Securities pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended.

"**Renewal Fee**" shall have the meaning set forth in Section 2.3(c)(vi) of this Agreement.

"**Renewal Franchise Agreement**" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"**Renewal Notice**" shall have the meaning set forth in Section 2.3(b)(i) of this Agreement.

"**Renewal Right**" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"**Renewal Term**" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"**Restricted Person**" means, except for such exceptions as Company may from time to time grant in writing on a case by case basis: Developer, each of Developer's Owners, if Developer is an Entity, and the respective officers, directors, managers, and Affiliates of Developer and all such Owners; the Director of Operations; each of Developer's General Managers; and the spouses of any of the foregoing. Developer has provided Company a complete and correct list of all Restricted Persons as of the Effective Date, and that list is included as part of **Exhibit "A"**.

"**Software**" means all computer programs and computer code (e.g., HTML, Java) used for or on the Website, excluding any software owned by third parties.

"**Special Distribution Site**" means an institutional setting, including hotels, airports, colleges, universities, schools, grocery stores, supermarkets, hospitals, military and other governmental facilities, office or in-plant food service facilities, department stores, duty free shops, shopping mall food courts operated by a master concessionaire, and any venue in which food service is or may be provided by a master concessionaire or contract food service provider, but not including a CBTL-Brand Single-Serve Store.

"**Subsidiary**" of a specified Entity means an affiliate Controlled by such person directly, or indirectly through one or more intermediaries.

"**System**" shall have the meaning given that term in Recital B, with such modifications as Company may require in the future.

"**System Standards**" means the specifications, standards, operating procedures and rules Company requires for the operation of Coffee Bean Stores, as modified by Company from time to time in writing.

"**Term**" shall have the meaning set forth in Section 2.2 of this Agreement.

"**Then-Current**" means the form then currently provided to prospective developers or area developers of Company, as applicable, or if not then being so provided, then such form selected by Company in its sole discretion which previously has been delivered to and executed by a developer of Company.

"**URL**" means uniform resource locator.

"**Venue**" means any location other than a Special Distribution Site.

"**Website**" means one or more Internet websites (and webpages) that may, among other things, facilitate catering, take-out and delivery orders, ordering and sale of Coffee Bean Products, provide information about the System and the products and services which are offered on such Website and at Coffee Bean Stores.

"**Week**" or "**Weekly**" means the 7-day period beginning on Monday at 12:00 AM and ending on Sunday at 11:59 PM.

EXHIBIT "A"
TO
FRANCHISE AGREEMENT

LIST OF OWNERS, OTHER RESTRICTED PERSONS AND INITIAL STORE MANAGEMENT PERSONNEL

OWNERS:

As of the Effective Date, if Developer is an Entity, Developer represents and warrants to Company that Developer's Owners, and the exact nature of their ownership interest in Developer, is as follows:

PLEASE NOTE THE FOLLOWING DEFINITION OF OWNER IN COMPLETING THIS EXHIBIT:

"Owner" means any direct or indirect shareholder, members, general or limited partner, trustee or beneficiary, or other equity owner of an Entity; provided, that if Company or any Owner or Affiliate of Company has any ownership interest in such Entity, the term Owner shall not include or refer to Company or Company's Owners or Affiliates, and no obligation or restriction upon Developer or its officers, directors, or managers shall bind Company, its Affiliates, or their respective Owners, officers, directors or managers.

Name	Title	Address	Ownership Shares/% of Developer	Voting/ Management Rights
_____ Printed _____ Signature				
_____ Printed _____ Signature				

RESTRICTED PERSONS:

As of the Effective Date, Developer represents and warrants to Company that, in addition to all Owners, if Developer is an Entity, the following is a complete list of all Restricted Persons:

PLEASE NOTE THE FOLLOWING DEFINITION OF RESTRICTED PERSON IN COMPLETING THIS EXHIBIT:

"**Restricted Person**" means, except for such exceptions as Company may from time to time grant in writing on a case by case basis: Developer, each of Developer's Owners, if Developer is an Entity, and the respective officers, directors, managers, and Affiliates of Developer and all such Owners; the Director of Operations; each of Developer's General Managers; and the spouses of any of the foregoing. Developer has provided Company a complete and correct list of all Restricted Persons as of the Effective Date, and that list is included as part of this **Exhibit "A"**.

Name	Relationship to Restricted Person

INITIAL LICENSED STORE MANAGEMENT PERSONNEL:

As of the Effective Date, Developer represents and warrants to Company that Developer's initial Licensed Store management personnel consist of the following:

Title	Name	Address
Director of Operations		
General Manager		

Assistant Manager		

The address where Developer's Financial Records, and Entity records (e.g. Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

_____

_____

_____

Developer:

_____, a

_____

By: _____

Title: _____

EXHIBIT "B"
TO
FRANCHISE AGREEMENT

GUARANTY AND SUBORDINATION AGREEMENT

The undersigned, in order to induce **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED** ("**Company**") to enter into a Franchise Agreement ("**FA**") dated the __ day of _____ 20____, with _____ ("**Developer**"), unconditionally, jointly and severally, guarantees to Company, its successors or assigns, the prompt full payment and performance of all obligations of the Developer which are or may become due and owing to Company, including, all obligations arising out of said FA or any other agreement (whether or not in effect on the date hereof) between Developer and Company, and all extensions or renewals thereof, and the payment of all attorneys' fees, costs and other expenses incurred by Company to enforce this Guaranty (collectively, the "**Agreements**") in the same manner as if Agreements were executed between Company and the undersigned directly, as Developer.

The undersigned expressly waive(s): (a) notice of the acceptance by Company of this Guaranty, (b) demands of payment, presentation and protest, (c) all rights to assert or plead any statute of limitations as to or relating to this Guaranty, (d) any right to require Company to proceed against any other Guarantor or any other person or entity liable to Company, (e) any right to require Company to proceed under any other remedy Company may have before proceeding against Guarantor, or any other Guarantor, and (f) any right of subrogation. This Guaranty shall not be affected by the modification, amendment, extension, release or renewal of any agreement between Company and Developer, the taking of a note or other obligation from Developer or others, the taking of security for payment, the granting of extension of time for payment, the filing by or against Developer of bankruptcy, insolvency, reorganization of other debtor's relief afforded by the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals. The obligations of the undersigned shall be unconditional notwithstanding any defect in the genuineness, validity, regularity, or enforceability of the Developer's obligations or liability to Company, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

This is an irrevocable, unconditional and absolute guaranty of payment and performance and the undersigned agree(s) that his, hers or their liability of this Guaranty shall be immediate and shall not be contingent upon the exercise or enforcement by Company of whatever remedies it may have against the Developer or others, or the enforcement of any lien or realization upon any security Company may at any time possess.

The undersigned covenant(s) and agree(s) that any indebtedness by the Developer to the undersigned, for any reason, currently existing, or which might hereafter arise, shall at all times be inferior and subordinate to any indebtedness owed by the Developer to Company.

The undersigned further covenant(s) and agree(s) that as long as the Developer owes any monies to Company (other than royalty and advertising and payments that are not past due) the Developer will not pay and the undersigned will not accept payment of any part of any indebtedness owed by the Developer to any one of the undersigned, either directly or indirectly, without the consent of Company.

If this Guaranty is executed by more than one individual or entity, each person or entity executing this Guaranty shall be jointly and severally liable for the obligations created herein.

This Guaranty shall remain in full force and effect until all obligations arising out of and pursuant to the Agreements including all renewals, modifications, amendments and extensions thereof, are fully paid and satisfied, provided that this Guaranty shall automatically terminate on the second anniversary of the effective date of any Assignment (as defined in the FA) and provided further that neither the Agreement nor any other agreement between Company and the assignee of such Assignment shall be in default on such effective date nor has been in default (whether or not cured) during such two year period.

This Guaranty shall be governed by and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. Any dispute arising out of or under this Guaranty shall be resolved in accordance with the dispute resolution process set forth in the FA.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS THEREOF, the undersigned have constituted this Agreement on the date set forth below.

Dated: _____

GUARANTOR:

_____

By:_____
Its:_____

Dated: _____

_____

_____, an individual

Dated: _____

_____

_____, an individual

EXHIBIT "C"
TO
FRANCHISE AGREEMENT

LETTER OF CREDIT

SAMPLE IRREVOCABLE STANDBY LETTER OF CREDIT

ISSUING BANK LETTER OF CREDIT NO. _____

ISSUANCE DATE:_____

ADVISING (AND CONFIRMING BANK):
(The credit shall be issued by authenticated S.W.I.F.T) **directly** through:
ADVISING BANK (and Confirming Bank):

City National Bank
International Department
555 So. Flower Street, 24th Floor
Los Angeles, California 90071 U.S.A.
S.W.I.F.T. Address: ***CINAUS6L***

BENEFICIARY:
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

_____
(Attention)

_____
(Street Address)

_____
(City, State, Zip Code)

STANDBY LETTER OF CREDIT EXPIRY DATE:
(Expiry date must be at least 120 days beyond the termination of the Agreement between "Company" and "Developer")
FOR PRESENTATION OF DRAFTS AT THE COUNTERS OF
(*Name Of Issuing or Confirming Bank*):

_____ ("Bank") hereby ESTABLISHES its IRREVOCABLE STANDBY LETTER OF CREDIT ("Letter of Credit") in favor of the above-named Beneficiary. Subject to the terms and conditions herein, the Letter of Credit shall be honored by the presentment by Beneficiary of a payment request to the Bank in the form of a draft drawn under the Letter of Credit and payable at sight within three (3) banking days for any sum or sums not exceeding in total U.S. $ _____, on the account of:

_____
(Full Corporate Name of Developer)

_____
(Street Address of Principal Offices)

_____
(City, State, Zip Code)

Drafts presented for payment must include the Letter of Credit number set forth above, this Letter of Credit, and a certification by Beneficiary as follows:

BENEFICIARY'S SIGNED AND DATED STATEMENT WORDED:

"I, [insert name of signer], AN AUTHORIZED SIGNER FOR **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, AS "COMPANY", UNDER THE **(insert title of agreement)** AGREEMENT DATED [date of agreement] BETWEEN **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,** AS COMPANY, AND [insert name of developer], AS DEVELOPER, (AS SAME MAY BE AMENDED FROM TIME TO TIME) ("AGREEMENT") CERTIFY THAT

A) DEMAND HAS BEEN MADE BY COMPANY TO DEVELOPER FOR PERFORMANCE OF THE OBLIGATIONS OF DEVELOPER OWED TO COMPANY AND THAT SAID DEMAND HAS NOT BEEN SATISFIED BY DEVELOPER, OR;

B) DEVELOPER HAS FAILED TO RENEW THE REFERENCED LETTER OF CREDIT OR PROVIDED AN ACCEPTABLE REPLACEMENT, AT LEAST 45 DAYS PRIOR TO ITS EXPIRATION, OR;

C) DEVELOPER HAS FILED A VOLUNTARY PETITION UNDER THE UNITED STATES BANKRUPTCY CODE (THE "BANKRUPTCY CODE"), OR DEVELOPER'S CREDITORS HAVE FILED AN INVOLUNTARY PETITION UNDER THE BANKRUPTCY CODE.

THEREFORE, IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT, **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED** HAS THE RIGHT TO DRAW THE AMOUNT OF [insert amount of drawing] UNDER (Issuing Bank) LETTER OF CREDIT NUMBER (l/c number)."

(Developer must provide for extension of the L/C at least 45 days prior to the current Expiry Date, or alternatively provide an auto-extension of the Expiry Date. Example:

*THIS LETTER OF CREDIT SHALL BE **AUTOMATICALLY EXTENDED** WITHOUT AMENDMENT FOR AN ADDITIONAL PERIOD OF **ONE YEAR** FROM THE PRESENT OR **EACH FUTURE EXPIRATION DATE**, UNLESS AT LEAST **FORTY-FIVE (45) DAYS PRIOR TO ANY EXPIRATION DATE,** WE SHALL NOTIFY YOU IN WRITING, BY CERTIFIED MAIL RETURN RECEIPT REQUESTED OR BY OVERNIGHT DELIVERY SERVICE REQUESTING RECEIPTED DELIVERY, TO THE BENEFICIARY ADDRESS AS STATED IN THIS LETTER OF CREDIT THAT WE ELECT NOT TO EXTEND THE LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD. IN THE EVENT THAT YOU RECEIVE SUCH NON-EXTENSION NOTICE FROM US, **YOU MAY DRAW** ON THIS LETTER OF CREDIT IN ACCORDANCE WITH ITS TERMS AND CONDITIONS PRIOR TO THE THEN CURRENT EXPIRY DATE.)*

This Letter of Credit and all matters incidental hereto shall be governed by and construed in accordance with the laws of the State of California without giving effect to the choice of law principles included therein, the Uniform Commercial Code and the usages and customs set forth, EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED, THIS CREDIT, SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998 (ISP98), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590.

This Letter of Credit is irrevocable and shall inure to the benefit of the Beneficiary and shall be binding upon the undersigned and its successors and assigns. This Letter of Credit may be transferred or assigned by the Beneficiary, with express prior written notification to the Bank. Transfer of this Letter of Credit is subject to Transferring Bank's receipt of your instructions in the form provided them, accompanied by the original of this Letter of Credit and amendment(s), if any.

All Bank fees and charges, including Confirmation fees and any Transfer fees are for account of the **Applicant.**

The Bank engages with the Beneficiary that drafts properly presented and in compliance with this Letter of Credit will be duly honored.

[*For L/Cs issued by a foreign/non-USA bank, L/C must be confirmed by an acceptable USA bank.]*

(Issuing Bank Name)

_____

(Authorized Officer Name & Title

EXHIBIT "D"
TO
FRANCHISE AGREEMENT

LEASE ADDENDUM

THE COFFEE BEAN & TEA LEAF®

REQUIRED LEASE ADDENDUM

TO LEASE AGREEMENT DATED [_____]

BY AND BETWEEN

_____, AS "LANDLORD"

AND

_____, AS "TENANT" FOR THE DEMISED PREMISES ("PREMISES") DESCRIBED THEREIN

This Lease Addendum ("Addendum") and the provisions hereof are hereby incorporated into the body of the lease to which this Addendum is attached (the "Lease"), and the provisions hereof shall be cumulative of those set forth in the Lease, but to the extent of any conflict between any provisions of this Addendum and the provisions of the Lease, this Addendum shall govern and control.

1. Consent to Collateral Assignment to Franchisor; Disclaimer. Landlord acknowledges that Tenant intends to operate a *The Coffee Bean & Tea Leaf*® store in the Premises, and that Tenant's rights to operate a *The Coffee Bean & Tea Leaf*® store and to use *The Coffee Bean & Tea Leaf*® name, trademarks and service marks are solely pursuant to a franchise agreement ("Franchise Agreement") between Tenant and Super Magnificent Coffee Company Ireland Limited ("Franchisor"). Tenant's operations at the Premises are independently owned and operated. Landlord acknowledges that Tenant alone is responsible for all obligations under the Lease unless and until Franchisor or another franchisee expressly, and in writing, assumes such obligations and takes actual possession of the Premises. Notwithstanding any provisions of this Lease to the contrary, Landlord hereby consents, without payment of a fee and without the need for further Landlord consent, to (i) the collateral assignment of Tenant's interest in this Lease to Franchisor to secure Tenant's obligations to Franchisor under the Franchise Agreement, and/or (ii) Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor) succeeding to Tenant's interest in the Lease by mutual agreement of Franchisor and Tenant, or as a result of Franchisor's exercise of rights remedies under such collateral assignment or as a result of Franchisor's termination of, or exercise of rights or remedies granted in or under, any other agreement between Franchisor and Tenant, and/or (iii) Tenant's, Franchisor's and/or any other franchisee of Franchisor's assignment of the Lease to another franchisee of Franchisor with whom Franchisor has executed its then-standard franchise agreement. Landlord, Tenant and Franchisor agree and acknowledge that simultaneously with such assignment pursuant to the immediately preceding sentence, Franchisor shall be released from all liability under the Lease or otherwise accruing after the date of such assignment (in the event Franchisor is acting as the assignor under such assignment), but neither Tenant nor any other franchisee shall be afforded such release in the event Tenant/such franchisee is the assignor unless otherwise agreed by Landlord. Landlord further agrees that all unexercised renewal or extension rights and other rights stated to be personal to Tenant shall not be terminated in the event of any assignment referenced herein, but shall inure to the benefit of the applicable assignee.

2. Notice and Cure Rights to Franchisor. Prior to exercising any remedies hereunder (except in the event of imminent danger to the Premises), Landlord shall give Franchisor written notice of any default by Tenant, and commencing upon receipt thereof by Franchisor, Franchisor shall have ten (10) additional days to the established cure period as is given to Tenant under the Lease for such default, provided that in no event shall Franchisor have a cure period of less than (i) ten (10) days after Franchisor's receipt of such notice as to monetary defaults or (ii) 30 days after Franchisor's receipt of such notice as to non-monetary defaults. Landlord agrees to accept cure tendered by Franchisor as if the same was tendered by Tenant, but Franchisor has no obligation to cure such default. The initial address for notices to Franchisor is as follows:

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED
550 S. Hope St, Suite 2100
Los Angeles, California 90071
Attn.: General Counsel
Facsimile No.: (310) 815-2504

With copy (which shall not constitute notice) to:

Kenneth R. Costello, Esq.
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, California 90401-2386
Facsimile No.: (310) 576-2200

3. Non-disturbance from Mortgage Lenders. Notwithstanding anything contained in the Lease to the contrary or in conflict, it shall be a condition of the Lease being subordinated to any mortgage, deed of trust, deed to secure debt or similar encumbrance on the Premises that the holder of such encumbrance agree not to disturb Tenant's rights under this Lease or Tenant's possession of the Premises, so long as Tenant is not in default of its obligations hereunder beyond an applicable grace or cure period provided herein (as may be extended from time to time pursuant to paragraph 2 immediately above).

CHECK THE FOLLOWING PARAGRAPH THAT APPLIES. CHECK ONLY ONE. IF NONE IS CHECKED, THEN CLAUSE a) BELOW WILL BE APPLICABLE, AND CLAUSE b) BELOW WILL BE DEEMED DELETED

A) ☐ Landlord represents and warrants that on the date hereof no mortgage, deed of trust, deed to secure debt or similar encumbrance encumbers the Premises.

B) ☐ A mortgage, deed of trust or deed to secure debt currently encumbers the Premises. It is a condition precedent to Tenant's obligations under this Lease that the holder of such encumbrance enter into a written subordination and non-disturbance agreement with Tenant, in form acceptable to Franchisor.

4. Financing of Trade Fixtures by Franchisor and Security Interest. Any security interest and/or Landlord's lien in Tenant's trade fixtures, 'trade dress', equipment and other personal property in the Premises is hereby subordinated to any security interest and pledge granted to Franchisor in such items. The parties acknowledge that there may be certain personal property in the Premises which are not owned by Tenant, which property shall not be subject to any lien of Landlord. Upon request, Landlord shall grant the party who owns such property reasonable access to the Premises for the sole purpose of removing such property, provided such party repairs any damage caused by such removal and otherwise complies with Landlord's reasonable requirements with respect to such access.

5. Assignment Rights of Franchisor and Affiliates. Notwithstanding anything to the contrary contained in the Lease or this Addendum, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Addendum or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) the transfer of equity interests among existing holders of equity interests in Tenant or any direct or indirect parent thereof, to or among family members, or to trusts for the benefit of any of such parties, (ii) the transfer of equity interests in Tenant or any direct or indirect parent thereof in connection with a public offering of equity interests, (iii) any transfer of equity interests in Tenant or any direct or indirect parent thereof, if Tenant or any direct or indirect parent of Tenant is a public company, (iv) any direct or indirect transfers, including any sale, of equity interests in Tenant or any affiliate thereof, or (v) any change in the members of the board of managers, directors, management or organization of Tenant or any affiliate thereof, shall not be deemed an assignment, subletting, change of control or other transfer of Tenant's interest in and to this Lease.

6. Radius and Relocation Clauses Ineffective. Notwithstanding anything as set forth in the Lease to the contrary or in conflict, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Addendum or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) all "radius" restrictions or other limitations contained within the Lease limiting the operation of other locations/stores/units within a certain geographic area shall be of no further force or effect; and (ii) all rights of Landlord to directly or indirectly relocate the Premises shall be of no further force or effect.

7. Limitation of Certain Default Remedies. Notwithstanding anything as set forth in the Lease to the contrary or in conflict, in the event Franchisor (or any entity owned or controlled by, or under common control or ownership with, Franchisor) becomes the "Tenant" entity under the Lease, whether pursuant to the terms of Section 1 of this Addendum or otherwise consistent with the terms of the Lease, then as of and following such date of Franchisor's (or any entity owned or controlled by, or under common control or ownership with, Franchisor's) becoming "Tenant": (i) unless and until Landlord secures a final, non-appealable court order granting Landlord exclusive possession of the Premises, Landlord shall have no right to change or alter the locks of the Premises or discontinue any utilities to the Premises as a remedy for any uncured Tenant default under the Lease; and (ii) in no event shall Landlord have the right to accelerate rental against Tenant or any guarantor of Tenant (provided, however, that this clause (ii) shall not limit acceleration of rental, if permitted in the Lease, against the originally named "Tenant" or any original guarantors of Tenant).

8. Franchisor Right to Enter. Landlord acknowledges that, under the Franchise Agreement, Franchisor or its appointee has the right to assume the management and operation of the Tenant's business, on Tenant's behalf, under certain circumstances (to-wit: Tenant's abandonment, Tenant's failure to timely cure its default of the Franchise Agreement, and while Franchisor evaluates its right to purchase the store). Landlord agrees that Franchisor or its appointee may enter upon the Premises for purposes of assuming the management and operation of Tenant's store as provided in the Franchise Agreement and, if it chooses to do so, it will do so in the name of the Tenant and without assuming any direct liability under the Lease unless Franchisor exercises such rights to assume the Lease as set forth in Section 1 of this Addendum. Further, upon the expiration or earlier termination of this Lease or the Franchise Agreement, Franchisor or its designee may enter upon the Premises for the purpose of removing all signs and other material bearing

The Coffee Bean & Tea Leaf® name or trademarks, service marks or other commercial symbols of Franchisor.

9. Third Party Beneficiary. For so long as Franchisor holds a collateral assignment of the Lease, Franchisor is a third party beneficiary of the Lease, including, without limitation, this Addendum, and as a result thereof, shall have all rights (but not the obligation) to enforce the same.

10. Amendments. Tenant agrees that the Lease may not be terminated, modified or amended without Franchisor's prior written consent, nor shall Landlord accept surrender of the Premises without Franchisor's prior written consent. Tenant agrees to promptly provide Franchisor with copies of all proposed modifications or amendments and true and correct copies of the signed modifications and amendments.

11. Counterparts. This Addendum may be executed in one or more counterparts, each of which shall cumulatively constitute an original. PDF/Faxed signatures of this Addendum shall constitute originals of the same.

AGREED and executed and delivered under seal by the parties hereto as of the day and year of the Lease.

LANDLORD: _____

By: _____
Name: _____
Title: _____

TENANT: _____

By: _____
Name: _____
Title: _____

EXHIBIT "E"
TO
FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER

Authorization To Honor Charges Drawn By and Payable To*:*

Super Magnificent Coffee Company Ireland Limited

Bank Name	Account No.	ABA#	FEIN
_____	_____	_____	_____

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as it if were a check drawn and signed by the Depositor. It is further agreed that is any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization.

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the request and authorization, or in any manner arising by reason of the Depository's or Payee's participation.

Name of Depository:_____

Name of Depositor:_____

Designated Bank Account:_____

(Please attach one voided check for the above account)

Business Number:_____

For information call:_____

Address:_____

Phone #:_____ Fax #:_____

Name of Franchisee/Depositor (please print):_____

By:_____

Signature and Title of Authorized Representative

Date:_____

Exhibit "A-2"
SDS Franchise Agreement

SPECIAL DISTRIBUTION SITE

FRANCHISE AGREEMENT

BETWEEN

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

AND

_____

Developer

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Page

THE COFFEE BEAN & TEA LEAF

SPECIAL DISTRIBUTION SITE FRANCHISE AGREEMENT

THIS **SPECIAL DISTRIBUTION SITE FRANCHISE AGREEMENT** (the "**Agreement**") is between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law, ("**Company**"), and _____ a(n) _____, ("**Developer**"), with reference to the following facts:

A. Company has the right to grant franchises to use, in the United States and certain other geographic markets, the name, trademark and service mark "The Coffee Bean & Tea Leaf," and such other trademarks, service marks, trade names, logotypes, insignias, trade dress, designs and other commercial symbols as Company may from time to time authorize or direct Developer to use in connection with the operation of "The Coffee Bean & Tea Leaf" stores (the "**Marks**").

B. Company has the right to franchise a system for the operation of stores featuring premium coffee beverages, espresso drinks, premium teas, roasted coffee beans and blends, prepackaged coffees, prepackaged teas, baked goods, snacks and other food items and products, which may include but are not limited to coffee making equipment, cups, hats, t-shirts, miscellaneous branded items and other novelty and food items and ancillary products, including among other things distinctive signs, food recipes, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory and marketing techniques (the "**System**").

C. Developer desires to obtain a license and franchise to operate a single Coffee Bean Store at a Special Distribution Site (as defined herein), under the Marks and in strict accordance with the System, and the standards and specifications established by Company; and Company is willing to grant Developer such license and franchise under the terms and conditions of this Agreement.

D. Company's agent for service of process in the state of New York is the Secretary of State of New York, 41 State Street, Albany New York, 11231, copies of which should be sent to Company in accordance with Section 15.21 of this Agreement.

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1
PREAMBLES; AND DEFINITIONS

1.1 Date of Agreement. The date of this Agreement is _____, 20___ (the "**Effective Date**").

1.2 Certain Fundamental Provisions. In this Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Agreement, the following terms, shall have the meanings set forth below, unless the context otherwise requires:

(a) Check if the Licensed Store is NOT a Special Distribution Kiosk [___]

(b) "**Advertising and Promotional Materials Rate**" means 0.5%.

(c) "**Central Marketing Fee Rate**" means 2%.

(d) "**Designated Territory**" means _____

_____

_____

provided that, if the Designated Territory is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Territory shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

(e) Developer's Notice Address is:

_____
_____
_____
Fax No._____

(f) "**Guaranteed Minimum Royalty**" means, 1/12th of $25,000 (or 1/12th of $12,500 if the Licensed Store is a Special Distribution Kiosk).

(g) "**Initial Franchise Fee**" means $_____.

(h) "**Initial Investment**" means a paid-up debt-free capitalization of at least $_____ as set forth in Section 6.18 of this Agreement.

(i) "**Store Technology Initial Fee**" means $_____.

(j) "**Minimum Capitalization**" means $_____.

(k) "**Minimum Net Worth**" means $_____.

(l) The Licensed Store shall be located at (the "**Premises**"):

_____
_____
_____

(m) "**Operating Hours**" means not less than _____ hours per day and ____ days per Week (including National holidays).

(n) "**Royalty Rate**" means 5.5%.

ARTICLE 2
GRANT OF FRANCHISE

2.1 Grant. Subject to the terms and conditions of this Agreement, Company awards Developer the right, license and franchise (the "**Franchise**"), during the Term, to use and display

the Marks, and to use the System to operate one (1) Coffee Bean Store at, and only at, the Premises, which Coffee Bean store will be operated at a Special Distribution Site, upon the terms and subject to the provisions of this Agreement and all ancillary documents thereto. This Agreement does not grant Developer the right to, and Developer may not, operate or develop a CBTL-Brand Single-Serve Store pursuant to this Agreement. Developer may offer and sell CBTL-Brand Single-Serve Products at the Licensed Store only if and for so long as Company has authorized them as approved Coffee Bean Products pursuant to Section 3.8.

2.2 Initial Term of the Franchise Agreement. The initial term of this Agreement will be 10 years, commencing on the Effective Date ("**Initial Term**"). This Agreement may be renewed as provided in Section 2.3 of this Agreement and may be terminated prior to expiration of its term in accordance with Article 11 and Article 12 of this Agreement. References in this Agreement to the "**Term**" of this Agreement mean the Initial Term and any Renewal Term as the context so requires.

2.3 Renewal Term.

(a) Renewal Term. Subject to the conditions contained in this Section, at the expiration of the Term hereof, Developer shall have the right (the "**Renewal Right**") to enter into a new Franchise Agreement in the Then-Current form of Special Distribution Site Franchise Agreement (the "**Renewal Franchise Agreement**") for a 10-year period (the "**Renewal Term**"). The Renewal Term shall commence upon the date of expiration of the Initial Term hereof. The Renewal Franchise Agreement may contain terms materially different than those contained in this Agreement and the Renewal Franchise Agreement shall be modified to conform to the Renewal Rights granted above.

(b) Form and Manner of Exercise. Developer shall exercise its Renewal Right, if at all, strictly in the following manner:

(i) At least 12 months before the expiration of the Term, Developer shall notify Company in writing ("**Renewal Notice**") that it intends to exercise its Renewal Right and no sooner than the waiting period required by Applicable Law but no more than 30 business days after Developer receives Company's franchise disclosure document, if applicable, and execution copies of the Renewal Franchise Agreement, Developer shall execute the copies of said Renewal Franchise Agreement and return them to Company.

(ii) If Developer shall have exercised its Renewal Right in accordance with this Section 2.3 and satisfied all of the conditions contained in Section 2.3(c) of this Agreement, Company shall execute the Renewal Franchise Agreement executed by Developer and at or prior to the expiration of the Term deliver one fully executed copy thereof to Developer.

(iii) If Developer fails to perform any of the acts, or deliver the notice required pursuant to the provisions of Section 2.3(b)(i) of this Agreement, in a timely fashion, such failure shall be deemed an election by Developer not to exercise its Renewal Right and, at Company's election, shall automatically cause Developer's said Renewal Right to lapse and expire.

(c) Conditions Precedent to Renewal. Developer's Renewal Right is conditioned upon Developer's fulfillment of each and all of the following conditions precedent:

(i) At the time Developer delivers its Renewal Notice to Company and at all times thereafter until the commencement of the Renewal Term, Developer shall have fully performed all of its material obligations under this Agreement, the Manuals and all other agreements then in effect between Developer and Company (or its Affiliates).

(ii) Developer shall undertake and complete at its expense and at least 6 months prior to the commencement of the Renewal Term, a reasonable remodel of the Premises and the Coffee Bean Store operated pursuant hereto to comply with the Company's then-current specifications and standards for new Coffee Bean Stores located at Special Distribution Sites as set forth in the Manuals or otherwise in writing by Company.

(iii) Without limiting the generality of Section 2.3(c)(i) of this Agreement, Developer shall not have committed 2 or more material breaches of this Agreement during any 12-month period during the Term of this Agreement for which Company shall have delivered notices of default, whether or not such defaults were cured.

(iv) Developer shall execute and deliver to Company a general release, on a form prescribed by Company of any and all known and unknown claims against Company and its affiliates and their officers, directors, agents, shareholders and employees.

(v) Upon execution of the Renewal Franchise Agreement, Developer shall pay to Company a renewal franchise fee ("**Renewal Fee**") equal to 50% of the Initial Franchise Fee.

(d) Notice Required by Law. If Applicable Law requires that Company give notice to Developer prior to the expiration of the Term, this Agreement shall remain in effect on a week to week basis until Company has given the notice required by such Applicable Law. If Company is not offering new franchises, is in the process of revising, amending or renewing its form of Special Distribution Site Franchise Agreement or franchise disclosure document, or is not lawfully able to offer Developer its Then-Current form of Special Distribution Site Franchise Agreement, at the time Developer delivers its Renewal Notice, Company may, in its sole subjective discretion, (i) offer to renew this Agreement upon the same terms set forth herein for a Renewal Term determined in accordance with Section 2.3 of this Agreement, or (ii) offer to extend the Initial Term hereof on a week to week basis following the expiration of the Initial Term hereof for as long as it deems necessary or appropriate so that it may lawfully offer its Then-Current form of Special Distribution Site Franchise Agreement.

2.4 Certain Rights and Limitations Within Developer's Designated Territory.

(a) During the Term, Company shall not open or operate (directly or through an Affiliate), or license or franchise any other person or Entity to open or operate a Coffee Bean Store within the Designated Territory, subject to the following:

(b) Company expressly reserves the exclusive, unrestricted right, in its sole and absolute discretion, directly and indirectly, to itself and through its employees, Affiliates (including without limitation International Coffee & Tea, LLC ("**ICT**")), representatives, licensees, franchisees, assigns, agents and others:

(i) to own or operate and to license others (which may include its Affiliates) to own or operate: (x) Coffee Bean Stores at any location outside the Designated Territory, regardless of proximity to the Licensed Store; and (z) in the event of a merger or acquisition, stores and other businesses of any type operating under names other than "CBTL" or "The Coffee Bean & Tea Leaf", at any location within and outside the Designated Territory, regardless of its proximity to the Licensed Store.

(ii) to produce, license, distribute, market, and sell food, beverage and non-food products, including Coffee Bean Products, pre-packaged coffee, tea, food, snacks and beverage products; books; equipment; clothing; souvenirs and promotional and novelty items, under the Marks or other marks at any outlet (regardless of its proximity to the Licensed Store or any Coffee Bean Store under development at the Premises, or under consideration by Developer), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of office services, Proudly Pour Sales Agreements, the Internet, mail order catalogs, direct mail advertising and other distribution and licensing methods ("**Alternate Channels of Commerce**") and to use, in connection with such production, licensing, distribution, marketing and sale, 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 the Company, including the Marks.

(iii) to produce, license, distribute, market and sell, single-serve coffee machines under the "CBTL" or other marks and all enhancements, features and accessories, incidental thereto, and single-serve coffee, tea, espresso, and/or powder capsules under the "CBTL" or other marks ("**CBTL-Brand Single-Serve Products**"), through Alternate Channels of Commerce; and

(iv) to license, develop and operate stores under the "CBTL" or other marks (and which may include the "The Coffee Bean & Tea Leaf" Mark and logo), which primarily feature the sale of CBTL-Brand Single Serve Products ("**CBTL-Brand Single-Serve Stores**") within or outside the Designated Territory.

ARTICLE 3
SITE SELECTION, LEASE OF PREMISES AND DEVELOPMENT OF THE LICENSED STORE; OPERATION

3.1 Premises. Developer's Licensed Store shall be located and operated at and only at the Premises.

3.2 Acquisition of the Premises.

(a) Developer's Obligation to Obtain Lease. Unless Developer owns the Premises, Developer shall promptly obtain a lease for the Premises. If Developer already leases the Premises as of the Effective Date, Developer shall obtain the landlord's written consent to the construction and operation of the Licensed Store at the Premises as required by this Agreement. If Developer does not own the Premises and has not signed a lease as of the Effective Date, then Developer shall obtain Company's acceptance of the terms of the lease prior to Developer's execution of the lease. Developer shall not execute a lease which Company has denied, and Developer must deliver a copy of the signed, accepted lease to Company within 15 days after its execution. Any lease, whether executed prior to or after the Effective Date, must be in a form satisfactory to Company and must, unless Company shall otherwise consent in writing:

(i) Provide or be amended to provide for notice to Company of any default by Developer under the lease and provide Company with a right to cure the default. If Company cures any default, the total amount of all costs and payments incurred by Company in curing the default will be immediately due and owing to Company by Developer;

(ii) Provide or be amended to provide that Developer may assign Developer's interest under the lease to Company or Company's Affiliate without the lessor's consent, and provide that it may be further assigned or sublet to a "The Coffee Bean & Tea Leaf" developer approved by Company during the initial term or any renewal term of the Lease; Company reserves the right to reject any site as to which the lessor refuses to stipulate to such a right of assignment;

(iii) Authorize and require or be amended to authorize and require, the lessor to disclose to Company, upon Company's request, sales and other information that Developer furnishes to the lessor;

(iv) Provide or be amended to provide that Company, one of Company's Affiliates or, in the case that Clause (4) below is applicable, Company's assignee may assume the lease:

(1) Upon termination of this Agreement;

(2) If Developer fails to exercise any options to renew or extend the lease;

(3) If Developer commits a default that gives the lessor the right to terminate the lease; or

(4) If Company or its Affiliates or Company's assignee purchases the Licensed Store as permitted by Section 12.6 of this Agreement.

(5) Provide or be amended to provide that the term of the lease shall be equal to or exceed the Term of this Agreement such that Developer shall have the right to occupy the Premises for the full then-current Term of the Agreement.

(6) Provide or be amended to provide that the lease shall automatically terminate upon the termination of this Agreement, subject to Company's option as provided in (iv) above; and

(v) Provide or be amended to provide that upon expiration or termination of the lease for any reason, Developer shall, upon Company's demand, remove all of the Marks from the Premises and modify the decor of the Premises so that it no longer resembles, in whole or in part, a Coffee Bean Store, and if Developer fails to do so, Company will be given written notice and the right from Company or its designee to enter the Premises to make such alterations. Upon execution, Developer shall duly and timely perform all of the terms, conditions, covenants and obligations imposed upon it under the Lease.

(b) Expiration of Lease and Relocation. Developer may not relocate the Licensed Store without Company's prior written consent. In that regard, if (i) a lease terminates without Developer's fault prior to expiration of this Agreement; (ii) the Premises are destroyed, condemned or otherwise rendered unusable as a Coffee Bean Store in accordance with this Agreement; (iii) in the reasonable judgment of Company and Developer, there is a change in the character of the location of the Premises sufficiently detrimental to its business potential to warrant its relocation; or (iv) in the reasonable judgment of Company, the continued operation of the Licensed Store at the Premises is not commercially or economically viable or optimal; then Company will not unreasonably withhold permission for relocation of the Licensed Store to another Special Distribution Site within or approximate to the Designated Territory which meets Company's then-current site criteria, subject to the requirements of this Agreement, including this Article 3 and the rights of then-existing Developers under their franchise agreements with Company. Any such relocation will be at Developer's sole expense. Developer must seek and obtain Company's acceptance of the replacement site and re-open Developer's Coffee Bean Store, which shall conform to Company's plans and specifications which are in effect from time to time, at the new location as soon as reasonably practicable but in no event more than 180 days after the closing of the original location. For purposes of clarity, the expiration of a lease on its terms prior to the expiration of this Agreement shall not be considered a termination without Developer's fault that would entitle Developer to relocate the Store pursuant to this Section 3.2(b). Except to the extent a right to relocate is required by law, Developer shall not be entitled to relocate the Licensed Store pursuant to this Section 3.2(b) or otherwise more than once during the Term and any store relocations shall, at Company's option, be deemed a new Store requiring, without limitation, (i) the execution of a new Franchise Agreement on Company's Then-Current form and payment of an Initial Franchise Fee, or a renewal of this Agreement subject to the conditions precedent to renewal set forth Section 2.3(c) above; (ii) Developer's de-identification of the former location in the manner described in Section 12.4; and (iii) Developer's reimbursement of Company's costs incurred in connection with the relocation; provided, however, that so long as the relocation is done in accordance with this Section 3.2(b), it shall not be considered an abandonment of the original Premises that would otherwise obligate Developer, without limitation, to pay liquidated damages pursuant to Section 12.7.

(c) Effect of Company's Acceptance of Lease. Company's acceptance of a lease for the Premises does not constitute an express or implied warranty by Company as to the suitability of the site for a Coffee Bean Store or for any other purpose, or that the operation of a

Coffee Bean Store operated at the Premises will necessarily be successful or profitable. The acceptance indicates only that Company believes the Premises and the terms of the lease fall within the acceptable criteria established by Company as of the time period encompassing the evaluation. Both Developer and Company acknowledge that application of criteria that have been effective with respect to other sites and premises in the United States, or elsewhere, may not be predictive of potential for a specific site and that, subsequent to Company's acceptance of a site, demographic and/or economic factors, including competition from other food businesses, included in or excluded from Company's criteria, could change, thereby altering the potential of a site. The uncertainty and instability of the factors included in the criteria are beyond Company's control and Company will not be responsible to Developer for the failure of the site to meet expectations as to potential revenue or operational criteria. Developer's acceptance of a franchise for the operation of a Coffee Bean Store at the site is based on Developer's own independent investigation of the suitability of the site.

3.3 Licensed Store Development.

(a) Plans and Specifications. Developer is responsible for constructing and developing the Licensed Store. Promptly following Company's acceptance of Developer's Premises and Developer's execution of a lease for the Premises (if Developer does not already own or lease it), Company shall deliver to Developer one copy of the current master template plans and specifications (the "**Template Plans**") for a Coffee Bean Store. Developer shall modify and revise such Template Plans for a Coffee Bean Store at the Premises in accordance with the Manuals, which revisions shall include Developer engaging Company's designated (or if not designated, accepted by Company) design professionals (including architects and interior designers) and construction contractor who will prepare the necessary revisions to modify the Template Plans to conform with all applicable ordinances, building codes and permit requirements. Developer must comply with these plans and specifications and with all applicable ordinances, building codes and permit requirements and with lease requirements and restrictions. Developer shall submit construction plans and specifications to Company for Company's approval before construction of the Licensed Store commences, and Developer shall submit all revised plans and specifications to Company for Company's approval during the course of construction. Upon completion of construction, Developer shall provide Company with a set of "as built" plans, photos and specifications.

(b) Architect; Interior Designer; Contractors. All design and construction work will be done by competent, licensed professionals, including licensed architects and contractors. If any design or construction professional (including the architect, general contractor or subcontractors) selected by Developer (and accepted by Company) fails to construct the Licensed Store on schedule and in accordance with Company's standards and specifications, to the reasonable satisfaction of Company, Company reserves the right to require Developer to use an architect, general contractor, and/or subcontractors designated by Company. In such event, Company may also require Developer to use a construction manager or other construction management services designated by Company. Company's acceptance in the instances described in this subsection will not be unreasonably withheld.

(c) Acknowledgment. Developer acknowledges that Company has the right, but no obligation, to designate architects, contractors, and other design and construction professionals to help insure consistency, uniformity, and quality within the System. However, Developer also acknowledges and agrees that neither Company nor Company's Affiliates are liable to Developer in any way for the work performed by any architect, contractor, or other design or construction professional or for any other acts or omissions of any architect, contractor, or other design or construction professional, regardless of whether or not the architect, contractor, or other design or construction professional was designated, approved or accepted by Company.

(d) Company's Inspection Rights. Company, Company's Affiliates, and Company's consultants and agents have the right to inspect the Premises and the construction work from time to time during the course of construction to verify the progress of construction and Developer's compliance with the terms of this Agreement. Developer shall reimburse Company for the reasonable costs and expenses of Company and Company's Affiliates incurred in making these inspections, including payments to consultants and agents retained by Company or Company's Affiliates to assist in making the inspections and including a reasonable allocation of overhead and administrative expense. Developer acknowledges that these inspections are for Company's sole benefit and that Developer is not entitled to rely on those inspections for any purpose.

(e) Development Obligations. Within 90 days following the date Effective Date, Developer shall do each of the following:

(i) Secure all financing required to develop and operate the Licensed Store;

(ii) Obtain all required building, utility, sign, health, sanitation, business, environmental and other Permits and licenses required for construction and operation of the Licensed Store and, upon request, promptly provide evidence of such Permits to Company;

(iii) Construct all required improvements to the Premises and decorate the Licensed Store in compliance with plans and specifications that Company approves;

(iv) Purchase and install all fixtures, furnishings, equipment and signs required for the Licensed Store. However, Company reserves the right, in Company's sole discretion, to install all required signs at the Premises at Developer's sole expense; and

(v) Purchase an opening inventory of Coffee Bean Products, materials and supplies.

3.4 Fixtures, Furnishings, Equipment and Signs.

(a) In developing and operating the Licensed Store, Developer shall use only the fixtures, furnishings, equipment (including cash registers and computer hardware and software) and signs that Company requires and has approved for Coffee Bean Stores as meeting the specifications and standards for quality, design, appearance, function and performance. Company reserves the right to designate approved suppliers for some or all of the fixtures, furnishings,

equipment and signs. Developer shall place or display at the Premises (interior and exterior) only the signs, emblems, lettering, logos and display materials that Company approves in writing, subject to Company's right to install all required signs at the Premises as provided above. All fixtures, furnishings and equipment used in connection with the operation of the Licensed Store will be free and clear of all liens, claims and encumbrances, except for liens, claims or encumbrances asserted by Company or its Affiliates and except for third party purchase money security interests and third-party equipment leases.

(b) Subject to Section 3.4(c), Developer shall maintain at least one visibly prominent approved "Coffee Bean & Tea Leaf" sign on the front of the building in which the Premises is located, or as near the front and as visually prominent as practically possible consistent with Developer's leasehold and other real property rights and obligations, identifying the Premises as containing a "Coffee Bean & Tea Leaf " Store, which shall conform in all material respects to Company's specifications and requirements and the layout and design plan approved for the Premises, subject to such modifications to which Company may agree to overcome any Sign Restrictions (the "**Required CBTL Sign**").

(c) If Developer is prevented from installing the Required CBTL Sign, Developer shall promptly notify Company of the nature of such Sign Restrictions and what Developer proposes to do to resolve them. If the proposed site has Sign Restrictions under Applicable Law, Developer agrees (i) to take and diligently pursue commercially reasonable measures to seek and obtain a variance to permit such installation, or (ii) to remove, or substitute a smaller sign in place of, one or more existing exterior signs on the Premises which would enable Developer to install a Required CBTL Sign without violating Applicable Law. If the proposed site has Sign Restrictions under Developer's lease, Developer shall request its landlord consent to the installation of such Required CBTL.

(d) Company shall not require Developer to install a Required CBTL Sign if:

(1) in the case of a Sign Restriction under Applicable Law, Developer has taken commercially reasonable and diligent measures, but cannot obtain a variance, and such Sign Restrictions cannot be overcome by taking the measures described in Subsection 3.4(c)(ii); or

(2) in the case of a Sign Restriction under Developer's lease; or Developer shall not have received landlord consent to install the Required CBTL Sign, within 90 days after submitting a written request for same and exercising reasonable diligence to prosecute such request; or the landlord will grant consent only if Developer accepts a rent increase, agrees to make a payment (other than a reasonable processing or administrative fee, or reimbursement of landlord's attorney's fees or other expenses, to evaluate Developer's request), or other concession or change to Developer's lease with such landlord.

3.5 Licensed Store Opening. Developer will not open the Licensed Store for business until:

(a) Developer has completed construction of the Licensed Store in accordance with the requirements of Sections 3.2, 3.3 and 3.4 of this Agreement;

(b) Company accepts the Licensed Store;

(c) Developer and Developer's Licensed Store personnel have completed the required pre-opening training to Company's satisfaction within 60 days prior to the Licensed Store opening, or if such training has been completed more than 60 days prior to opening, Developer and Developer's Licensed Store personnel shall have completed such refresher training within 60 days prior to opening as Company may require; and

(d) Company has received evidence that Developer has obtained all insurance coverages required by Section 6.12 of this Agreement and that the insurance is in full force and effect. Developer shall open the Licensed Store for business within 5 days after Company notifies Developer that the conditions set forth in this Section 3.5 have been satisfied, but in any event within 270 days after the Effective Date. Developer's Licensed Store will be deemed to be open when Developer first commences the sale of Coffee Bean Products from the Premises to the general public.

3.6 Grand Opening Promotion. Developer shall conduct a grand opening advertising and promotion program for Developer's Licensed Store, expending no less than $10,000 on such program. Developer's grand opening promotion:

(a) Is in addition to advertising and promotion required by Article 7 of this Agreement;

(b) Will utilize marketing and public relations programs and media and advertising materials approved by Company, in the manner specified in Article 7; and

(c) Will be conducted in accordance with any specifications and standards prescribed by Company and in accordance with a grand opening plan which Developer prepares and submits to Company for approval at least 45 days prior to the opening date of the Licensed Store.

3.7 Continuous Operation; Supervision.

(a) Continuous Operation Covenant. Once the Licensed Store is open for business, Developer must continuously operate the Licensed Store for not less than the Operating Hours set forth in Section 1.2; provided, however, that Company will not unreasonably withhold its consent to different hours of operation on a case by case basis where required by Applicable Law or where, for example, differing shopping center hours are mandated by the lessor.

(b) On-Site Supervision. Developer (or one of Developer's trained principal Owners) or other representative of Developer who has been fully trained and certified by Company) must spend at least 8 hours per Week in actual, on-site supervision of the Licensed Store. Without limiting the foregoing, Developer shall cause a General Manager, or an assistant-store manager, trained in accordance with the Systems Standards, to provide on-site supervision of the Licensed Store during all times when such Licensed Store shall be open to the public.

3.8 Coffee Bean Products. In operating Developer's Licensed Store, Developer may offer for sale only those Coffee Bean Products that Company approves in writing from time to time for Developer to sell at the Premises. The Coffee Bean Products that Developer initially is authorized to offer at Developer's Licensed Store shall be designated by Company from among the categories specified in **Exhibit "B."** In the future, Company may change, impose conditions upon, add to, or eliminate which Coffee Bean Products Developer is authorized to offer at the Premises, and without limiting the foregoing, Company may authorize Developer to offer and sell CBTL-Brand Single-Serve Products at the Licensed Store (subject to subsequent changes, conditions and elimination of the same as authorized products). Developer must offer all Coffee Bean Products that Company authorizes Developer to sell; however, Company is not required to authorize Developer to sell all available Coffee Bean Products. Developer shall not offer for sale or sell any alcoholic beverages without the prior written consent of Company.

3.9 Store Refresh. Without liming Developer's obligations hereunder to maintain the condition and appearance of the Licensed Store in accordance with the System Standards and in addition to Developer's obligations under Section 2.3(c)(ii), but not more frequently than once every 5 years during the Term, Company may require Franchisee, at Franchisee's sole cost and expense, to refurbish, renovate and improve the Licensed Store to conform to the Then-Current System Standards. Such renovation may include structural changes to the Licensed Store and replacement or modification of FF&E, décor, and trade dress as well as such other changes as Company may direct. Developer shall undertake such work upon notice from Company, and shall complete any such remodeling as expeditiously as possible, but in any event within 90 days of commencing same, unless Company agrees in writing to a longer period of time. Developer shall provide Company with a time schedule for the construction and renovation of the Licensed Store. Company shall not be liable to Developer on account of any lost income, profits, opportunities, or otherwise as a result of being required to undergo the renovation.

ARTICLE 4
TRAINING AND GUIDANCE

4.1 Training.

(a) Company Training and Assistance.

(1) If this Agreement pertains to the first Coffee Bean Store owned or operated by Developer (or Developer's Affiliates), then Company shall provide, or cause to be provided, the following training to Developer:

(i) A 15-day (as determined by Company in its reasonable business judgment) initial training program ("**Initial Training**") for the Director of Operations and General Manager. The Initial Training shall be held at Company's corporate offices, at a Company-owned or Affiliate-owned Coffee Bean Store in Southern California, or such other place or places as may be designated by Company. The Initial Training will focus on Coffee Bean Store operations and management and may include such matters as Coffee Bean Store operations, sales and marketing techniques and guidelines, site selection criteria, lease negotiation guidelines, administrative and financial guidelines, public relations, and monitoring of Coffee Bean Store operations. Training will be conducted by Company's management or individuals approved by

such management. Company shall not pay any salary for on-the-job training, and all wages, salary, transportation, food and personal expenses of those individuals attending training shall be the sole responsibility of Developer. Following the successful completion of the Initial Training as provided above, Developer's certified General Manager shall, at Developer's sole cost, train the employees at the Licensed Store. All costs and expenses of Coffee Bean Store staffing and training shall be borne exclusively by Developer, except as otherwise expressly provided herein to the contrary.

(ii) In addition to the Initial Training, a 5-day training program for one Owner and one other person designated by Developer and accepted by Company (the "**Owner Training**"). The Owner Training shall be held at Company's corporate offices, at a Company-owned or Affiliate-owned Coffee Bean Store in Southern California, or such other place or places as may be designated by Company. The Owner Training will focus on the System and concept and overall operations of Coffee Bean Stores and may include such matters such as, marketing, equipment and maintenance, leadership, financial reporting, and labor management. Training will be conducted by Company's management or individuals approved by such management. Company shall not pay any salary for on-the-job training, and all wages, salary, transportation, food and personal expenses of those individuals attending training shall be the sole responsibility of Developer.

(iii) If Developer's General Manager does not satisfactorily complete the Initial Training program, Company has the right to terminate this Agreement pursuant to Section 12.2 of this Agreement.

(2) In addition to the Initial Training described in Section 4.1(a)(1) of this Agreement, Company shall:

(i) send 1-3 training or operations staff members to the Licensed Store for a period of up to 15 days, commencing at or around the scheduled opening date of the Licensed Store, if the Licensed Store is the first Coffee Bean Store owned or operated by Developer (or its Affiliates), to provide additional training and assistance to Developer; or

(ii) send 1-2 training or operations staff members to the Licensed Store for a period of up to 10 days, commencing at or before the scheduled opening date of the Licensed Store, if the Licensed Store is the second or third (but not subsequent) Coffee Bean Store owned or operated by Developer (or its Affiliates) to provide additional training and assistance to Developer.

(3) Developer shall reimburse Company for, or at Company's request advance, all costs (except salary) and expenses for travel, meals and lodging incurred by Company, its Affiliates, and their personnel in connection with the assistance to be provided in Section 4.1(a)(ii) of this Agreement (first class airfare and lodging accommodations in the case of its senior executives, and business class in all other cases).

(4) Developer shall have the right to inquire of Company headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Coffee Bean Stores, by telephone or correspondence, and Company shall use its best efforts

to diligently respond promptly to such inquiries. Developer shall provide all necessary training, assistance and consultation required for its employees at Developer's sole cost and expense.

(5) Developer acknowledges that Company has demonstrated consistency and high standards of services and methods of operation. Accordingly, Developer and Company agree to Company's control over the quality of the products and services being offered by Developer and the image, appearance, style and methods of operations of the Coffee Bean Stores, all of which the parties intend to be observed for the benefit of Company and Developer.

(6) Upon Developer's request, Company may in its discretion, send one or more representatives to Licensed Store to assist Developer. Such assistance shall be subject to Company's scheduling needs, availability of personnel, legal restrictions. Developer shall pay the reasonable travel and living expenses incurred by such representatives, and reimburse Company or its Affiliates, as applicable, for the representatives' direct and indirect salary and related payroll costs.

(b) Training by Developer. Prior to the Licensed Store's opening, Developer shall employ and continue to employ throughout the Term at least one General Manager to manage the Licensed Store. Before the opening of the Licensed Store, Developer shall cause all Licensed Store employees to receive not less than 7 days initial training in all aspects of Coffee Bean Store operations, including drink making, in strict accordance with the System Standards, which training shall be provided by Developer's certified General Manager who has been certified by the Developer to train such Licensed Store employees. Developer shall similarly provide all subsequently hired Licensed Store employees to receive not less than 7 days initial training in all aspects of Licensed Store operations, which training may be provided at the Licensed Store during normal working hours, in accordance with such in-Licensed Store training methods and procedures as Company may establish from time to time.

(c) Refresher Training. Company, at its sole discretion, may provide on an optional or mandatory basis, such supplemental or additional training programs as Company may deem necessary or appropriate for the proper operation of the Licensed Store, and in the case of mandatory training Company may require Developer, and/or its General Manager to attend. Developer shall pay Company's then-current, reasonable training charges and expenses which Company may impose for optional courses, but Company shall not impose a charge fee for mandatory supplemental or additional training programs. In any event, Developer shall pay all travel, living, compensation, and other expenses, if any, incurred by Developer and/or Developer's employees in connection with attending such additional training.

4.2 Manuals. If Company has not already done so, Company will loan to Developer during the Term of the Franchise one copy of the Manuals, or at Company's option, Company will make the Manuals available to Developer on the Intranet. Developer shall operate the Licensed Store in strict compliance with the standard procedures, policies, rules and regulations set forth in the Manuals. The Manuals shall be modified from time to time to reflect changes and improvements in the image, specifications, standards, procedures, Coffee Bean Products, System, and System Standards which shall be disclosed to Developer. However, no addition or modification will be made that would alter Developer's fundamental status and rights under this Agreement. Company shall loan one copy of each subsequent revision to the Manuals, or make

such revisions available to Developer on the Intranet or extranet. Such revisions shall become effective upon Developer's receipt thereof. Company shall maintain a "master copy" of the Manuals, as revised from time to time, and in the event of a dispute over the content of the Manuals, the version maintained by Company shall control. Company intends to post such "master copy" on the Intranet, to which Developer shall be allowed electronic access, subject to the then-current terms of use. Developer may not at any time copy any part of the Manuals, either physically or electronically. Developer must keep Developer's copy of the Manuals at Developer's Licensed Store at all times. If Developer's copy of the Manuals is lost, destroyed or significantly damaged, Developer will be obligated to obtain from Company, at Company's then-applicable charge, a replacement copy of the Manuals. Developer acknowledges that the Manuals belong to Company, and, upon termination of this Agreement, Developer will return the Manuals to Company.

4.3 Guidance and Operating Assistance. Although Company does not have an obligation to do so, Company may advise Developer from time to time of operating problems of the Licensed Store which come to Company's attention. At Developer's request, Company will furnish to Developer guidance and operating assistance in connection with:

(a) Methods, standards, specifications and operating procedures utilized by Coffee Bean Stores;

(b) Purchasing required fixtures, furnishings, equipment, signs, Coffee Bean Products, materials and supplies;

(c) Advertising and promotional programs;

(d) Employee training; and

(e) Administrative, bookkeeping, accounting and general operating and management procedures.

The guidance and assistance may, in Company's discretion, be furnished in the form of references to the Manuals, bulletins and other written materials, electronic computer messages, telephonic conversations and/or consultations at Company's or its Affiliate's offices or at the Licensed Store. Company will not be liable to Developer or any other person, and Developer waives all claims for liability or damages of any type (whether direct, indirect, incidental, consequential, or exemplary), on account of any guidance or operating assistance offered by Company in accordance with this Section 4.3, except to the extent caused by Company's gross negligence or intentional misconduct. Developer shall pay Company's then-current charges for the additional assistance indicated in this Section 4.3.

4.4 Annual Conference. Company intends to host an annual conference or meeting of franchisees and developers in which case one of Developer's Owners or its General Manager shall be obligated to attend. Company will not charge a registration fee to attend, but Developer will bear all of the Travel Expenses of its attendees to attend such meeting and, in that regard, Developer may be required to pay a fee to Company to pay for a portion of Developer's attendees' meals and/or local transportation provided by Company at the annual conference.

ARTICLE 5
FEES

5.1 The Initial Franchise Fee. Developer shall pay Company or its designee a franchise fee equal to the Initial Franchise Fee upon execution of this Agreement. The Initial Franchise Fee is deemed fully earned upon execution of this Agreement and is not refundable. The Initial Franchise Fee represents payment for Developer's right to use the Marks and the System in the development and operation of Developer's Licensed Store.

5.2 Store Technology Initial Fee. Developer shall pay Company or its Designee, concurrently with the Initial Franchise Fee, the Store Technology Initial Fee. The Store Technology Initial Fee represents payment for the initial deployment and set-up of the point-of-sale system and related payment platforms and computer hardware. The Store Technology Initial Fee is deemed fully earned when paid and is nonrefundable once the point-of-sale system is installed.

5.3 Royalty Fee. Developer shall pay Company or its designee within 10 days following the end of each Accounting Period a royalty fee (the "**Royalty Fee**") equal to the product of the Royalty Rate multiplied by the Licensed Store's Gross Revenues during such Accounting Period but in no event less than the Guaranteed Minimum Royalty, beginning with the month in which a Licensed Store first opens to the public, or 270 days after the Effective Date, whichever is sooner (the "**Minimum Royalty Commencement Date**"). If the Minimum Royalty Commencement Date occurs other than on the first day of a month, the Guaranteed Minimum Royalty for the first calendar month for which a Guaranteed Minimum Royalty is due will be prorated based on a 30-day month.

5.4 Café Technology System Fee. Upon at least 30 days' prior written notice from Company, Developer shall pay to Company or its designee concurrently with its Royalty Fee payments, Company's Then-Current café technology system fee (the "**Café Technology System Fee**") as determined by Company in its reasonable discretion, but which shall not exceed $1,500 collectively per Accounting Period. The Café Technology System Fee is payment to Company and its Affiliates for the ongoing subscription and/or participation fees for the point-of-sale system, database management and related payment platforms and support.

5.5 Central Marketing Fee. Developer shall pay to Company or its designee concurrently with its Royalty Fee payments, a central marketing fee equal to the product of the Central Marketing Fee Rate multiplied by the Licensed Store's Gross Revenues during each Accounting Period (the "**Central Marketing Fee**"); provided that Developer shall expend not less than 1% of Developer's monthly Gross Revenues on local advertising in accordance with this Agreement; and provided further that, Company shall have the right to increase the aggregate Central Marketing Fee Rate and foregoing local adverting spend to 4% of the Licensed Store's Gross Revenues per Accounting Period. Company shall cause the Central Marketing Fee to be contributed to the Marketing Program, which shall be administered in the manner provided in Section 7.1 of this Agreement.

5.6 Advertising and Promotional Materials Fee. Developer shall pay to Company or its designee concurrently with its Royalty Fee payments, an advertising and promotional materials

fee equal to the product of the Advertising and Promotional Materials Rate multiplied by the Licensed Store's Gross Revenues during each Accounting Period (the "**Advertising and Promotional Materials Fee**").

5.7 Customer Facing Technology Fee. Developer shall pay to Company or its designee concurrently with its Royalty Fee payments Company's Then-Current customer facing technology fee as determined by Company in its reasonable discretion, but which shall not exceed $750 collectively per Accounting Period (the "**Customer Facing Technology Fee**"). The Customer Facing Technology Fee is payment to Company and its Affiliates for use and access to the customer loyalty application, online ordering platform, payment gateway and other related customer facing technology, including capital recoupment for the continued development thereof.

5.8 Consultant Fee. If this Agreement is for one of Developer's first 2 Coffee Bean Stores (or its first Kiosk), then Developer may be required by Company to retain a consultant, as designated (or otherwise approved) by Company, and who may be a Company or Affiliate employee or other representative, at Developer's cost (not to exceed $30,000 for each Coffee Bean Store, or $20,000 if the Coffee Bean Store is a Special Distribution Kiosk), exclusive of travel, accommodation and out-of-pocket expenses) to supervise the operational establishment of the Licensed Store.

5.9 Late Charge; Interest on Late Payments; Payment Due Dates. All payments to Company or any Company Affiliate shall be payable in U.S. currency in immediately available funds. Developer shall make all filings and submissions required by Applicable Law. If Developer shall fail to pay to Company or its Affiliates the entire amount of any payment due hereunder promptly when due, Developer shall pay to Company or its Affiliates, as appropriate, in addition to all other amounts which are due but unpaid (excluding the late fee described below), interest on the unpaid amounts, from the due date thereof, at the rate of 1.5% per month, or the highest rate allowable under Applicable Law, whichever is less. In addition, Company may, at its option, charge a late fee of up to $100 for each delinquent payment. The parties stipulate that such late fee represents a reasonable estimate of the additional administrative costs which will be incurred by Company and which shall be in addition to and not in lieu of any other remedies available to Company at law or in equity on account of any such default. This Section does not constitute Company's or Company's Affiliates' agreement to accept payments after they are due or a commitment by Company or Company's Affiliates to extend credit to Developer or otherwise to finance the operation of the Licensed Store. Company further reserves the right, exercisable upon advance written notice to Develop, to require payment of the Royalty Fees, and any or all other fees payable concurrently therewith, on a Weekly basis, rather than each Accounting Period.

5.10 Application of Payments. Regardless of any designation by Developer, Company has sole discretion to apply any payments by Developer to any of Developer's past due Royalty Fees, purchases from Company or Company's Affiliates, interest or any other amounts owed to Company or Company's Affiliates. Unless otherwise agreed in writing by Company, all payments due to Company or its Affiliates and designees are nonrefundable.

5.11 Electronic Funds Transfers; Estimated Gross Revenues. At Company's request, Developer must make the payments due to Company and Company's Affiliates under this Agreement by electronic funds transfers, and Developer must comply with the methods and

procedures specified by Company and perform the acts and sign the documents, including **Exhibit "E"** hereto, as may be modified from time to time by Company, and such other authorization forms that Developer's bank and Company's bank may require to accomplish payment by electronic funds transfer. Under this procedure, Developer will be required to authorize Company to initiate debit entries and/or credit collection entries to a designated checking or savings account for payments of fees and other amounts, including late charges and interest, payable to Company and Company's Affiliates. Developer will make the funds available to Company for withdrawal by electronic transfer no later than the required payment due date. If Developer has not timely reported Developer's Gross Revenues to Company for any reporting period, or if Company is otherwise unable to access and accurately determine Developer's Gross Revenues for any reporting period, then Company may, at its option, estimate such Gross Revenues, and calculate the corresponding fees which shall be due by Developer hereunder, and debit or otherwise recover such fees from Developer, based on (a) an average of the Gross Revenues during the last prior twelve reporting periods for which a report of Gross Revenues was provided to or obtained by Company (or during all reporting periods for which a report of Gross Revenues was provided to or obtained by Company if fewer than twelve in total have been reported), or (b) the information for the applicable reporting period(s) that Company is able to retrieve from Developer's computer system and/or point-of-sale software.

ARTICLE 6
ADDITIONAL OBLIGATIONS

6.1 System Standards.

(a) Developer acknowledges and agrees that the operation of the Licensed Store in accordance with the System Standards is the essence of this Agreement and is essential to preserve the goodwill of the Marks and all Coffee Bean Stores. Therefore, at all times during the term of this Agreement, Developer will maintain and operate the Licensed Store strictly in accordance with each of the System Standards. The System Standards are set forth in the Manuals. System Standards may include standards, specifications, requirements and restrictions concerning some or all of the following matters pertaining to the Licensed Store:

(i) Design, layout, decor, appearance and lighting; periodic and daily maintenance, cleaning and sanitation; replacement of obsolete or worn-out fixtures, furnishings, equipment and signs; use of interior and exterior signs, emblems, lettering and logos and the illumination thereof;

(ii) Types, specifications, models, brands, maintenance and replacement of required equipment, fixtures, furnishings and signs;

(iii) Approved, disapproved and required Coffee Bean Products and other items and services to be offered for sale;

(iv) Designated and approved suppliers (including Company or Company's Affiliates) of equipment, fixtures, furnishings, signs, Coffee Bean Products, other food products, materials and supplies;

(v) Required use of designated or approved computer hardware and software systems and equipment, including electronic or computerized point of sale register systems, with telecommunications capability, which shall permit Company or its Affiliate to poll on a daily basis at time(s) selected by the Company, such computerized system and/or the point of sale system to retrieve and store sales, sales mix, usage, and operations data, as well as the required execution of software license, use, support, and maintenance agreement(s) in connection therewith;

(vi) Required use of "loyalty cards," "loyalty programs," "kitchen expeditors," and online and mobile ordering and programs and applications;

(vii) Required use of or participation in Company's or its Affiliates' data warehouse (or third party data warehouse) program;

(viii) Required maintenance of a high-speed internet data connection (or other connection required from time to time by Company) and dedicated telephone data lines;

(ix) Use or non-use of credit and debit cards, check verification services, stored value cards and electronic fund transfer systems and/or other non-cash systems;

(x) Payment of vendors; terms and conditions of sale and delivery of and payment for Coffee Bean Products, materials, supplies and services sold to Developer by Company, Company's Affiliates or unaffiliated suppliers;

(xi) Marketing, advertising and promotional activities and materials required or authorized for use which Developer agrees may include advertising in Developer's Licensed Store of Coffee Bean Products not available in Developer's Licensed Store;

(xii) Use of the Marks;

(xiii) Qualifications, training, dress, appearance and staffing of employees;

(xiv) The manner in which Developer's employees working at the Licensed Store receive training in the System, including the content, duration and scope of such training;

(xv) Prohibitions against Developer's introduction of any modifications to the System or the Licensed Store without the prior written consent of Company;

(xvi) Minimum hours of operation;

(xvii) Methods, standards, specifications, and operating procedures for Coffee Bean Stores, including quality and customer service requirements, adherence to the "SPMS" store quality management scheme, sales terms and terms under which Developer is required to guarantee customer satisfaction with Coffee Bean Products, accept returns, and provide replacement products;

(xviii) Restrictions on the storage, use, or sale of old materials, supplies, or products, and requirements relating to the disposition of old or unsalable Coffee Bean Products;

(xix) Participation in market research and testing and product and service development programs and applications designated by Company;

(xx) Management by full-time managers who have successfully completed Company's required training program; communication of the identities of the managers and other personnel with management or supervisory responsibilities; replacement of managers and other personnel whom Company determines to be unqualified to manage or supervise the Licensed Store; and other matters relating to the management of the Licensed Store and its management personnel;

(xxi) Bookkeeping, accounting, data processing and record keeping systems and forms and methods, formats, content and frequency of reports to Company or its Affiliate of sales, revenues, financial performance and condition, tax returns, and other operating and financial information, including the procedures for providing periodic (currently Weekly) sales information of the Licensed Store to Company or its Affiliate, and that Developer will allow;

(xxii) Types, amounts, terms and conditions and approved underwriters and brokers of public liability, product, business interruption, crime loss, fire and other required insurance coverage; Company's and/or its Affiliates' rights under the policies as additional named insureds; required or impermissible insurance contract provisions; assignment of policy rights to Company or its designee; periodic verification of the coverage that must be furnished to Company or its designee; Company's right to obtain insurance coverage for the Licensed Store at Developer's expense if Developer fails to obtain required coverage; Company's and its Affiliates' right to defend claims; and similar matters relating to insurance and insured and uninsured claims;

(xxiii) Compliance with applicable laws, rules, and regulations (including those relating to design, building codes, zoning, health, safety, or sanitation); obtaining required licenses and permits; adherence to good business practices; observing high standards of honesty, integrity, fair dealing and ethical business conduct in all dealings with customers, suppliers and with Company and Company's Affiliates; and notification to Company if any action, suit or proceeding is commenced against Developer or the Licensed Store; and

(xxiv) Regulation of the other elements and aspects of the appearance, operation of and conduct of business as Company determines from time to time, in Company's sole discretion, to be required to preserve or enhance the efficient operation, image or goodwill of Coffee Bean Stores and the Marks.

(b) The System Standards may be periodically modified by Company, and Developer acknowledges that the modifications may obligate Developer to invest additional capital in the Licensed Store and to incur higher operating costs. Developer shall incorporate all such modifications within the time periods that Company specifies. All references to this Agreement include all System Standards as periodically modified by Company.

(c) Without limiting the generality of the foregoing, Developer shall comply with all Applicable Laws, including, federal, state and local safety and health laws and regulations, with respect to its operations. In the event the conduct of the preparation and/or sale of the Coffee Bean Products at the Licensed Store, pursuant to this Agreement, constitutes an imminent danger to the public health and if Developer fails to correct or eliminate the conduct creating such danger within twenty-four (24) hours (or shorter period if the danger requires a shorter period to correct or eliminate the danger), after written notice from Company demanding any such correction, Developer must, upon written notice from Company, immediately temporarily cease operating the Licensed Store, in which case Developer shall waive and hold Company and its Affiliates harmless from any and all liability arising out of or related to the closure of the Licensed Store or the cessation of the dangerous conduct or condition. The Licensed Store may not reopen until Company, in its reasonable discretion, determines that the conduct or practice that created the danger has been eliminated and will not be repeated. Without limiting anything in this Agreement, neither Company nor any of its Affiliates shall be liable for, and Developer shall indemnify and hold Company and its Affiliates harmless from, any and all losses, damages or liabilities incurred by Developer, directly or indirectly, as a result of Developer's production and use of fresh coffee extract notwithstanding the Company's receipt and review of the inspection reports referred to above.

6.2 Performance of Duties and Obligations. Developer will at all times faithfully, honestly and diligently perform Developer's obligations under this Agreement and Developer will continuously exert Developer's best efforts to promote and enhance the business of the Licensed Store. Further, Developer's Director of Operations, if applicable, shall devote his/her full time, attention and effort to the development, support and operation of Developer's Stores and the obligations as provided in this Agreement. If the Director of Operations has or later intends to engage in any other business interests, then Developer shall immediately provide notice to Company of such other business interests. Such notice shall include the name of the other business interest(s); the identity of the person(s) or entity(ies) that own the business; a disclosure of the Director of Operations' ownership interest in such business, if any; a description of the business; a summary of the Director Operations' involvement with such business; a list of pertinent contact information for such business, including its address, phone number(s), fax number(s), and any website address(es); and such other information as Company may reasonably request. Company shall have the right to require that Developer designate a replacement Director of Operations or confirm that the Director of Operations shall cease its other business interests if Company determines, in its sole discretion, that any such other business will impair or otherwise prevent the Director of Operations from fulfilling its duties and responsibilities.

6.3 Employees. Subject to Developer's compliance with the System Standards and terms of this Agreement, Developer shall hire all employees of the Licensed Store, and Developer will be exclusively responsible for the terms of their employment and compensation, for their proper training, and for compliance with all Applicable Laws, including applicable insurance, employment and payroll laws, rules, and regulations.

6.4 Restrictions on Operations and Customers. Developer may not operate the Licensed Store at any site other than the Premises without Company's prior written consent. Developer may not sell Coffee Bean Products approved for sale or services of the Licensed Store

or any materials, supplies, or inventory bearing the Marks at any site other than the Premises without Company's prior written consent. However, this restriction will not apply to the offering of samples of Coffee Bean Products approved for sale at or directly in front of the Licensed Store. In addition, Developer may not sell to anyone any materials, supplies, or inventory used in the preparation of any Coffee Bean Products, except as permitted in the Manuals. Developer may only sell finished Coffee Bean Products that have been approved for sale and then only to retail customers. Developer may not sell any Coffee Bean Products to any person or entity purchasing the Coffee Bean Products for resale. Developer shall use its best efforts to ensure that the Gross Revenues in each Accounting Period from the sale of coffee, espresso drinks, and premium teas shall not be less than 80% of the total Gross Revenues derived from the sale of all food and drinks during such Accounting Period. Upon written notice from Company that Developer's sales mix is not in conformity with the foregoing, Developer shall be given at least 30 days to readjust its sales mix to the required allocation, failing which Company shall have the right to terminate this Agreement.

6.5 Accounting, Reports and Financial Statements. Developer shall establish and maintain accurate and complete books and records concerning the business of the Licensed Store. Accordingly, Developer shall furnish the following information, data, and reports to Company or its designated Affiliate on the forms and in the manner (i.e., via email, facsimile, mail, or other method selected from time to time by Company) that Company prescribes from time to time:

(a) Sales Reporting. Not later than 2 days following the end of each Week (or such other period as may be specified by Company from time to time, including without limitation daily reporting), reports for the Licensed Store indicating for the previous Week the Weekly and daily sales information and guest count for such period;

(b) Statistical Reports. Not later than 10 days following each Accounting Period, reports for the Licensed Store indicating for the previous Accounting Period the: Royalty Fee, Advertising and Promotional Materials Fee and Central Marketing Fee computations and Gross Revenues;

(c) Monthly Financials. Within 20 days after the end of each Accounting Period, complete monthly financial statements for the Licensed Store for the previous Accounting Period (i.e., balance sheets, statements of operations, cash flows and retained earnings);

(d) Advertising Reports. Within 45 days after the end of each Accounting Period, an advertising and marketing report detailing all press articles, advertising, print, artwork, budget information, and local marketing activities; and in the form required by Company or its authorized representatives;

(e) Annual Reports. Within 90 days after the end of each of Developer's fiscal years, audited financial statements (i.e., balance sheets, statements of operations, cash flows and retained earnings) for the Licensed Store as of the end of that fiscal year, and prepared in accordance with GAAP consistently applied, and prepared by an independent auditor approved by Company; and

(f) Tax Returns or Statutory Filings. Within 10 days after tax returns or other statutory filings required by Applicable Law are filed, exact copies of federal and state income, sales and any other required tax returns or statutory filings, and the other forms, records, books and other information as Company may periodically require.

Each report and financial statement will be signed and verified by Developer in the manner Company specifies. Company and its Affiliates may disclose data derived from the sales reports to other existing and prospective developers and licensees. Company and its Affiliates may, on a daily basis (or other periodic basis), access the database contained in the computerized records of the Licensed Store and transfer the data from Developer's database to Company's database. Company and its Affiliates may also access the data base contained in the computerized records of the Licensed Store to obtain and verify the reports that Developer is required to provide in accordance with this Agreement.

6.6 Retention of Records. Developer shall keep full, complete and proper books, records and accounts of Gross Revenues and of Developer's operations at the Licensed Store. All the books, records and accounts will be prepared by the independent auditor approved by Company, will be kept in the English language, and will be retained for a period of at least 3 years, or such longer period required under Applicable Law, following the end of each fiscal year. The books and records will include daily cash reports; cash receipts journal and general ledger; cash disbursements journal and Weekly payroll register; monthly bank statements and daily deposit slips and canceled checks; tax returns (sales and income); supplier invoices; dated sales information (detail and summary); semi-annual balance sheets and monthly profit and loss statements; daily production records and Weekly inventories; records of promotions and coupon redemptions; records of all corporate accounts; and such other records as Company may request.

6.7 Company's Right to Inspect the Licensed Store. To determine whether Developer is complying with this Agreement and with all System Standards and whether the Licensed Store is in compliance with the terms of this Agreement, Company, Company's Affiliates and their designated agents may, at any reasonable time and without prior notice to Developer:

(a) Inspect the Premises;

(b) Observe, photograph and record the Licensed Store's operations for such consecutive or intermittent periods as Company deem necessary;

(c) Remove samples of any Coffee Bean Products, materials or supplies for testing and analysis;

(d) Interview personnel of the Licensed Store;

(e) Interview customers of the Licensed Store; and

(f) Inspect and copy any books, records and documents relating to the operation of the Licensed Store, either physically or electronically, and with or without notice to Developer.

Developer shall cooperate fully with Company, Company's Affiliates and their designated agents (and make the General Manager available to Company and its designees) in connection with any such inspections, observations, photographing, recording, product removal and interviews. Further, Company reserves that right to impose, or require Developer to pay to a designated third-party, quarterly a commercially reasonable per-audit food safety and operations audit fee in connection with such inspections.

6.8 Company's Right to Audit. At any time during business hours with or without prior notice to Developer, Company, Company's Affiliates and Company's representatives may inspect and audit the business records, bookkeeping and accounting records, sales and income tax records and returns and other records of the Licensed Store as well as Developer's books and records. Developer shall fully cooperate with any representatives and independent accountants hired to conduct any inspection or audit. If an inspection or audit discloses an understatement of the Licensed Store's Gross Revenues, Developer will pay to Company or its designee, within 15 days after receipt of the inspection or audit report, the Royalty Fees due on the amount of the understatement, plus interest (at the rate and on the terms provided in Section 5.8 of this Agreement) from the date originally due until the date of payment. Further, if inspection or audit is made necessary by Developer's failure to furnish reports, supporting records or other information as required by this Agreement, or to furnish the reports, records or information on a timely basis, or if an understatement of Gross Revenues for the period of any audit is determined by the audit or inspection to be greater than 5%, then within 15 days after receipt of the inspection or audit report, Developer will reimburse Company for the cost of the audit or inspection, including the charges of attorneys and any independent accountants and the travel expenses, room and board and compensation of Company's or its Affiliates' employees. These remedies are in addition to Company's other remedies and rights under this Agreement or Applicable Law, and this right to audit will continue for 3 years following termination of this Agreement.

6.9 Customer Satisfaction and Surveys. Developer shall participate in such customer experience evaluation and survey programs as Company may require, including presenting to Developer's customers such evaluation forms as Company periodically require and will participate in and request Developer's customers to participate in any customer experience measurement programs or surveys implemented by or on Company's behalf. In that regard, Developer shall pay on demand from Company a reasonable customer experience measurement program fee for the implementation and ongoing support of Company's customer and guest experience management software service platform.

6.10 Representations and Warranties by Owners. If Developer is an Entity, Developer represents and warrants to Company that (a) Developer is duly organized or formed and validly existing in good standing under the laws of the jurisdiction of Developer's incorporation or formation, is qualified to do business in all jurisdictions in which Developer is required to qualify and has the authority to execute, deliver and carry out all of the terms of this Agreement, and (b) the list of Owners attached to this Agreement as part of **Exhibit "A"** is true and complete as of the Effective Date. If Developer is an Entity, Developer shall, upon request, and from time to time, provide to Company from each of Developer's Owners (other than Company or its Affiliates) and their spouses an undertaking whereby each of such Owners (other than Company or its Affiliates) and their spouses at any time during the term of this Agreement guarantees in Company's favor

the payment of all amounts owed by Developer under this Agreement and performance by Developer of the terms and conditions of this Agreement and assumes full and unconditional liability for the payment and performance of all of Developer's obligations, covenants and agreements under this Agreement and shall be bound by the provisions of Sections 8.1 and 9.1 of this Agreement. Developer shall notify Company promptly in writing of any change in any of Developer's Owners.

6.11 Obligations with Respect to Restricted Persons. Developer represents and warrants to Company that the list of Restricted Persons attached to this Agreement as part of **Exhibit "A"** is true and complete as of the Effective Date. Developer shall notify Company promptly in writing of any change in Restricted Persons. In addition, at Company's request at any time during the term of this Agreement, Developer will obtain and provide to Company a written agreement from each Restricted Person designated by Company and who has not otherwise executed an agreement in accordance with the requirements of Section 6.10 of this Agreement, in which the Restricted Person shall be bound by the provisions of Sections 8.1 and 9.1 of this Agreement.

6.12 Insurance.

(a) Property Insurance. Developer agrees, at all times during the Term and at Developer's sole cost and expense, to keep all of Developer's goods, fixtures, furniture, equipment, and other personal property located on the Licensed Store Premises insured to the extent of 100% of their full replacement cost against loss or damage from fire and other risks normally insured against in "special risks" coverage. Such insurance will include coverage for loss of income and extra expenses, for the actual loss incurred, and include coverage for Developer's obligations to pay the Royalty Fee, the Central Marketing Fee and amounts owed for purchases by Developer from Company or Company's Affiliates, interest due on any of the foregoing and all other amounts owed to Company or Company's Affiliates. If Developer is leasing Developer's Licensed Store Premises, Developer is not required to maintain this insurance coverage until Developer signs a lease for the Licensed Store Premises. Developer must name Company and any Affiliate specified by Company as a loss payee on such policy, as their interests appear.

(b) Liability Insurance. Developer agrees, at Developer's sole cost and expense, at all times during the Term, to maintain in force the following insurance policies, with the following minimum limits (or such higher limits as Company may specify from time to time in the System Standards). All such policies shall name the Developer as insured, and will cover the Company and any specific Affiliate as an additional insured with respect to Company's liability as grantor, or Affiliate of grantor, of a franchise to Developer. All such policies shall provide that Developer's coverage is primary, and Company's coverage shall be non-contributing (except with respect to any automobile owned by the Company):

(i) Commercial General Liability on an occurrence form at least as broad as ISO form CG 0001 insuring against all liability resulting from damage, injury, or death occurring to persons or property in or about the Licensed Store premises, or otherwise arising from Developer's operations, and including products liability insurance, personal and advertising liability insurance, and contractual liability coverage, with the liability limit under such insurance

to be not less than $1,000,000 per occurrence, $2,000,000 Products Liability Aggregate, and $2,000,000 General Aggregate per location;

(ii) Business auto liability including coverage for all owned, non-owned and hired autos with a limit of liability of not less than $1,000,000 per accident (combined single limit for personal injury, including bodily injury or death, and property damage); and

(iii) Excess "umbrella" liability providing liability insurance in excess of the coverage limits in clauses (i) and (ii) above, on a coverage form at least as broad as those policies, with a limit of not less than $2,000,000 per occurrence, $2,000,000 per location General Aggregate, and $2,000,000 Products Liability Aggregate. No Aggregate will apply to Auto Liability losses.

(c) Worker's Compensation and Employer's Liability Insurance. Developer also shall maintain and keep in force all worker's compensation insurance on Developer's employees, if any, required under the applicable worker's compensation laws of the state in which the Licensed Store is located, and Employer's Liability insurance with minimum limits of $1,000,000 per accident and $1,000,000 per employee and aggregate for disease.

(d) Other Insurance Policies. At Developer's sole cost, Developer agrees, at all times during the term of this Franchise Agreement, to maintain in force such other and additional insurance policies as a prudent Developer in Developer's position would maintain or as Company may reasonably require.

(e) Policy Requirements. All insurance policies required under this Section 6.12 will contain provisions to the effect that the insurance will not be canceled or coverage reduced below these requirements without at least 30 days (10 days if for premium nonpayment) prior written notice to Company. All such policies will be issued by a company or companies responsible, with a minimum A.M. Best's rating of A- VII at policy inception, and authorized to do business in the state in which the Licensed Store is located, as Developer may determine, and will be approved by Company, which approval will not be unreasonably withheld. All such policies shall include a waiver of any rights of subrogation that Developer and its insurer(s) might otherwise have against Company or any Company Affiliate. Any deductibles or self-insured retentions in excess of $25,000 applicable to such policies must be approved by Company, such approval not to be unreasonably withheld. Notwithstanding the foregoing, Developer's liability policies may specify that additional insureds will be covered only up to the limits they are required to be covered for.

(f) Evidence of Insurance. The originals of the policies of insurance required by this Agreement will remain in Developer's possession. However, Developer shall give Company copies of the policies upon Company's request. Concurrently with the execution of this Agreement and throughout the term of this Agreement upon Company's request and in any event upon renewal of any insurance policy, Developer must provide Company with evidence from Developer's insurance carriers that Developer has obtained the insurance coverage required by this Agreement, that Developer has paid all of the required premiums, and that the insurance is in full force and effect. If Developer fails to obtain and maintain the required insurance, Company may, at its option, in addition to any other rights it may have, procure such insurance for Developer

without notice and Developer shall pay, upon demand, the premiums and Company's costs in taking such action.

(g) Release of Insured Claims. Developer release and relieve Company and Company's Affiliates, and each of their respective officers, directors, Owners, employees, agents, successors, assigns, contractors, and invitees and waive Developer's entire right of recovery against any of them for loss or damage arising out of or incident to the perils which are, or are required to be, insured against under this Section 6.12, which perils occur in, on or about the Licensed Store Premises or relate to Developer's business on the Premises, whether due to the negligence of Company or Developer or any of Company's or Developer's related parties.

(h) Adequacy of Insurance – No Representation or Warranty. Company makes no representation or warranty to Developer that the amount of insurance to be carried by Developer under the terms of this Agreement is adequate to fully protect Developer's interest. If Developer believes that the amount of any such insurance is insufficient, Developer is encouraged to obtain, at its sole cost and expense, such additional insurance as Developer may deem desirable or adequate. Developer acknowledges that Company shall not, by the fact of approving, disapproving, waiving, accepting, or obtaining any insurance, incur any liability for or with respect to the amount of insurance carried, the form or legal sufficiency of such insurance, the solvency of any insurance companies or the payment or defense of any lawsuit in connection with such insurance coverage, and Developer hereby expressly assumes full responsibility therefor and all liability, if any, with respect thereto.

(i) Insurance Coverage Limits Do Not Limit Developer's Liability To Company. The insurance requirements contained in this Section 6.12 are independent of Developer's indemnification and other obligations under this Agreement and shall not be construed or interpreted in any way to restrict, limit or modify Developer's indemnification or other obligations or in any way limit Developer's obligations under this Agreement.

(j) Definitions. Capitalized terms as used in this Section 6.12 shall have the standard and customary meaning ascribed to the same in the insurance industry absent an express definition thereof set forth in this Agreement.

6.13 Distribution and Purchase of Equipment, Supplies, and Other Products.

(a) Coffee Bean Products. At all times throughout the Term, Developer shall purchase and maintain in inventory such types and quantities of Coffee Bean Products as are needed to meet reasonably anticipated consumer demand. Unless Company otherwise directs in writing, Developer shall purchase Coffee Bean Products solely and exclusively from Company or its designees at Company's then-current published "franchisee" prices (plus tariffs and other costs of shipping and distribution to Developer). Developer acknowledges that the "franchisee" prices include a mark-up to Company (or its Affiliates), and will be subject to review and change from time to time, but no more frequently than biannually (currently during April and October). Developer further acknowledges that the "franchisee" prices may be higher than the Company's (or its Affiliate's) internal prices allocated or charged to Coffee Bean Stores operated by the Company or its Affiliates.

(b) Proprietary Products. Company may, from time to time throughout the Term hereof in its sole subjective discretion exercised in good faith, require that Developer purchase, use, offer and/or promote, and maintain in stock at the Licensed Store in such quantities as are needed to meet reasonably anticipated consumer demand, certain proprietary coffees, teas, coffee extracts, powder mixes and other ingredients and raw materials, which are manufactured in accordance with the proprietary recipes, specifications and/or formulas prescribed by Company ("**Proprietary Products**"). Developer shall purchase Proprietary Products only from Company (if it sells the same, at Company's then-current published "franchisee" prices (plus tariffs and other costs of shipping and distribution to Developer)) or its designees. Company shall not be obligated to reveal such recipes, specifications and/or formulas of such Proprietary Products to Developer, non-designated suppliers, or any other third parties.

(c) Non-Proprietary Products. Company may designate other food products, condiments, beverages, fixtures, furnishings, equipment, uniforms, supplies, services, menus, packaging, forms, software, modems and peripheral equipment and other products and equipment other than Proprietary Products which Developer may or must use and/or offer and sell at the Licensed Store ("**Non-Proprietary Products**"). Developer may, but shall not be obligated to, purchase such Non-Proprietary Products from Company, if Company supplies same. Developer may use, offer or sell only such Non-Proprietary Products that Company has expressly authorized, and that are purchased or obtained from Company or a producer, manufacturer, supplier or service provider ("**Supplier**") designated or approved by Company pursuant to this Section 6.13.

(i) Each such Supplier designated or approved by Company must comply with the usual and customary requirements prescribed by Company regarding insurance, indemnification, and non-disclosure, and shall have demonstrated to the reasonable satisfaction prescribed by Company: (a) its ability to supply a Non-Proprietary Product meeting the specifications prescribed by Company, which may include, without limitation, specifications as to brand name, contents, quality, freshness and compliance with governmental standards and regulations; and (b) its reliability with respect to delivery and the consistent quality of its products and services.

(ii) If Developer should desire to procure authorized Non-Proprietary Products from a Supplier other than Company or one previously approved or designated by Company, Developer shall deliver written notice to Company of its desire to seek approval of such Supplier, which notice shall (a) identify the name and address of such Supplier, (b) contain such information as may be requested by Company or required to be provided pursuant to the Manuals (which may include reasonable financial, operational and economic information regarding its business), and (c) identify the authorized Non-Proprietary Products desired to be purchased from such Supplier. Company shall, upon request of Developer, furnish to Developer specifications for such Non-Proprietary Products if such are not contained in the Manuals. The Company may thereupon request that the proposed Supplier furnish Company at no cost to Company product samples, specifications and such other information as Company may require. Company or its representatives shall also be permitted to inspect the facilities of the proposed Supplier and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other Coffee Bean Stores.

(iii) Company will use its good faith efforts to notify Developer of its decision within 60 days after Company's receipt of Developer's request for approval and other requested information and items in full compliance with this Section 6.13; should Company not deliver to Developer, within 60 days after it has received such notice and all information and other items requested by Company in order to evaluate the proposed Supplier, a written statement of disapproval with respect to such Supplier, such Supplier shall be deemed approved as a Supplier of the authorized Non-Proprietary Products described in such notice until such time as Company may subsequently withdraw such approval. Nothing in this article shall require Company to approve any supplier, and without limiting Company's right to approve or disapprove a Supplier in its discretion, Developer acknowledges that it is generally disadvantageous to the system from a cost and service basis to have more than one Supplier in any given market area and that among the other factors Company may consider in deciding whether to approve a proposed Supplier, it may consider the effect that such approval may have on the ability of Company and its licensees to obtain the lowest distribution costs and on the quality and uniformity of products offered system-wide. Company may revoke its approval upon the Supplier's failure to continue to meet any of Company's criteria. Developer agrees that at such times that Company establishes a regional purchasing program for any of the raw materials used in the preparation of Coffee Bean Products, or other Non-Proprietary Products used in the operation of the Licensed Store, which may benefit Developer by reduced price, lower labor costs, production of improved products, increased reliability in supply, improved distribution, raw material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Developer or other tangible benefits to Developer, Developer will participate in such purchasing program in accordance with the terms of such program.

(iv) As a further condition of its approval, Company may require a Supplier to agree in writing: (i) to provide from time to time upon Company's request free samples of any Non-Proprietary Product it intends to supply to Developer, (ii) to faithfully comply with the specifications prescribed by Company for applicable Non-Proprietary Products sold by it, (iii) to sell any Non-Proprietary Product bearing the "The Coffee Bean & Tea Leaf" Marks only to franchisees and licensees of Company and its Affiliates and only pursuant to a Trademark License Agreement in form prescribed by Company, (iv) to provide to Company duplicate purchase invoices for Company's records and inspection purposes and (v) to otherwise comply with Company's reasonable requests.

(v) Developer or the proposed Supplier shall pay to, or reimburse, Company in advance all of Company's reasonably anticipated costs in reviewing the application of the Supplier to service the Developer and all current and future reasonable costs and expenses, including travel and living costs, related to inspecting, reinspecting and auditing the Suppliers' facilities, equipment, and food products, and all product testing costs paid by Company to third parties.

(d) Purchases from Company. All goods, products, and supplies purchased from Company shall be purchased in accordance with the purchase order format issued from time to time by Company, the current form of which shall be set forth in the Manuals and on the Intranet. Company may change the prices, delivery terms and other terms relating to its sale of goods, products and supplies to Developer on prior written notice, provided, that such prices shall be

equal to Company's then-current published "franchisee" prices (plus tariffs and other costs of shipping and distribution to Developer). Developer acknowledges and agrees that Company may charge a mark-up for selling goods, products and supplies to Developer. Developer acknowledges that the "franchisee" prices will be subject to review and change from time to time, but no more frequently than biannually (currently during April and October). Developer further acknowledges that the "franchisee" prices may be higher than Company's (or its Affiliate's) internal prices allocated or charged to Coffee Bean Stores operated by the Company or its Affiliates. Company in its sole discretion, may discontinue the sale of any good, product or supply at any time if in Company's sole judgment its continued sale becomes unfeasible, unprofitable, or otherwise undesirable. Company shall not be liable to Developer for unavailability of, or delay in shipment or receipt of, merchandise because of temporary product shortages, order backlogs, production difficulties, delays, unavailability of transportation, fire, strikes, work stoppages, or other causes beyond the reasonable control of Company. Developer acknowledges that the availability and quantities of particular products may vary from time to time and in the event that particular products are not available in quantities to satisfy the requirements of all franchisees, developers, Company and its Affiliates, Company and its Affiliates may determine how and to whom such products shall be distributed and allocated in its sole discretion. Company and its Affiliates may act as Suppliers of goods, services, products, and/or supplies purchased by Developer, may be designated as the sole Supplier(s) of such goods or services and shall be entitled to a reasonable return comparable to other Suppliers for similar goods and services in the marketplace. Developer agrees to pay, promptly following receipt of a proforma invoice prior to shipment, the prices as set forth in Company's price list, on all goods, services, products, and supplies purchased from Company or any Company Affiliate. Neither Company nor its Affiliates will be liable to Developer as a result of shipments that are delayed because of Developer's non-payment of proforma invoices. On the expiration or termination of this Agreement, or in the event of any material breach of this Agreement by Developer, Company shall not be obliged to fill or ship any orders then pending, or in the case of termination or non-renewal, made any time thereafter by Developer.

(e) Company may collect rebates and credits in the form of cash or services or otherwise from suppliers based on purchases or sales by Developer and retain such amounts for Company's sole use and as profit, notwithstanding any designation by the supplier or otherwise.

(f) Without any diminishment of Developer's rights under this Section, Company shall have the right to assign and delegate its rights and its obligations to Developer under this Section to one or more of its Affiliates. Developer acknowledges that unless Company may otherwise agree in writing on a case-by-case basis, Developer will be required to pay Company (or its Affiliates) in advance, before shipment, for all coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, purchased from Company (or its Affiliates).

(g) Developer acknowledges and agrees that its industry and market are distinct from the industry and market of Coffee Bean Stores operated by Company, its Affiliates and/or other franchisees and licensees at non-Special Distribution Sites and that, therefore, Developer's business activities contemplated hereby are deemed not to constitute competition with Coffee Bean Stores operated at non-Special Distribution Sites. Company is relying on Developer's

understanding of and representation regarding its market, specifically, Developer's knowledge and experience, generally, with respect to the industry and market in which Developer will operate the Licensed Store.

6.14 Test Marketing. Company may, from time to time, authorize Developer to test market products and/or services in connection with the operation of the Licensed Store. Developer shall cooperate with Company in connection with the conduct of such test marketing programs and shall comply with the rules and regulations established from time to time by Company in connection herewith.

6.15 Product Recalls. If it is deemed necessary by either Company or any of the approved suppliers to recall from Developer any quantity of any of products, either as a result of the failure of such products to satisfy the proprietary manufacturing specifications issued to approved suppliers by Company, or for any other reason bearing on the quality and/or safety of such products, Developer shall comply diligently with all product recall procedures then in effect, as established from time to time by Company and/or suppliers. Developer shall not be required to bear the costs associated with the recall of any product unless such recall is attributable to Developer's negligent or intentional conduct. In such event, Developer shall bear all costs and expenses incurred by it, and/or Company, and/or any of the approved suppliers in complying with such recall procedures, if (and then only to the extent) such recall is the result of the negligence or intentional conduct of Developer. If Developer fails or refuses to comply with the recall of such products hereunder upon request by Company, Company may take such action as it deems necessary to recall such products from the System and Developer shall promptly reimburse Company for its costs and expenses (including, without limitation, attorneys' fees) incurred in such recall procedure to the extent such recall is the result of the negligence or intentional conduct of Developer; any such action taken by Company shall not relieve Developer of its other obligations hereunder.

6.16 Intranet. Company or its Affiliate may, at their option, establish and maintain an Intranet through which franchisees of Company and Company's Affiliates may communicate with each other, and through which Company and Developer may communicate with each other and through which Company may disseminate the Manuals, updates thereto and other confidential information. As between Developer and Company, Company shall have sole discretion and control over all aspects of the Intranet, including the content and functionality thereof. Company will have no obligation to maintain the Intranet indefinitely, and may dismantle it at any time without liability to Developer.

(a) If Company establishes an Intranet, Developer shall have the privilege to use the Intranet, subject to Developer's strict compliance with the standards and specifications, protocols and restrictions that Company may establish or prescribe from time to time. Developer acknowledges that, as administrators of the Intranet, Company and its Affiliates can technically access and view any communication that any person posts on the Intranet. Developer further acknowledges that the Intranet facility and all communications that are posted to it will become Company's property, free of any claims of privacy or privilege that Developer or any other person may assert.

(b) Upon receipt of notice from Company that the Intranet has been established, Developer shall establish and continually maintain (during all times that the Intranet shall be established and until the termination of this Agreement) an electronic connection (the specifications of which shall be specified in the Manuals) with the Intranet that allows Company and its Affiliates to send messages to and receive messages from Developer, subject to the standards and specifications.

(c) If Developer shall breach this Agreement or any other agreement with Company or its Affiliates, Company may, in addition to, and without limiting any other rights and remedies available to Company, disable or terminate Developer's access to the Intranet without Company having any liability to Developer, and in which case Company shall only be required to provide Developer a paper copy of the Manuals and any updates thereto, if none have been previously provided to Developer, unless not otherwise entitled to the Manuals.

6.17 Business and Ethical Practices.

(a) As of the date of this Agreement, Developer and each of its Owners shall be and, during the Term shall remain, in full compliance with all Applicable Laws in each jurisdiction in which Developer or any of its Owners, as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including but not limited to the following prohibitions:

(i) Neither Developer nor any of its Owners shall make any expenditure other than for lawful purposes or directly or indirectly offering, giving, promising to give or authorizing the payment or the gift of any money, or anything of value, to any person or Entity, while knowing or having reason to know that all or a portion of such money or thing of value will be given or promised, directly or indirectly, to any government official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (a) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (b) inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality.

(ii) No government official, official of an international organization, political party or official thereof, or candidate is an Owner or has any investment interest in the revenues or profit of Developer.

(b) Neither Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the United States International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(c) Neither Developer, any of its Owners nor any employee of either of them is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/". Neither

Developer, any of its Owners nor any employee of either of them is named or described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, as amended and updated from time to time. Developer is neither directly nor indirectly owned nor controlled by the government of any country that is subject to a United States embargo. Nor does Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Developer agrees that Developer will notify Company in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

(d) Developer represents that it understands and has been advised by legal counsel on the requirements of the Applicable Laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at www.justice.gov/criminal/fraud/fcpa.html), as amended, any local foreign corrupt practices laws, and the USA Patriot Act of 2001, as amended, and hereby acknowledges the importance to Company and the parties' relationship of Developer's compliance with any applicable auditing requirements and any requirement to report or provide access to information to Company or any government, that is made part of any Applicable Law. Developer must take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

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DEVELOPER INITIALS

(e) Developer represents to Company that it has taken all necessary and proper action required by the laws of the jurisdiction in which the Licensed Store is located and has the right to execute this Agreement and perform under all of its terms.

6.18 Capitalization Of Developer; Guaranty, Letter of Credit.

(a) Capitalization of Developer.

(i) Developer represents and warrants to Company (and promptly upon request Developer shall provide Company evidence satisfactory to Company confirming) that (i) upon execution of the Agreement that Developer's capitalization is not less than the Minimum Capitalization amount, comprised of the Initial Investment; (ii) upon execution of the Agreement, Developer has received a cash contribution in the aggregate of not less than the Initial Investment in exchange for Equity issued or to be issued in Developer; (iii) at all times during the Term, Developer's debt-to-asset ratio shall not exceed 1:1; (iv) at all times during the Term, Developer shall maintain a Net Worth of not less than the Minimum Net Worth; and (v) throughout the Term, Developer shall not cause or permit any Distribution to or for the direct or indirect benefit of any of its Owners, except to the extent that after such Distribution Developer's Net Worth shall remain at or in excess of the Minimum Net Worth and Developer's debt-to-asset ratio shall not exceed 1:1.

(ii) Developer's failure to have received the Initial Investment on or before the Effective Date, or to deliver the written evidence requested by Company pursuant to Section 6.18(a)(i), shall constitute an incurable material breach of the Agreement, entitling

Company to terminate the Agreement upon written notice, and to retain the Initial Franchise Fee without reimbursement to Developer of any portion thereof.

(b) Guaranty. If Developer is an Entity, each Owner and his/her spouse, shall unconditionally guaranty Developer's compliance with the terms and performance of its obligations hereunder pursuant to the guaranty in substantially the form attached hereto as **Exhibit "C"** (the **"Guaranty"**). A material breach of such Guaranty shall be deemed a material breach of this Agreement.

(c) Letter of Credit.

(i) Developer shall deliver to Company, on the Effective Date, an irrevocable and unconditional negotiable standby letter of credit (the "**Letter of Credit**") in favor of Company in an amount equal to twenty thousand dollars and 00/100 ($20,000.00) (the "**L/C Amount**") in lawful money of the United States. The Letter of Credit shall be: (A) issued by a bank reasonably acceptable to Company, with an office in Los Angeles County, California; (B) in the L/C Amount; (C) in form and content as that attached hereto as **Exhibit "D"** or shall otherwise be reasonably acceptable to Company; and (D) subject to the terms and conditions stated in this Section. The Letter of Credit shall have a term of not less than 1 year and shall be automatically renewed at least 45 days prior to expiration of each period for an additional term of not less than 1 year each and shall remain in effect throughout the term of this Agreement (and any renewal or replacement of the same) (such last expiration date being the "**L/C Termination Date**"). Developer shall pay all expenses, points and/or fees incurred by Developer in obtaining and maintaining the Letter of Credit. Developer represents warrants and covenants that the security for the Letter of Credit (and any renewal letter of credit) shall not include or be considered to be part of any equity (including the Initial Investment) of Developer.

(ii) The Letter of Credit shall be held by Company as security for the full and faithful performance by Developer of Developer's obligations under this Agreement (and any renewal or replacement of the same), and each and every other agreement between Developer (or any of its Affiliates), on the one hand, and Company or any of its Affiliates (including CBTL Franchising, LLC and ICT), on the other hand, including, without limitation, purchase orders for the purchase by Developer or its permitted Affiliates (each of the foregoing an "**Obligation**"). If (A) Developer defaults with respect any Obligation, or (B) if Developer fails to renew the Letter of Credit at 45 days prior to its expiration, or (C) Developer has filed a voluntary petition under the United States Bankruptcy Code (the "**Bankruptcy Code**"), or Developer's creditors have filed an involuntary petition under the Bankruptcy Code, then Company, in its sole and absolute discretion, shall be entitled to draw upon all or any part of the Letter of Credit and shall be able to apply any portions thereof for the payment of the required amount of any sum in default, and for the payment of any amount that Company may spend or may become obligated to spend by reason of Developer's default, and to compensate Company for loss or damage that Company suffers by reason of Developer's default. The use, application or retention of the Letter of Credit, or any portion thereof, shall not (i) prevent Company (or any of its Affiliates) from exercising any other rights or remedies provided under this Agreement or by law, it being intended that Company shall not be required to first proceed against the Letter of Credit, or (ii) operate as a limitation on any recovery to which Company may otherwise be entitled.

(iii) To the extent that Company has not drawn upon the Letter of Credit pursuant to the terms of this Agreement, the Letter of Credit shall be returned to Developer within 45 days following the L/C Termination Date. However, if Developer has delivered to Company an Aggregate L/C, then Company's obligation to return the Letter of Credit to Developer will only arise if Developer simultaneously delivers a letter of credit in accordance with the terms of any or all other franchise agreements (and other agreements) between Developer and Company. Developer acknowledges that Company has the right to transfer or pledge its interest in the Agreement and Developer agrees that in the event of any such transfer, Company shall have the right to transfer or assign the Letter of Credit to the transferee or pledgee with any fee in connection therewith being paid by Developer, and, in the event of any such transfer, Developer shall look solely to such transferee or pledgee for the return of the Letter of Credit. Company shall not be required to keep said Letter of Credit or any drawn funds thereunder separate from its general accounts. No trust relationship is created herein between Company and Developer with respect to the Letter of Credit. Developer acknowledges and agrees that (A) the Letter of Credit constitutes a separate and independent contract between Company and the issuing bank, (B) Developer is not a third party beneficiary of such contract, (C) Company's claim under the Letter of Credit for the full amount due and owing thereunder shall not be, in any way, restricted, limited, altered or impaired by virtue of any provision of the Bankruptcy Code, including, but not limited to, Section 502(b)(6) thereof.

6.19 Co-Branding; Vending and Other Machines. Developer may not engage in any co-branding in or in connection with the Licensed Store except with Company's prior written consent. Company shall not be required to approve any co-branding chain or arrangement except in its discretion, and only if Company has recognized that co-branding chain as an approved co-brand for operation within Coffee Bean Stores. "Co-branding" includes the operation of an independent business, product line (including branded coolers, refrigerators or other equipment), or operating system owned or licensed by another entity (not Company) that is featured or incorporated within the Licensed Store or is adjacent to the Licensed Store and operated in a manner which is likely to cause the public to perceive it to be related to the Licensed Store. Except with Company's written approval, Developer shall not cause or permit vending, gaming machines, pay telephones, automatic teller machines, Internet kiosks or any other mechanical or electrical device to be installed or maintained at the Licensed Store.

6.20 Data Protection. Developer will comply with all applicable consumer privacy and data protection laws and data privacy regulations and with any consumer privacy and data protection policies of Company periodically in effect in connection with the transfer of any personal information and other data under this Agreement, including without limitation the European Union's General Data Protection Regulation in so far as it applies to the operations of the Developer. Developer acknowledges that it will respect and maintain the confidentiality and security of the personal data handled, stored, collected or processed by it and shall comply with any and all data protection guidelines as may be issued by Company in the Manuals or otherwise.

ARTICLE 7
MARKETING AND PROMOTION

7.1 The Marketing Program.

(a) An amount equal to all Central Marketing Fees contributed by Developer and other developers in the United States will be expended for national, regional, or local advertising, public relations or promotional campaigns or programs designed to promote and enhance the image, identity or patronage of franchised, and Company-owned/Affiliate-owned Coffee Bean Stores ("**Marketing Program**"). Such expenditures may include, without limitation (i) to conduct marketing studies, surveys and research, to produce and purchase video, audio and print commercials, advertisements and other marketing materials, media advertising, and outdoor advertising; and (ii) payments to Company or its Affiliates for internal expenses, costs and other overhead incurred in connection with the operation of its marketing/advertising department(s), if any, and the operation and administration of the Marketing Program. The Marketing Program may, among other things, pay for such activities conducted for the benefit of co-branding, or other arrangements where "The Coffee Bean & Tea Leaf" products and/or services are offered in conjunction with other marks or through alternative channels of distribution. Company and its Affiliates may, but are not required to, contribute any funds to the Marketing Program on account of Coffee Bean Stores owned or operated by Company or its Affiliates. Company may retain the services of third-party individuals, companies, consultants or advertising or other agencies, including consultants or agencies owned by, operated by or affiliated with Company and including other franchisees and developers, to provide services for the Marketing Program. The Marketing Program may be used to defray direct expenses of Company or Affiliate employees related to the operation of the Marketing Program, to pay for attorney's fees and other costs related to the defense of claims against the Marketing Program or against Company or any Company Affiliate relating to the Marketing Program, and to pay costs with respect to collecting amounts due to the Marketing Program. Company shall determine, in its final and subjective discretion, exercised in good faith, the cost, media, content, format, style, timing, allocation and all other matters relating to the Marketing Program and such advertising, public relations and promotional campaigns conducted as part of the Marketing Program. Developer acknowledges that not all developers are or shall be required to contribute, or contribute the same percentage of Gross Revenues, to the Marketing Program. Although the Company will attempt to allocate advertising expenditures fairly and in good faith, nothing herein shall be construed to require Company to allocate or expend (or cause to be expended) Marketing Program contributions or allocations so as to benefit any particular franchisee, Developer or group of developers or developers on a pro rata or proportional basis or otherwise. Company may make copies or samples of advertising materials available to Developer with or without additional reasonable charge, as determined by Company. Any additional advertising shall be at the sole cost and expense of Developer. The Marketing Program shall, as available, provide to Developer marketing, advertising and promotional formats and sample materials at the Marketing Program's direct cost of producing such items, plus shipping and handling.

(b) All Central Marketing Fees received from Developer and all other developers and franchisees of Company shall be administratively segregated on the Company's or its Affiliate's books and records, as applicable. Nothing herein shall be deemed to create a trust

fund, and Company (or its Affiliate, as applicable) may commingle Central Marketing Fees with its general operating funds and expend or direct the expenditure of such sums in the manner herein provided. At Developer's request, Company will furnish to Developer within 180 days after the end of Company's fiscal year, an unaudited report certified as correct by an officer of Company showing the Marketing Program balance at the beginning of the year, the total amount contributed by franchisees, and the amount actually expended for the year, and remaining balance or deficit in the Marketing Program at the end of the fiscal year end.

(c) If less than the total of all contributions and allocations to the Marketing Program are expended during any fiscal year, such excess may be accumulated for use during subsequent years. An amount greater or less than the aggregate contributions to the Marketing Program may be spent in any fiscal year and the Marketing Program may borrow funds to cover deficits or invest surplus funds. If Company or any Company Affiliate advances money to the Marketing Program, it will be entitled to be reimbursed for such advances. Any interest earned on monies held in the Marketing Program may be retained by Company or Company's Affiliate for their own use in their sole discretion.

(d) Company reserves the right to suspend contributions to and operations of any of the Marketing Programs for one or more periods and the right to terminate a Marketing Program upon 30 days' prior written notice to Developer. All unspent moneys on the date of termination will be distributed to Company's developers, Company, and Company's Affiliates in proportion to their respective contributions to that Marketing Program during the preceding 12-month period. Company may reinstate a Marketing Program upon the same terms and conditions as set forth in this Agreement upon 30 days' prior written notice to Developer.

7.2 Advertising and Promotional Activities by Developer.

(a) In addition to any contributions by Developer to the Marketing Programs, Developer agrees that, during each calendar quarter of the Term of this Agreement, Developer will spend at least 1% of the Gross Revenues from Developer's Licensed Store for that period (subject to adjustment as provide in Section 5.5) on local marketing, advertising and related programs. Developer shall document and report to Company, at Company's reasonable request and in such form and format as Company may reasonably require, all amounts spent on local advertising. Company may require that Developer become a member of a marketing cooperative to coordinate advertising in a particular market area and to contribute all or a portion of the amount that Company requires Developer to spend on advertising in accordance with this Section to the cooperative, to be used for advertising as determined by the cooperative. Developer must also spend on marketing and advertising at least any amount that is required under Developer's lease. Developer agrees that all advertising, promotion and marketing by Developer will comply with the requirements of Article 8, will be completely clear and factual and not misleading, and will conform to the highest standards of ethical marketing and with the promotion policies which may be prescribed by Company, and shall, if required by Company, state that Developer is a licensee of Company. Prior to use, all press releases and policy statements and samples of all local advertising, marketing and related materials not prepared or previously approved by Company will be submitted to Company for approval. Pamphlets, brochures, cards or other promotional materials offering free or discounted price Coffee Bean Products may only be used if approved in advance by Company. If Company does not give Developer written approval of any advertising

or other promotional materials within 30 days from the date of receipt by Company of the materials, Company will be deemed to have approved the submission. Developer shall not use any advertising, marketing or related materials that Company has disapproved. Developer also shall list the Licensed Store in the principal telephone directories distributed in Developer's metropolitan area, and as Company may designate, the cost of which shall be in addition to Developer's required expenditure described above.

(b) Developer shall not develop, create, generate, own, license, lease or use in any manner any computer medium or electronic medium (including, without limitation, any Internet home page, e-mail address, website, web page, domain name, bulletin board, newsgroup, auction site such as eBay.com or Amazon.com, or other Internet-related medium) which in any way uses or displays, in whole or part, the Marks, or any of them, or any words, symbols or terms confusingly similar thereto without Company's express prior written consent, and then only in such manner and in accordance with such procedures, policies, standards and specifications as Company may establish or prescribe from time to time.

(c) Without limiting anything contained in this Agreement, Developer shall not engage or otherwise use the services of a third-party marketing or promotional consultant or firm, without first obtaining Company's prior written consent (and after providing Company with such information regarding such third party as Company shall request) and provided that such consent is not subsequently revoked.

7.3 Website.

(a) As between Company and Developer, Company is the owner of, and will retain all right, title and interest in and to the domain name "coffeebean.com"; the URL: "www.coffeebean.com"; all existing and future domain names, URLs, future addresses and subaddresses using the Marks in any manner; all Software; all Content prepared for, or used on, the Website; and all intellectual property rights in or to any of them.

(b) Company and its Affiliates have established the Website. Company may, at its sole option, from time to time, without prior notice to Developer: (i) change, revise, or eliminate the design, content and functionality of the Website; (ii) make operational changes to the Website; (iii) change or modify the URL and/or domain name of the Website; (iii) substitute, modify, or rearrange the Website, at Company's sole option, including in any manner that Company considers necessary or desirable to, among other things, (a) comply with applicable laws, (b) respond to changes in market conditions or technology, and (c) respond to any other circumstances; (v) limit or restrict end user access (in whole or in part) to the Website; and (vi) disable or terminate the Website without Company having any liability to Developer.

(c) The Website may include one or more interior pages that identify Coffee Bean Stores, including the Licensed Store, by among other things, geographic region, address, telephone number(s), and menu items. The Website may also include one or more interior pages dedicated to franchise sales and/or relations with Company's investors.

(d) Company may, from time to time, establish or cause to be established the Developer Page. Company may permit Developer to customize or post certain information to the

Developer Page, subject to Developer's execution of the then-current participation agreement required by Company, and Developer's compliance with the procedures, policies, standards and specifications that Company may establish or prescribe from time to time. Such participation agreement may require the Developer to pay a reasonable fee for the privilege of having a Developer Page, and may include, without limitation, specifications and limitations for the data or information to be posted to the Developer Page, customization specifications, the basic template for design of the Developer Page, parameters and deadlines specified by Company, disclaimers, and such other standards and specifications and rights and obligations of the parties as Company may establish or prescribe from time to time. Any modifications (including customizations, alterations, submissions or updates) to the Content made by Developer for any purpose will be deemed to be a "work made for hire" under the copyright laws, and therefore, as between Company and Developer, Company shall own the intellectual property rights in and to such modifications. To the extent any modification does not qualify as a work made for hire as outlined above, Developer hereby assigns those modifications to Company for no additional consideration and with no further action required and shall execute such further assignments(s) as Company may request.

(e) Without limiting Company's general unrestricted right to permit, deny and regulate Developer's participation on the Website in Company's sole discretion, if Developer shall breach this Agreement, or any other agreement with Company or its Affiliates, Company may disable or terminate the Developer Page and remove all references to the Licensed Store on the Website until said breach is cured.

7.4 Promotional Activities. During the times specified by Company, Developer shall participate in all local, regional, and national promotional, marketing, advertising, research or public relations programs including local, regional and national pricing promotions (to the extent permitted by Applicable Law), "loyalty cards," and "loyalty programs" and such other promotions that Company or the Marketing Program may institute.

ARTICLE 8
CONFIDENTIAL INFORMATION AND USE OF THE MARKS

8.1 Confidential Information. Certain Confidential Information may be disclosed to Developer in the initial training program and subsequent training, the Manuals and in guidance furnished to Developer. Developer is not acquiring any interest in Confidential Information, other than the right to utilize Confidential Information disclosed to Developer in the operation of the Licensed Store during the Term. Developer's use or duplication of any Confidential Information in any other business will constitute an unfair method of competition and a violation of this Agreement. The Confidential Information is proprietary, includes Company's and its Affiliate's trade secrets and is disclosed to Developer solely on the condition that Developer agrees:

(a) Not to use Confidential Information in any other business or capacity;

(b) To maintain the absolute confidentiality of Confidential Information during and after the Term of this Agreement;

(c) Not to make unauthorized copies of any portion of Confidential Information disclosed in written or other tangible form; and

(d) To adopt and implement all reasonable procedures that Company prescribes to prevent unauthorized use or disclosure of Confidential Information, including restrictions on disclosure of Confidential Information to Developer's employees and Restricted Persons with a need to know, limiting access to some or all of the Manuals to specific employees, and use of non-disclosure and non-competition provisions as Company prescribes in employment agreements with employees and other agreements with Restricted Persons who may have access to the Confidential Information.

8.2 Concepts Developed by Developer. As between Company and Developer, Company shall own all copyrights and other intellectual property rights to the Manuals, and any and all works, ideas, concepts, formulas, trade secrets, know how, recipes, methods, techniques relating to the operation of the Coffee Bean Stores or the services or products offered or sold in connection therewith ("**Intellectual Property**"), and Developer shall not claim or assert any right, title or interest in such copyrights or other proprietary rights, or to the information contained in or embodying the Intellectual Property. If Developer or any of its employees or contractors during the term of this Agreement, develops, creates, invents, conceives or otherwise devises any Intellectual Property, all such Intellectual Property shall be the sole property of Company and Company shall be the sole owner of all worldwide rights in connection therewith. As between Company and Developer, all Intellectual Property shall be the sole property of Company, and Company shall be the sole owner of all worldwide rights in connection therewith. To the extent possible under Applicable Law, Developer agrees that the Intellectual Property developed, created, invented, conceived or otherwise devised by Developer (or its employees or contractors) shall be considered "works made for hire" on behalf of Company under 17 U.S.C. Section 101. To the extent not deemed "works made for hire", Developer hereby assigns to Company, and shall execute any instruments required by Company to effectuate such assignment, any and all rights that it may have or acquire in such Intellectual Property, including the right to modify such Intellectual Property and the right to sue for past and future infringement of any of such rights. Developer agrees to waive and/or release all rights of restraint and moral rights in the Intellectual Property. Developer shall assist Company in every proper way (but at Company's expense) to obtain and enforce patents, copyrights, trademarks or other proprietary rights in such Intellectual Property and Developer will execute all documents for use in applying for and obtaining such rights and enforcing them as Company may desire. If Company is unable for any reason whatsoever to secure Developer's signature to any lawful and necessary document required to apply for or execute any application with respect to such Intellectual Property, Developer hereby irrevocably designates and appoints Company and its duly authorized officers and agents, as his agents and attorneys-in-fact to act for and in his behalf and to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks or other rights therein, with the same legal force and effect as if executed by Developer. If and to the extent Developer has or acquires any rights in the Intellectual Property, Developer hereby grants to Company a non-exclusive, royalty-free, transferable, sub-licensable, irrevocable, perpetual, worldwide license in, to and under its rights to make, have made, modify, create derivative works of, use, sell, import, export, license, publicly display, market, distribute, grant security interests in or otherwise commercially exploit the Intellectual Property. Developer

will fully and promptly disclose to Company all Intellectual Property conceived or developed by Developer during the term of this Agreement. Developer may not test, offer, or sell any new products without Company's prior written consent.

8.3 Ownership and Goodwill of Marks. Developer acknowledges that Company and its Affiliates claim ownership rights in the Marks and that Developer's right to use the Marks is derived solely from this Agreement and is limited to the conduct of business in compliance with this Agreement and all applicable standards, specifications and operating procedures that Company require. Any unauthorized use of the Marks by Developer will constitute a breach of this Agreement and an infringement of Company's rights in the Marks. Developer agrees that Developer's usage of the Marks and any goodwill established by that use will be for Company's exclusive benefit. This Agreement does not confer any goodwill or other interests in the Marks upon Developer, other than the right to operate a Coffee Bean Store in compliance with this Agreement. All provisions of this Agreement applicable to the Marks will apply to any additional proprietary trade and service marks and commercial symbols Company or its Affiliates may authorize for Developer's use in the future.

8.4 Limitations on Developer's Use of Marks. Developer shall use the Marks as the sole identification of the Licensed Store. However, Developer will identify itself as the independent owner of the Licensed Store in the manner Company may require. Developer will not use any Mark as part of any corporate or trade name or with any prefix, suffix or other modifying words, terms, designs or symbols (other than logos licensed to Developer under this Agreement), or in any modified form, nor may Developer use any Mark in connection with the performance or sale of any unauthorized services or products or in any other manner not expressly authorized in writing by Company. Developer may use the Marks on its letterhead in conjunction with said Entity's name and in accordance with the System Standards. Developer shall display the Marks prominently at the Licensed Store, on supplies or materials designated by Company and in connection with packaging materials, forms, labels and advertising and marketing materials. All Marks will be displayed in the manner Company requires. Developer shall use the registration symbol "®" in connection with Developer's use of the Marks that are registered. Developer shall use the symbol "™" in connection with Developer's use of the Marks for which trademark registration applications are pending. Developer shall refrain from any business or marketing practice which may be injurious to Company's or Company's Affiliates' business and the goodwill associated with the Marks and other Coffee Bean Stores. Developer shall give such notices of trade and service mark registrations as Company specify and to obtain such fictitious or assumed name registrations as may be required under applicable law.

8.5 Discontinuance of Use of Marks. If it becomes advisable at any time in Company's sole discretion for Company or Developer to modify or discontinue use of any Mark or use one or more additional or substitute trade or service marks, Developer shall comply with Company's directions to modify or discontinue the use of the Mark or use one or more additional or substitute trade or service marks within a reasonable time after notice from Company. Company will reimburse Developer for Developer's reasonable direct expenses in materially modifying or discontinuing the use of a Mark and substituting a different trademark or service mark. However, Company will not be obligated to reimburse Developer for any loss of goodwill associated with

any modified or discontinued Mark or for any expenditures made by Developer to promote a modified or substitute trademark or service mark.

8.6 Notification of Infringements and Claims. Developer shall immediately notify Company of any apparent infringement of or challenge to Developer's use of any Mark or claim by any person of any rights in any Mark, and Developer will not communicate with any person other than Company or Company's counsel in connection with the infringement, challenge or claim. Company and its Affiliates will have sole discretion to take the action Company and its Affiliates deem appropriate and the right to control exclusively any litigation, U.S. Patent and Trademark Office proceeding or any other administrative or court proceeding arising out of any such infringement, challenge or claim or otherwise relating to any Mark. Developer shall execute any instruments and documents, render such assistance and do those things as, in the opinion of Company's legal counsel, may be necessary or advisable to protect and maintain Company's interests in any litigation or U.S. Patent and Trademark Office or other proceeding or otherwise to protect and maintain Company's interests in the Marks.

8.7 Company's Indemnification of Developer.

(a) Developer shall give immediate written notice to Company of any improper use of the Marks or any other trade name or service mark used by any third party which is similar to the Marks which comes to Developer's attention. Upon receipt of written notification, Company or its Affiliate may, at its option, elect to undertake and control the prosecution, defense or settlement of any legal action in connection with such improper usage or infringement. Neither Company nor its Affiliate shall be obligated to take any action, however, and shall not be liable to Developer on account of its decision not to take action. In connection therewith, Developer shall assist Company and its Affiliates in carrying out such action, provided that Company will reimburse Developer promptly for any expenses it incurs at the request of Company or its Affiliate upon submission of proof of such expenses in form reasonably satisfactory to Company. Subject to the continuing option and right of Company and its Affiliates to elect to undertake and control the prosecution, defense or settlement of any legal action in connection with such improper usage or infringement, upon Company's prior consent, Developer may, at its sole cost, take any such action in connection with the improper usage infringement.

(b) Developer shall immediately notify Company if any third party shall assert any challenge, claim or action against Developer for infringement or unfair competition ("**Trademark Claim**") on account of the use by Developer, or both, of the Marks. Company or its Affiliate will undertake and control the defense or settlement of such Trademark Claim and Company will reimburse Developer promptly for all reasonable out-of-pocket expenses (not including consequential damages or loss of income) incurred by Developer in connection with the defense or settlement of the Trademark Claim upon submission of proof thereof in form reasonably satisfactory to Company; provided, however, that such obligations of Company or its Affiliate to defend and to reimburse Developer will exist only if Developer has used the Marks in strict accordance with the terms of this Agreement and the rules, regulations, procedures, requirements and instructions of Company, has promptly notified Company of the challenge, claim or action as set forth above, and has otherwise fully cooperated with Company or its Affiliate in the defense of any such action.

8.8 Copyrights. Company and its Affiliates claim copyrights in the Confidential Information, the Manuals, Company's construction plans, specifications and materials, printed advertising and promotional materials and in related items used in operating the Franchise. Such copyrights have not been registered with the United States Registrar of Copyrights but have been protected under the federal copyright laws, where appropriate, by virtue of Company's placing the appropriate notice of copyright on such items. The provisions of Sections 8.3, 8.4, 8.5, 8.6 and 8.7 of this Agreement relating to Marks also apply to copyrights owned by Company and its Affiliates, as if copyrights were included within the definition of Marks.

ARTICLE 9
COVENANTS REGARDING OTHER BUSINESS INTERESTS

9.1 Non-Competition. Developer acknowledges that the System has been developed by Company and/or its Affiliates at great effort, time, and expense, and that Developer has regular and continuing access to valuable and confidential information, training, and trade secrets regarding the System. Developer recognizes its obligations to keep confidential such information as set forth herein. Developer therefore agrees as follows:

(a) During the Term, in addition to any covenants then in effect between Company and Developer pursuant to any other agreement, except with Company's prior written consent, or as expressly permitted hereunder, no Restricted Person, shall, in any capacity whatsoever, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Competitive Business, wherever located.

(b) To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cessation of any Restricted Person's relationship with Developer, each person or Entity who was a Restricted Person before such event shall not for a period of 2 years thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Competitive Business, (i) within 1 mile from the Premises or (ii) within an area within ten (10) miles from the location of any then-existing Coffee Bean Store, without the Company's prior written consent; provided that a Restricted Person may own up to 10% of the stock of any company traded on a national securities exchange, provided that such Restricted Person is not a Controlling person of, or a member of a group which Controls, such company.

9.2 Trade Secrets. In view of the importance of the Marks and the Confidential Information and the incalculable and irreparable harm that would result to the parties in the event of a breach of the covenants and agreements set forth herein in connection with these matters, the parties agree that each party may seek specific performance and/or injunctive relief to enforce the covenants and agreements in this Agreement, in addition to any other relief to which such party may be entitled at law or in equity. Each party submits to the exclusive jurisdiction of the courts of the State of California and the U.S. federal courts sitting in Los Angeles County, California for purposes thereof. The parties agree that venue for any such proceeding shall be the state and federal courts located in Los Angeles, California.

9.3 Confidentiality and Press Releases. Developer shall not disclose the substance of this Agreement to any third party except as necessary to inform lessors from which it is seeking

leases or lessors which are parties to leases in order to obtain renewals of, or avoid terminations of, such leases or as necessary to obtain any governmental permits, licenses or other approvals, or to the extent required by the lawful order of any court of competent jurisdiction or federal, state, or local agency having jurisdiction over Developer, provided that Developer shall give Company prior notice of such disclosure. Unless disclosure is required by Applicable Law, no public communication, press release or announcement regarding this Agreement, the transactions contemplated hereby or the operation of the Licensed Store hereunder shall be made by Developer without the written approval of Company in advance of such press release or announcement.

9.4 Effect of Applicable Law. In the event any portion of the covenants in this Article 9 violates Applicable Laws affecting Developer, or is held invalid or unenforceable in a final judgment to which Company and Developer are parties, then the maximum legally allowable restriction permitted by law shall control and bind Developer. Company may at any time unilaterally reduce the scope of any part of the above covenants, and Developer shall comply with any such reduced covenant upon receipt of written notice.

9.5 Developer's Affiliates. For purposes of this Article only, "**Developer**" shall mean and include the Developer and Developer's parent, spouse and minor children if Developer is an individual, and its Owners, officers and directors if Developer is an Entity. In no event shall the term "**Developer**" refer to Company or any of Company's direct or indirect Owners, Affiliates or subsidiaries, or the officers or directors of any of them, even if Company owns an Equity or other pecuniary interest in Developer.

ARTICLE 10
ASSIGNMENT

10.1 Assignment by Company. This Agreement is fully transferable by Company, in whole or in part, without the consent of Developer and shall inure to the benefit of any transferee or their legal successor to Company's interests herein; provided, however, that such transferee and successor shall expressly agree to assume the obligations which are transferred by Company. Without limiting the foregoing, Company may (i) assign any or all of its rights and obligations under this Agreement to a Subsidiary or Affiliate; (ii) sell its assets, its Marks, or its System outright to a third party; (iii) go public; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Developer who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof).

10.2 Assignment by Developer.

(a) This Agreement has been entered into by Company in reliance upon and in consideration of the individual or collective character, reputation, skill, attitude, business ability, and financial capacity of Developer or, if applicable, its Owner(s) who will actively and substantially participate in the development, ownership and operation of Licensed Store. Accordingly, except as otherwise may be permitted herein, neither Developer nor any person with an interest in Developer (other than Company, if applicable) shall, without Company's prior

written consent, make any Assignment. Any such purported Assignment occurring by operation of law or otherwise without Company's prior written consent shall constitute a default of this Agreement by Developer, and shall be null and void. Except in the instance of Developer advertising to sell its Licensed Store and assign this Agreement in accordance with the terms hereof, Developer shall not, without Company's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Developer's Lease or the real or personal property used in connection with Developer's Licensed Store. Developer shall not sublicense, sublease, subcontract or enter any management agreement providing for, the right to operate the Licensed Store to use the System granted pursuant to this Agreement. Developer may serve customers only from the Licensed Store. Developer may not operate any other permanent or temporary mobile vending vehicle, cart, Kiosk or any other form of distribution without Company's advance written consent. This Agreement may not be assigned or transferred to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no Equity of Developer or any direct or indirect Owner of Developer may be offered for sale to the public under the Securities Act, nor may Developer become a reporting company under the Securities Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation.

(b) If Developer and its Owner(s) are in full compliance with the terms and obligations of this Agreement and all other agreements between Developer and Company, and if Company elects not to exercise the Right of First Refusal, and if Company shall approve a proposed Assignment restricted under Section 10.2(a) of this Agreement, Company may impose any reasonable condition to its consent to such Assignment, including without limitation, the satisfaction of some or all of the following condition which shall be deemed reasonable: (i) the proposed assignee and its Owner(s) shall be of good moral character, meet the then-applicable standards and qualifications for developers, including possession of sufficient business experience, aptitude, and financial resources to perform Developer's obligations under this Agreement; (ii) shall assume all obligations of Developer and its Owner(s) under this Agreement by a written assumption agreement approved by Company, provided however, that such assumption shall not relieve Developer (as transferor/assignor) of any such obligations; or at Company's option, shall have executed a replacement franchise agreement on Company's Then-Current form and the transferee's Owner(s) and their spouses shall execute a continuing guaranty in favor of Company of the performance and payment by the transferee/assignee of all obligations and debts to Company and its Affiliates under the replacement franchise agreement; (iii) Developer shall have fully performed all Developer's obligations under this Agreement and all other franchise agreements or any other agreement with Company or any Company Affiliate, and Developer is not then in default under any such agreement; (iv) the assignee shall agree to refurbish the Licensed Store as needed (in Company's sole discretion) to match the building design, trade dress, color scheme and presentation then used by Company within the 12-month period preceding the assignment for its Coffee Bean Store (such refurbishment may include structural changes, remodeling, redecoration and modifications to existing improvements); (v) Developer and its Owner(s) shall execute a general release, in form satisfactory to Company, of any and all claims against Company and Company's Affiliates and each of their respective Owners, managers, officers, directors, employees, and agents; (vi) Developer shall obtain Company's approval of the material terms and conditions of such transfer, and in connection therewith, Company shall have the right, without

limitation, to consider whether the price and terms of payment are so burdensome as to adversely affect the Licensed Store; (vii) Developer and its Owners shall enter into an agreement with Company providing that all obligations of the proposed transferee to make any payments owing to Developer or its Owner(s), including, without limitation, installment payments of the purchase price or interest thereon, shall be subordinate to the proposed transferee's obligations to make any payments owing to Company or Company's affiliates, including, without limitation, royalties and payments for purchases from Company or Company's Affiliates; (viii) there shall not be any suit, action, or proceeding pending, or to the knowledge of Developer any suit, action, or proceeding threatened, against Developer with respect to the Licensed Store; (ix) the transferee/assignee, its General manager or other employees responsible for the operation of the Licensed Store shall have satisfactorily completed Company's initial training program; and (x) Developer shall pay Company or its designee a transfer fee in the amount of $5,000. This Agreement may not be transferred to a public Entity, or to any Entity whose direct or indirect parent's securities are publicly traded and no shares of Developer or any direct or indirect Owner of Developer may be offered for sale through the public offering of securities. In addition to and without limitation of the foregoing, it shall be reasonable for Company to disapprove any proposed transfer if, as a result thereof, the ownership interests in Developer will be, in Company's reasonable business judgment, so widely held by different persons as to materially compromise the financial stake and dedication of those person(s) in whose individual or collective character, skill, attitude, and business ability Company has placed reliance in entering into this Agreement or is willing to place reliance in approving such transfer.

(c) The term "**Assignment**" means: (1) directly or indirectly to sell, assign (by operation of law or otherwise), transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement, or in the assets of the Licensed Store other than the sale of Coffee Products at retail in the ordinary course, and (2) if Developer is an Entity, each of the following shall be deemed to be an Assignment: (i) the transfer of 25% or more in the aggregate, whether in one or more transactions, of the Equity or voting power of Developer, by operation of law or otherwise; (ii) the issuance of any Equity Securities which itself or in combination with any other transaction(s) results in the Owner(s) existing as of the Effective Date, as applicable, owning 75% or less of the Equity or voting power of Developer as constituted as of the date of such issuance; (iii) if Developer is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or limited partner owning 25% or more of the voting power, property, profits or losses, or partnership interests of the Partnership (each of which is referred to hereinafter as a "**Partnership Right**"), or the admission of any additional general partner or the transfer by any general partner of any of its Partnership Rights in the Partnership; (iv) the death or legal incapacity of any Owner(s) owning 25% or more of the Equity, or voting power of Developer; (v) any merger, stock redemption, conversion, consolidation, reorganization or recapitalization involving Developer; and (vi) the amendment of the articles, bylaws or operating agreement of Developer, or any other transaction, that would transfer control of the Developer. If Developer is an Entity, Developer shall promptly provide Company with notice of each and every change or issuance of Equity Securities by Developer and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Developer, notwithstanding that the same may not constitute an "Assignment".

(d) If Developer is an individual and desires to assign this Agreement to an Entity controlled by Developer and which Developer is an Owner, Company may impose any reasonable condition (including those set forth in Section 10.2(b) of this Agreement), and may require:

(i) Developer to be at the time of Assignment, and agree to remain throughout the Term, the owner of all or the majority of the equity interests in the Entity or, if Developer is more than one individual, each individual shall have the same proportionate ownership interest in the Entity as that individual had in this Agreement prior to the transfer;

(ii) Developer to provide to Company prior to the Assignment all documents reasonably requested by Company, and

(iii) The Owners of the Entity to personally guarantee the obligations to be performed under this Agreement by the assignee Entity.

(e) Developer represents that the information set forth in **Exhibit "A"** is true and correct in all respects; Developer shall notify Company in writing within 10 days of any change in the information set forth in **Exhibit "A,"** including providing copies of all amendments to Developer's "Entity Documents" a defined in **Exhibit "A."**

(f) Developer promptly shall provide such additional information as Company may from time to time request concerning all persons who may have any direct or indirect financial interest in Developer. Developer shall upon demand, reimburse Company for its direct and indirect costs, including attorneys' fees, to review any revised or supplemental **Exhibit "A."**

(g) Company's consent to any transfer or assignment shall not constitute a waiver of any subsequent Assignment by Developer or its assignee or transferee or waiver of any claim that Company may have against Developer.

10.3 Company's Right of First Refusal.

(a) If Developer desires to enter into or effect and Assignment, or, if Developer is an Entity, any of its Owners desire, to transfer any or all of its Equity of Developer (notwithstanding that such transfer may not constitute an Assignment), Developer (or such Owner, as applicable) shall obtain a bona fide, executed written offer for such Assignment or transfer from the assignee or transferee (the "**Bona Fide Offer**"). Company (or its nominee) shall have the right, exercisable by delivery of written notice to Developer (and the applicable Owner(s)) within 30 days from the date of its receipt of an exact copy of said offer, to purchase the property, rights, Equity, and/or interest which is the subject of the Bona Fide Offer (the "**Right of First Refusal**"). The price payable by Company (or its nominee) for such purchase shall be the same price, and the sale shall be on the same terms (except as set forth in Section 10.3(b) of this Agreement) as proposed pursuant to the Bona Fide Offer; *provided*, *however*, if the Bona Fide Offer provides for the payment of any non-cash consideration, Company (or its nominee) shall have the right to substitute an equivalent amount of cash. Developer shall provide Company (and/or its nominee) and its (or the nominee's) representatives reasonable access during normal business hours to Developer's personnel, properties, contracts, books and records, and other documents and data,

and copies of such contracts, documents, books and records, and financial, operating, and other data and information as Company may reasonably request for a period, to complete its due diligence review of Developer.

(b) Not later than 60 days after delivery of notice of its exercise of its Right of First Refusal to Developer, and, if applicable, the appropriate Owner(s), Company (or its nominee) and Developer, or the appropriate Owner(s) shall consummate such purchase, and in the case of an assignment or transfer of this Agreement, this Agreement shall thereupon terminate and Developer shall have no further rights under this Agreement; provided however, that Developer shall continue to perform those provisions of this Agreement which by their nature survive its termination. No failure of Company (or its nominee) to exercise the Right of First Refusal on any occasion shall constitute a waiver of such right as to any other occasion. If Company (or its nominee) does not exercise the Right of First Refusal by delivery of written notice to Developer (and, if applicable, the appropriate Owners) within 30 days of receipt of the copy of the Bona Fide Offer, Developer or its Owner may complete the sale to such purchaser pursuant to and on the same terms as Bona Fide Offer, subject to Company's approval as provided above in Section 10.2 of this Agreement. If the transfer or Assignment is not completed within 90 days after delivery of the Bona Fide Offer to Company, or if there is a material change in the terms of the transfer or Assignment, Company shall again have the right of refusal as provided herein. Developer shall cause each of its Owners (other than Company) to agree to be bound by the terms of this Section 10.3.

10.4 Company's Rights in Connection with a Liquidity Event.

(a) Developer and each Owner hereby grant Company (or its nominee) the right, but not the obligation, on the terms and conditions set forth herein, to purchase (the "**Purchase Option**") all but not less than all of the Developer's Interest following the occurrence of a Liquidity Event, but subject to the consummation of the transaction contemplated by the Liquidity Event, involving (1) all or substantially all of the United States Coffee Bean Stores owned by Company or any Affiliate of Company, and (2) all or substantially all of the rights of Company and Company's Affiliates as licensors and franchisors of Coffee Bean Stores in the United States.

(b) The Purchase Option may be exercised, if at all, until the date which is five years after a Liquidity Event. If Company (or its nominee) desires to purchase Developer's Interest, then Company (or its nominee) shall deliver written notice ("**Option Notice**") to Developer stating (i) that it is exercising the Purchase Option; and (ii) the anticipated closing date of the purchase and sale of Developer's Interest. The purchase price (the "**Purchase Price**") for Developer's Interest shall be the Fair Market Value of Developer's Interest.

(c) Promptly following (but not later than 10 days thereafter) the date of the Option Notice, Developer (on behalf of each Owner) and Company shall each appoint one Investment Bank in accordance with Section 10.4(b) of this Agreement and diligently proceed to determine the Fair Market Value of the Developer's Interest within 40 days after the date of the Option Notice. Developer shall, during such 40-day period provide Company and its representatives reasonable access during normal business hours to Developer's personnel, properties, contracts, books and records, and other documents and data, and copies of such

contracts, documents, books and records, and financial, operating, and other data and information as Company may reasonably request for a period, to complete its due diligence review of Developer. Within 10 days following the determination of the Fair Market Value of the Developer's Interest, Company (or its nominee) shall have the right to withdraw the Option Notice at which time the Option Notice and the Purchase Option shall be of no further force or effect.

(d) The Fair Market Value ("**Fair Market Value**") of Developer's Interest shall be determined by a valuation of Developer's Interest as of the date of the Option Notice and utilizing, among other things, the date of most recently available audited and unaudited financial statements of Developer, and shall be conducted as follows: Company and Developer shall each obtain a valuation of Developer's Interest from an experienced, reputable and independent investment bank or appraiser in the United States, or as otherwise agreed by Company (or its nominee) ("**Investment Bank**"). Fair Market Value shall be the average of the valuations determined by the Investment Banks if those two valuations do not vary by more than 10%. If such valuations vary by more than 10%, then the two Investment Banks shall jointly select a third independent Investment Bank, who must unless otherwise agreed by Company (or its nominee) and Developer be recognized as one of the top-ten investment banks in the United States and must confirm in writing that it has no conflict of interest with Company, Developer or their respective Owners (except to the extent Developer and Company may consent in writing), and the Fair Market Value of Developer's Interest shall then be the average of (i) the value determined by the third Investment Bank, and (ii) the value determined by one of the first two Investment Banks that is the nearest in value to the value determined by the third Investment Bank. Each party shall bear the cost of the Investment Bank selected by such party, and the parties shall share equally in the cost of the third Investment Bank, if applicable. The Fair Market Valuation as determined pursuant to this process shall include a methodology to adjust Fair Market Value to reflect material changes between the date of the Option Notice and the closing of the transaction.

(e) The closing of the sale and purchase of Developer's Interest pursuant to the exercise of the Purchase Option shall occur not later than 120 days after the date of the Option Notice at the offices of the Company or at such other time and place as Company and Developer mutually agree, except that if in Company's reasonable opinion regulatory or shareholder or member approval is required under applicable law or the rules or regulations of any exchange on which its securities are traded, then such 120 day period shall be extended to 210 days, or until such date as all approvals (or non-appealable denials) have been obtained. Developer shall cause each of its Owners (other than Company) to agree to be bound by the terms of this Section, which obligations shall survive the termination or expiration of this Agreement. In connection with any purchase of Developer's Interest under this Section or any other Section of this Agreement by Company or its nominee, there will be customary representations and warranties (and customary qualifications), and reasonable indemnities by Developer and its Owners, and the Fair Market Value shall be adjusted, if and as necessary to reflect any material positive or negative changes in the balance sheet between the effective date of the Fair Market Value determination and the closing date.

(f) At the closing:

(i) Company (or its nominee) shall pay each of Developer's Owners (other than the Company or its Affiliates) their pro-rata share of the Purchase Price in U.S. dollars, payable by wire transfer or other immediately available funds, except as otherwise set forth below;

(ii) Developer and its Owners (other than Company or its Affiliates) shall, as applicable, deliver the certificate(s) representing the Developer's Interest to Company (or its nominee), along with a duly executed documents in form and substance satisfactory to Company (or its nominee) and its counsel so as to vest good and marketable title to the Equity purchased.

(g) Notwithstanding the foregoing, in the case of a Liquidity Event consisting of a Public Offering, at the election of each of the holders of the Equity Securities of Developer (which election shall bind all holders of Equity Securities of Developer, other than Company), the Purchase Price may be paid in the form of Public Equity Securities, or a combination of cash and such Public Equity Securities. Further, if an Owner elects to accept Public Equity Securities, Developer shall execute (and cause each Owner to execute) such documents and agreements, if any, required to be executed by stockholders (or members) of the Company Public Entity, including shareholders' agreements, buy-sell agreements, and other agreements required to be executed by any underwriter of the Company Public Entity which agreements may, among other things, restrict the purchase, quantity or resale of such Public Equity Securities. The Developer's Owners, and the Public Equity Securities to be issued pursuant to the Purchase Option, shall have comparable resale restrictions to those rights and restrictions to which holders of similar amounts of Public Equity Securities shall be subject, or if required by the underwriter, to which Affiliates of the Company and the Public Equity Securities of Company owned by such Affiliates shall be subject, in connection with the closing of the Public Offering. Each share of Public Equity Securities shall be valued at the mean of the closing prices for the Public Equity Securities over the 5 trading days prior to the date immediately preceding the closing date of the purchase, or the public offering price if closed contemporaneously with, or within 5 trading days after, the Company's Public Offering.

(h) The parties further agree that nothing in this Section shall bind Company to purchase Developer's Interest at the Fair Market Value unless Company elects to exercise its Purchase Option and, in such event, Developer (and Developer shall cause its Owners) to be bound by the determination of the Fair Market Value as determined in accordance with this Section 10.4, which shall be final, conclusive and binding on the parties.

(i) Developer shall cause each of Owners, and each of their respective successors, assigns, and transferees, to agree to be bound by this Section 10.4.

10.5 Legend Conditions. If Developer is an Entity or if this Agreement is assigned to an Entity, such entity shall conduct no business other than the business contemplated hereunder. The articles of partnership, partnership agreement, articles of incorporation, memorandum of association, articles of organization or other organizational documents of such Entity shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in this Agreement. All issued and outstanding stock certificates of an Entity which is corporation, or

certificates representing each Owner's Equity in an Entity other than a corporation, shall bear a legend referring to the restrictions in this Agreement.

ARTICLE 11
DEFAULTS

11.1 General. Company shall have the right to terminate this Agreement only for "cause." "**Cause**" is hereby defined as a material breach of this Agreement. Company shall exercise its right to terminate this Agreement upon notice to Developer upon the following circumstances and manners.

11.2 Automatic Termination Without Notice. Subject to Applicable Laws of the jurisdiction in which the Licensed Store is located to the contrary, Developer shall be deemed to be in material default under this Agreement, and all rights granted herein shall at Company's election automatically terminate without notice to Developer if: (i) Developer shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Developer shall allow a judgment against him in the amount of more than $25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) if the Licensed Store, the Premises or Developer's assets are seized, taken over or foreclosed by a government official in the exercise of its duties, or seized, taken over, or foreclosed by a creditor or lienholder provided that a final judgment against Developer remains unsatisfied for 30) days (unless a supersedes or other appeal bond has been filed); (iv) if a levy of execution of attachment has been made upon the license granted by this Agreement or upon any property used in the Licensed Store, and it is not discharged within 5 days of such levy or attachment; (v) if Developer permits any mechanics lien to attach to the Licensed Store or to any equipment; (vi) allows or permits any judgment to be entered against Company or any Company Affiliate, arising out of or relating to the operation of the Licensed Store; (vii) a condemnation or transfer in lieu of condemnation; (viii) Developer is dissolved or liquidated, if an order is made or resolution passed for the winding-up, dissolution or liquidation of Developer; or (ix) Developer makes a material misrepresentation or omission in obtaining the rights granted by this Agreement.

11.3 Option to Terminate Without Notice. Developer shall be deemed to be in default and Company may, at its option, terminate this Agreement and all rights granted hereunder, without affording Developer any opportunity to cure the default, effective immediately upon receipt of notice by Company upon the occurrence of any of the following events:

(a) Abandonment. If Developer shall abandon the Licensed Store. For purposes of this Agreement, "abandon" shall refer to (i) Developer's failure, at any time during the term of this Agreement, to keep the Premises or Licensed Store open and operating for business for a period of 5 consecutive days, except as provided in the Manuals, (ii) Developer's failure to keep the Premises or Licensed Store open and operating for any period after which it is not unreasonable under the facts and circumstances for Company to conclude that Developer does not intend to continue to operate the Licensed Store, unless such failure to operate is due to fire, flood, earthquake or other similar causes beyond Developer's control, (iii) failure to actively and continuously maintain and answer the telephone listed by Developer for the Licensed Store solely

with the "The Coffee Bean & Tea Leaf" name; (iv) the withdrawal of permission from the applicable lessor that results in Developer's inability to continue operation of the Licensed Store; or (v) closing of the Licensed Store required by law if such closing was not the result of a violation of this Agreement by Company;

(b) Death or Disability of Developer. Upon the death or permanent disability of Developer, if Developer is an individual, or, if Developer is Entity, any Owner of a Controlling interest in Developer, the executor, administrator, conservator, or other personal representative of such person ("**Representative**") or Developer shall, within 30 days following such death or disability, (i) notify Company of any death or disability; (ii) if Developer is an individual, notify Company of its desire to continue as Developer hereunder (in which case no transfer fee shall be payable pursuant to Section 10.2 of this Agreement), and (iii) if Developer is an individual, or if such deceased or permanently disabled Owner is the Chief Executive Officer or Director of Operations, appoint a designated successor reasonably acceptable to Company to continue to oversee the proper ongoing development and operation of the Developer and the Licensed Store, (iv) otherwise reasonably satisfy Company that Developer's (if an individual) or such Owner's (if Developer is an Entity) heir(s) meet all of the standards and qualifications for a transferee Developer, or Owner, as the case may be, or agrees to transfer promptly following such death or disability, his or her Equity in Developer to a third party who satisfies such standards and qualifications, and subject to Company's right to approval of such transfer and the Right of First Refusal. Failure to satisfy or transfer Developer's interest to a third party who satisfies such standards within 90 days following such death or disability shall constitute a breach of this Agreement.

(c) Repeated Defaults. If Developer shall default in any material obligation as to which Developer has previously received 3 or more written notices of default from Company setting forth the material breach complained of within the preceding 12 months, including violations of Section 6.4 of this Agreement, such repeated course of conduct shall itself be grounds for termination of this Agreement without further notice or opportunity to cure;

(d) Misrepresentation. If Developer makes any material misrepresentations in connection with the execution of this Agreement or the acquisition of the Licensed Store;

(e) Violation of Law. If Developer fails, for a period of 10 days after having received notification of noncompliance from Company or any governmental or quasi-governmental agency or authority, to comply with any federal, state or local law or regulation applicable to the operation of the Licensed Store;

(f) Health or Safety Violations. Developer's conduct of the Licensed Store licensed pursuant to this Agreement is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health (for example, selling spoiled food knowing that the food products are spoiled or allowing a dangerous condition arising from a lack of security for customers to continue despite Developer's knowledge of such condition), or selling regularly unauthorized products to the public after notice of default and continuing to sell such products whether or not Developer has cured the default after one or more notices;

(g) Under Reporting. If an audit or investigation conducted by Company or its agent/designee hereof discloses that Developer has knowingly maintained false books or records, or submitted false reports to Company or any Company Affiliate, or knowingly understated its Gross Revenues or withheld the reporting of same as herein provided;

(h) Criminal Offenses. If Developer or any of its officers, directors, or key employees is convicted of or pleads guilty or nolo contendere to a felony or any other crime or offense that is reasonably likely, in the sole opinion of Company, to adversely affect the reputation of the "Coffee Bean & Tea Leaf" brand, System, Marks or the goodwill associated therewith, or Company's and Company's Affiliates' interests therein;

(i) Assignment Without Consent. If Developer purports to make any Assignment without Company's prior written consent or otherwise violates Section 10.2 of this Agreement;

(j) Capitalization; Net Worth. Developer's failure to obtain the Initial Investment, deliver evidence of receipt thereof, or Developer's failure to maintain the Minimum Net Worth in accordance with Section 6.18(a) of this Agreement; or

(k) Intellectual Property Misuse. If Developer materially misuses or makes any unauthorized use of the Marks or otherwise materially impairs the goodwill associated therewith or Company's rights therein, or takes any action which reflects materially and unfavorably upon the operation and reputation of the Licensed Store, or the "The Coffee Bean & Tea Leaf" chain generally and/or if Developer engages in the unauthorized use, disclosure, or duplication of the Confidential Information, excluding independent acts of employees or others if Developer shall have exercised its best efforts to prevent such disclosures or use.

11.4 Termination With Notice and Opportunity to Cure. Except for any default by Developer under Sections 11.2 or 11.3 of this Agreement, and as otherwise expressly provided elsewhere in this Agreement, Developer shall have 10 days (5 days in the case of any default in the timely payment of sums due to Company or its Affiliates) after Company's written notice of default within which to remedy any default under this Agreement, and to provide evidence of such remedy to Company. If any such default is not cured within that time period, or such longer time period as Applicable Law may require or as Company may specify in the notice of default, this Agreement and all rights granted by it shall thereupon automatically terminate without further notice or opportunity to cure.

11.5 Reimbursement of Company Costs. In the event of a default by Developer, all of Company's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Company's administrative employees shall be paid to Company by Developer within 5 days after cure.

11.6 Cross Default. Any material default by Developer under the terms and conditions of this Agreement, any lease, or any other agreement between Company (or its Affiliate), and Developer, or any default by Developer of its obligations to any advertising cooperative of which it is a member, shall be deemed to be a material default of each and every said agreement.

Furthermore, in the event of termination, for any cause, of this Agreement or any other agreement between the parties hereto, Company may, at its option, terminate any or all said agreements.

11.7 Notice Required By Law. Notwithstanding anything to the contrary contained in this Article 11, in the event any valid, Applicable Law of a competent Governmental Authority having jurisdiction over this Agreement and the parties hereto shall limit Company's rights of termination hereunder or shall require longer notice periods than those set forth above, this Agreement shall be deemed amended to conform to the minimum notice periods or restrictions upon termination required by such laws and regulations. Company shall not, however, be precluded from contesting the validity, enforceability or application of such laws or regulations in any action, arbitration, hearing or dispute relating to this Agreement or the termination thereof.

11.8 Termination by Developer. Developer may terminate this Agreement due to a material default by Company of its obligations hereunder, which default is not cured by Company within 60 days after Company's receipt of prompt written notice by Developer to Company detailing the alleged default with specificity; provided, that if the default is such that it cannot be reasonably cured within such 60 day period, Company shall not be deemed in default for so long as it commences to cure such default within 60 days and diligently continues to prosecute such cure to completion.

ARTICLE 12
TERMINATION OF AGREEMENT

12.1 Termination Upon Expiration of Term. This Agreement will terminate upon expiration of the Term of this Agreement, unless terminated earlier as provided in Article 11 or Section 12.2 of this Agreement.

12.2 Company's Right to Terminate in Certain Other Circumstances.

(a) Failure to Complete Training. Company will have the right to terminate this Agreement effective upon delivery of notice of termination to Developer: (i) if Developer or the individual selected to receive training as a General Manager fails to complete all phases of the initial training program to Company's satisfaction prior to the opening of the Licensed Store. No refund of the Initial Franchise Fee will be made in these circumstances.

(b) Failure to Open. If Developer has not opened Developer's Licensed Store as required by Article 3 within 270 days after the Effective Date, Company will also have the right to terminate this Agreement effective upon delivery of notice of termination to Developer. No refund of the Initial Franchise Fee will be made in these circumstances.

12.3 Payment of Amounts Owed to Company and Others following Termination. Developer shall pay Company within 15 days after the date of termination of this Agreement, or such later date as the amounts due to Company is determined, the Royalty Fees, Central Marketing Fees, amounts owed for purchases by Developer from Company or Company's Affiliates, interest due on any of the foregoing, liquidated damages pursuant to Section 12.7 if applicable, and all other amounts owed to Company or Company's Affiliates which are then unpaid.

12.4 Discontinuance of the Use of the Marks following Termination. Developer agrees that, upon termination of this Agreement, Developer will:

(a) Not directly or indirectly at any time or in any manner (except with respect to other Coffee Bean Stores owned and operated by Developer) identify itself or any business as a current or former Coffee Bean Store, or as a Developer, licensee or dealer of Company or Company's Affiliates, use any Mark, any colorable imitation of a Mark or other indicia of a Coffee Bean Store in any manner or for any purpose or utilize for any purpose any trade name, trade or service mark or other commercial symbol that suggests or indicates a connection or association with Company or Company's Affiliates;

(b) Deliver to Company all signs, sign-faces, sign cabinets, marketing materials, forms, invoices and other materials containing any Mark or otherwise identifying or relating to a Coffee Bean Store and allow Company, without liability, to remove all such items from the Licensed Store;

(c) Take such action as may be required to cancel all fictitious or assumed name or equivalent registrations relating to Developer's use of any Mark;

(d) If Company (or its assignee) does not purchase the Licensed Store as provided in Section 12.6 of this Agreement, make the changes to the exterior and interior appearance of the Licensed Store as are reasonably required by Company;

(e) Deliver all materials and supplies identified by the Marks in full cases or packages to Company for credit and dispose of all other materials and supplies identified by the Marks within 30 days after the effective date of termination of this Agreement;

(f) Notify the telephone company and all telephone directory publishers of the termination of Developer's right to use any telephone and telecopy numbers and any regular, classified or other telephone directory listings associated with any Mark and authorize transfer of those rights to Company or at Company's direction. Developer agrees that, as between Developer and Company, Company has the sole rights to and interest in all telephone and telecopy numbers and directory listings associated with any Mark. Developer authorizes Company and appoints Company and any of Company's officers as Developer's attorney in fact, to direct the telephone company and all telephone directory publishers to transfer any telephone and telecopy numbers and directory listings relating to the Licensed Store to Company or at Company's direction, should Developer fail or refuse to do so, and the telephone company and all telephone directory publishers may accept such direction or this Agreement as conclusive of Company's exclusive rights in the telephone and telecopy numbers and directory listings and Company's authority to direct their transfer; and

(g) Furnish Company, within 30 days after the effective date of termination, with evidence satisfactory to Company of Developer's compliance with the obligations in this Section 12.4.

12.5 Discontinuance of Use and Return of Customer Data and Confidential Information following Termination. Developer agrees that, upon expiration or termination of this Agreement,

then except as permitted by the express terms of any other then validly subsisting written franchise agreement between the parties, Developer will immediately cease to use any Customer Data and Confidential Information disclosed to Developer pursuant to this Agreement or otherwise and Developer will immediately return to Company all Customer Data, all copies of the Manuals, and any other Confidential Information or other materials which Company or any Company Affiliate has loaned to Developer.

12.6 Company's Option to Purchase Licensed Store.

(a) Option to Purchase. Upon termination or expiration of this Agreement other than as a result of Company's default, Company or Company's assignee will have the option, exercisable by giving written notice thereof within 60 days from the date of such termination or expiration, to acquire from Developer, the inventory of Coffee Bean Products, materials, and supplies that are in good and saleable condition and not obsolete or discontinued (the "**Inventory**") and the equipment, furnishings, signs, and the other tangible assets of the Licensed Stores (collectively, with the Inventory, the "**Assets**"). Company will have the unrestricted right to assign this option to purchase and Company's rights under this Section 12.6. Company will be entitled to all customary warranties and representations in connection with Company's purchase, including representations and warranties as to ownership, condition of and title to the Assets, no liens and encumbrances on the Assets, and validity of contracts and agreements and liabilities benefiting Company or affecting the Assets, contingent or otherwise.

(b) Purchase Price. The purchase price for the Assets will be equal to the sum of the net book value of the Licensed Store's Assets, other than Inventory, plus the lesser of cost and the then-current wholesale market value of the Inventory. The purchase price will not include any payment for goodwill. Company will have the right to set off against and reduce the purchase price by any and all amounts owed by Developer to Company or Company's Affiliates. Company may exclude from the Assets purchased any equipment, furnishings, signs, and usable inventory of Coffee Bean Products, materials, or supplies of the Licensed Stores that Company has not approved as meeting Company's standards for Coffee Bean Stores, and the purchase price will be reduced by the replacement cost of such excluded items which are required in the operation of the Licensed Stores being purchased.

(c) Payment of Purchase Price. The purchase price will be paid in cash at the closing of the purchase, which will take place no later than 90 days after Developer's receipt of Company's notice of exercise of this option to purchase the Licensed Stores, at which time Developer will deliver instruments transferring to Company good and merchantable title to the Assets purchased, free and clear of all liens and encumbrances and with all sales and other transfer taxes paid by Developer, and with all licenses or permits of the Licensed Stores which may be assigned or transferred. If the closing of the purchase does not occur within the 90-day period because Developer fails to act diligently in connection with the purchase, the purchase price will be reduced by 10%. The purchase price will be further reduced by 10% per month for each subsequent month Developer fails to act diligently to consummate the purchase. Prior to closing, Developer and Company will comply with the applicable Bulk Sales provisions of the Uniform Commercial Code as enacted in the state where the Licensed Store is located.

(d) Lease of Premises. In connection with the purchase of the Assets of a Licensed Store, Developer will also deliver to Company or its designee an assignment of the lease for the Licensed Store premises. If Developer owns the premises of the Licensed Store, Developer shall lease the premises to Company for a term of 5 years with two successive 5-year renewal options at fair market rental and upon commercially reasonable terms and conditions prevailing in the market area in which the Licensed Store is located, during both the Initial and Renewal Terms.

(e) Interim Management. If Company exercises the option to purchase the Licensed Store, pending the closing of such purchase, Company may appoint a manager to maintain the operation of the Licensed Store or, at Company's option, require Developer to close the Licensed Store during such time period without removing any assets. If Company appoint a manager to maintain the operation of the Licensed Store pending closing of such purchase, all funds from the operation of the Licensed Store during the period of management by Company's appointed manager will be kept in a separate fund, and all expenses of the Licensed Store, including compensation, other costs, and travel and living expenses of Company's appointed manager, will be charged to such fund. As compensation for such management services, Company will charge such fund 10% of the Gross Revenues of the Licensed Store during the period of Company's management. Operation of the Licensed Store during any such period will be on Developer's behalf, provided that Company will have a duty only to utilize Company's good faith effort and will not be liable to Developer for any debts or obligations incurred by the Licensed Store or to any of Developer's creditors for any merchandise, materials, supplies or services purchased by the Licensed Store during any period in which the Licensed Store is managed by Company's appointed manager. Developer will maintain in force for the Licensed Store all insurance policies required by this Agreement until the date of closing.

(f) Termination of Franchise Agreement. Upon the closing of the purchase of the Assets and satisfaction by Developer of all of Developer's obligations under this Agreement accruing through the closing, this Agreement will terminate, subject to Section 12.8 of this Agreement.

12.7 Liquidated Damages For Abandonment. If this Agreement is terminated prior to the expiration of the Term pursuant to Section 11.3(a) by reason of Developer's abandonment, then, in addition to and without limitation of all of Developer's other obligations herein that arise upon the termination or expiration of this Agreement, Developer shall pay to Company, as liquidated damages on account of Developer's abandonment and not as a penalty, an amount equal to the then-net present value of 60 times the average monthly Royalty Fees and Central Marketing Fees that were due and payable on the Gross Revenues of the Licensed Store over the last full 12 months prior to termination (or if Developer has not operated the Licensed Store for 12 months, then the period from the first full month following the opening of the Licensed Store until the month prior to termination of this Agreement). If the breach occurs at a time when there are less than 60 months remaining on the Term of this Agreement, the multiple shall be reduced to the remaining months in the Term. The liquidated damages shall be full and complete compensation for any damages that Company would have suffered for the failure of Developer to fulfil the complete Term of this Agreement. Any debt of Developer for Royalty Fees, Central Marketing Fees, or product purchases, or any other fees or costs unpaid at the time of termination, will remain owed in addition to the agreed upon liquidated damages. The parties agree that it would be

extremely difficult or impractical to fix the amount of actual damages in advance because of uncertainties in the marketplace and differing circumstances that might exist at the time of breach, including uncertainly as to the value to Company of having a Licensed Stores in a particular region or area, the exposure of the business name and trade marks to the public, and marketing of prospective franchises to potentially interested parties. The parties have therefore made a reasonable endeavor to estimate fair compensation for the loss that would be sustained upon Developer's breach of this Agreement and abandonment of the Licensed Store prior to the expiration of the Term. The parties further agree that the above-mentioned damages are reasonable and such would have a reasonable relationship to the actual damages, if such could be precisely determined. For purposes of clarity, Developer shall not be obligated to pay Company liquidated damages pursuant to this Section in connection with a relocation of the Licensed Store pursuant to Section 3.2(b) above.

12.8 Continuing Obligations. All obligations of Developer which expressly or by their nature survive the termination of this Agreement will continue in full force and effect subsequent to and notwithstanding termination and until they are satisfied in full or by their nature expire. Included in the obligations that will continue following termination of this Agreement are the provisions of Article 5, Sections 6.6, 6.7, 6.8, 6.11, 6.12, 6.18(b), 6.18(c), Article 8 and Article 9, Article 12, Sections 13.4 and 14.1, and Article 15 of this Agreement.

ARTICLE 13
RELATIONSHIP OF THE PARTIES/INDEMNIFICATION

13.1 Independent Contractors. This Agreement does not create a fiduciary relationship between the parties. Company and Developer are independent contractors and nothing in this Agreement is intended to make either party a general or special agent, joint venturer, partner or employee of the other for any purpose. Developer will conspicuously identify itself in all dealings as the owner of the Licensed Store under a franchise granted by Company and will place such other notices of independent ownership on the forms, business cards, stationery, marketing and other materials as Company may require from time to time.

13.2 No Liability for the Act of Other Party. Developer will not employ any of the Marks in signing any contract or applying for any license or permit or in a manner that may result in Company's liability for any indebtedness or obligations of Developer, nor may Developer use the Marks in any way not expressly authorized by Company. Neither Company nor Developer has made or will make any express or implied agreements, warranties, guarantees or representations or incur any debt in the name or on behalf of the other or be obligated by or have any liability under any agreements or representations made by the other. Company will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of Developer's business authorized by or conducted pursuant to this Agreement.

13.3 Taxes. Company will have no liability for any sales, use, service, withholding tax, occupation, excise, gross receipts, income, property or other taxes, whether levied upon Developer or Developer's assets or upon Company, arising in connection with Developer's sales or the business conducted by Developer pursuant to this Agreement, except for taxes that Company is required by law to collect from Developer with respect to purchases from Company and except for Company's own income taxes. Payment of all such taxes will be Developer's responsibility.

13.4 Indemnification. Developer shall indemnify, defend and hold harmless Company and Company's Affiliates and each of their respective Owners, directors, officers, employees, agents, successors and assigns (the "**Indemnified Parties**") against and to reimburse the Indemnified Parties for any claims, liabilities, lawsuits, demands, actions, damages and expenses arising from or out of (a) any breach of Developer's agreements, covenants, representations, or warranties contained in this Agreement or any other agreement by or among Developer and Company (or any of Company's Affiliates), (b) any damages or injury to any person, including Developer's employees, Company's employees and agents, Developer's customers, and members of the public, suffered or incurred on or about any Licensed Store owned or operated by Developer, (c) product liabilities claims or defective manufacturing of Coffee Bean Products by Developer which are not attributable to Company or a Company Affiliate, or (d) the activities under this Agreement of Developer or any of Developer's officers, owners, directors, employees, agents or contractors. For purposes of this indemnification, claims will mean and include all obligations, actual, consequential, and incidental damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including reasonable accountants', arbitrators', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses. Company will have the right to defend any such claim against Company. This indemnity will continue in full force and effect subsequent to and notwithstanding the termination of this Agreement.

ARTICLE 14
SECURITY AGREEMENT

14.1 Security Agreement. In order to secure full and prompt payment of the fees and other charges to be paid by Developer to Company, and to secure performance of Developer's other obligations and covenants under this Agreement, Developer hereby grants Company a security interest in, lien upon, and right of set off against all of Developer's interest in (a) the improvements, fixtures, inventory, goods, appliances and equipment now or hereafter owned and located at the Licensed Store (whether annexed to the Premises or not) or used in connection with the business conducted at the Premises, including all machinery, materials, appliances and fixtures for generating or distributing air, water, heat, electricity, light, fuel, or refrigeration, for ventilating, cooling or sanitary purposes, for the exclusion of vermin or insects and for the removal of dust, refuse or garbage; all engines, machinery, stoves, refrigerators, furnaces, partitions, doors, vaults, sprinkling systems, light fixtures, fire hoses, fire brackets, fire boxes, alarm systems, brackets, screens, floor tile, linoleum, carpets, plumbing, water systems, appliances, walk-in refrigerator boxes, cabinets, dishwashers, bake ovens, set-up tables, kitchen ranges, display counters and shelves, computers and computer software, and other equipment and installations; all other and further installations and appliances; (b) all raw materials, work in process, finished goods, and all inventory; (c) all licenses, permits, and contract rights, including telephone and telecopier numbers, telephone and other directory listings, and any other asset owned by Developer and used or useful in connection with operation of the Licensed Store; and (d) all replacements, attachments, additions, accessions, products, and proceeds to and of any of the items included in **clauses (a), (b), or (c)**, in any form, including to insurance proceeds and any claims against third parties for loss or damage to or destruction of any or all of the foregoing (collectively, the "**Collateral**"). However, Company agrees that Company will subordinate Company's security interest to bona fide third party purchase money financing (including equipment lease financing) made available

to Developer in connection with the acquisition, development, and operation of Developer's Licensed Store. Without Company's prior written consent, Developer agrees that no lien upon or security interest in the Collateral or any item thereof will be created or suffered to be created and that no lease will be entered into with respect to any item of Collateral. Without Company's prior written consent, Developer will not sell or otherwise dispose of any item of Collateral, or remove any Collateral from the Premises, unless the same is replaced by a similar item of equal or greater value, and except for the sales of inventory in the ordinary course of business. Developer shall give to Company advance notice in writing of any proposed change in Developer's name, identity, or structure and not to make any the change without Company's prior written consent and compliance with the provisions of this Agreement, including Article 10. Developer shall execute for filing the financing statements and continuation statements as Company may require from time to time. Developer shall pay all filing fees, including fees for filing continuation statements in connection with the financing statements, and to reimburse Company for all costs and expenses of any kind incurred in connection therewith. If Developer defaults under this Agreement, Company will have all the remedies and rights available as a "secured party" with respect to the Collateral under the Uniform Commercial Code as in effect from time to time in the state where the Premises are located. The grant of the security interest by Developer pursuant to this Section will not be construed to derogate from or impair any other rights which Company may have under this Agreement or otherwise under Applicable Law or equity. The provisions of this Section shall survive the termination of this Agreement.

ARTICLE 15
GENERAL PROVISIONS

15.1 Severability. Each article, section, paragraph, term and provision of this Agreement will be considered severable and if, for any reason, any provision of this Agreement is held to be invalid, contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, agency or tribunal with competent jurisdiction in a proceeding to which Company is a party, that ruling will not impair the operation of, or have any other effect upon, such other portions of this Agreement as may remain otherwise intelligible, and such other portions will continue to be given full force and effect and bind the parties, although any portion held to be invalid will be deemed not to be a part of this Agreement from the date the time for appeal expires, if Developer is a party thereto, otherwise upon Developer's receipt of a notice of non-enforcement thereof from Company.

15.2 Rights Provided by Law. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination or non-renewal of this Agreement than is required under this Agreement, or the taking of some other action not required under this Agreement, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement is invalid or unenforceable, the prior notice and/or other action required by such law or rule will be substituted for the comparable provisions of this Agreement, and Company will have the right in Company's sole discretion to modify the invalid or unenforceable provision to the extent required to be valid and enforceable. Developer shall be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions of this Agreement any portion

or portions which a court or arbitrator may hold to be unenforceable in a final decision to which Company is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court order or arbitration award. Such modifications to this Agreement will be effective only in such jurisdiction, unless Company elect to give them greater applicability, and will be enforced as originally made and entered into in all other jurisdictions.

15.3 Waivers by Either Party. Either Company or Developer may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice of waiver to the other or such other effective date stated in the notice of waiver. Any waiver granted by Company will be without prejudice to any other rights Company may have, will be subject to Company's continuing review and may be revoked, in Company's sole discretion, at any time and for any reason, effective upon delivery to Developer of ten days' prior written notice.

15.4 Certain Acts Not to Constitute Waivers. Neither Company nor Developer will be deemed to have waived or impaired any right, power or option reserved by this Agreement (including, without limitation, the right to demand exact compliance with every term, condition and covenant in this Agreement or to declare any breach to be a default and to terminate this Agreement prior to the expiration of its term) by virtue of (a) any custom or practice of the parties at variance with the terms of this Agreement; (b) any failure, refusal or neglect of Company or Developer to exercise any right under this Agreement or to insist upon exact compliance by the other with its obligations under this Agreement, including any waiver, forbearance, delay, failure or omission by Company to exercise any right, power or option, whether of the same, similar or different nature, with respect to other Coffee Bean Stores or franchise agreements; or (c) Company's acceptance of any payments due from Developer after any breach of this Agreement.

15.5 Excusable Non-Performance. Neither Company nor Developer will be liable for loss or damage or deemed to be in breach of this Agreement if the failure to perform obligations results from transportation shortages; inadequate supplies of equipment, merchandise, supplies, labor, material or energy or the voluntary suspension of the right to acquire or use any of those items in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any Governmental Authority; compliance with any law, ruling, order, regulation, requirement or instruction of any Governmental Authority; acts of God; fires, strikes, embargoes, war or riot; or any other similar event or cause beyond the reasonable control of the party. Any delay resulting from any of those causes will extend performance accordingly or excuse performance, in whole or in part, as may be reasonable.

15.6 Injunctive Relief. Notwithstanding anything to the contrary contained in Section 15.9 of this Agreement, Company and Developer will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Company deems to be necessary or appropriate to compel Developer to comply with Developer's obligations hereunder and/or to protect the Marks; or any claim or dispute involving or contesting the validity of any of the Marks. However, the parties will contemporaneously submit their dispute for arbitration on the merits. Developer agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Developer's sole remedy in the event of the entry of such injunctive relief

will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

15.7 Rights of Parties Are Cumulative. Company's and Developer's rights under this Agreement are cumulative and the exercise or enforcement of any right or remedy under this Agreement will not preclude the exercise or enforcement by a party of any other right or remedy under this Agreement which it is entitled by law or this Agreement to exercise or enforce.

15.8 Costs and Attorneys' Fees. If a claim for amounts owed by Developer to Company or Company's Affiliates is asserted in judicial proceeding or appeal, or if Company or Developer is required to enforce this Agreement in an arbitration or proceeding or appeal, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable arbitrators', accounting and legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. If Company incurs expenses in connection with Developer's failure to pay when due amounts owing to Company or its Affiliates, to submit when due any reports, information or supporting records or otherwise to comply with this Agreement, including, but not limited to legal, arbitrators' and accounting fees, Developer will reimburse Company for any such costs and expenses which Company incurs.

15.9 Mediation and Arbitration.

(a) Subject to Section 15.9(b) of this Agreement, the parties hereby agree to first submit any controversy or claim between Company and Developer arising out of or relating to this Agreement or any alleged breach thereof to non-binding mediation ("**Mediation**"). Such Mediation shall occur in Los Angeles, California or by virtual means before a single mediator, using the facilities and mediation rules of a professional dispute-resolution organization selected by Company and reasonably acceptable to Developer (the "**Mediation Organization**"). If the parties cannot agree on a Mediation Organization, they will use the facilities and mediation rules of the National Franchise Mediation Program. The parties shall jointly select a mediator from the panel of mediators maintained by the Mediation Organization. The mediator must be either a retired judge or an individual experienced in franchise law. If the parties are unable to agree on a mediator within 30 days after the claim or controversy is submitted to Mediation, the Mediation Organization will select a mediator who possesses the indicated qualifications. The parties will share the Mediation filing fee equally, but will otherwise separately bear their own costs and expenses (including legal fees) of participating in the Mediation process. Each party agrees cause at least one representative to participate the Mediation conference who has authority to enter into binding settlement on that party's behalf. Each party further agrees to sign a confidentiality agreement that exempts the mediator from disclosing, orally or in writing, any information the other party discloses to the mediator in confidence at any stage of the Mediation process. If either party fails or refuses to participate in Mediation in accordance with this Section 15.9(a), the other shall be entitled to immediately submit the claim or controversy to binding arbitration in accordance with Section 15.9(c).

(b) Notwithstanding Section 15.9(a), the parties mutually agree that Company is not obligated to mediate any claim or controversy arising from: (i) Developer's alleged infringement of the Marks, or other alleged misappropriation of Company's or its Affiliates'

intellectual property; or (ii) Developer's failure to pay when due any Royalty Fees or other monetary obligation to Company or any Company Affiliates.

(c) Subject to Section 15.6 of this Agreement, and except as precluded by Applicable Law, any controversy or claim between Company and Developer arising out of or relating to this Agreement or any alleged breach hereof not resolved through Mediation within 30 days after the Mediation conference concludes, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted exclusively to binding arbitration. Said arbitration shall be conducted before and will be heard by three arbitrators in accordance with the then-current Commercial Arbitration Rules of the American Arbitration Association. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, the proceedings shall be held exclusively in the city of Los Angeles, State of California. All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Developer and Company, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other franchisee. The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 15.10 of this Agreement. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

(d) Awards. The arbitrator will have the right to award or include in his award any relief which he or she deems proper in the circumstances, including money damages (with interest on unpaid amounts from the date due), specific performance, injunctive relief and attorneys' fees and costs, in accordance with Section 15.8 of this Agreement, provided that the arbitrator will not have the authority to award exemplary or punitive damages. The award and decision of the arbitrator will be conclusive and binding upon all parties and judgment upon the award may be entered in any court of competent jurisdiction. Each party waives any right to contest the validity or enforceability of such award. The parties shall be bound by the provisions of any limitation on the period of time by which claims must be brought. The parties agree that, in connection with any such arbitration proceeding, each will submit or file any claim which would constitute a compulsory counter-claim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceedings as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding will be barred.

(e) Permissible Parties. Developer and Company agree that arbitration will be conducted on an individual, not a class wide, basis and that any arbitration proceeding between

Developer and Company will not be consolidated with any other arbitration proceeding involving company and any other person or entity.

(f) Survival. The provisions of this Section 15.9 will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

15.10 Governing Law. All matters relating to arbitration and within the scope of the federal arbitration act (9 U.S.C. §1 *et seq.*) will be governed by such act. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 *et seq.*) or other Federal law, this agreement and the relationship between Developer and Company will be governed by and construed in accordance the laws of the state of California, without giving effect to principles of conflicts of law, except that (a) the provisions of Section 9.1 of this Agreement (and to the extent applicable, Section 9.4 of this Agreement) respecting Non-Competition Covenants which shall be governed in accordance with the laws of the State where the default of said section occurs, and (b) the California Franchise Investment Law, and any other state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable jurisdictional requirements are met independently without reference to this paragraph.

15.11 Consent to Jurisdiction. Company may institute any action against Developer (which is not required to be arbitrated hereunder) in any state or Federal court of competent jurisdiction in the state of California, and Developer irrevocably submits to the jurisdiction of such courts and waives any objection Developer may have to either the jurisdiction of or venue in such courts.

15.12 Waiver of Punitive Damages. Except with respect to Developer's obligation to indemnify Company pursuant to Section 13.4 of this Agreement, the parties waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between them, the party making a claim will be limited to recovery of any actual damages it sustains.

15.13 Waiver of Jury Trial. TO THE EXTENT THAT SECTION 15.9 SHALL NOT APPLY OR, IF FOUND UNENFORCEABLE, THE PARTIES, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND THEY AGREE THAT, EXCEPT TO THE EXTENT PROHIBITED BY LAW, LOS ANGELES, CALIFORNIA SHALL BE THE SOLE AND EXCLUSIVE VENUE FOR ANY LITIGATION BROUGHT WITH RESPECT TO MATTERS ARISING UNDER OR RELATING TO THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

15.14 Binding Effect. Subject to the restrictions on Assignments contained in this Agreement, this Agreement is binding upon the parties hereto and their respective executors, administrators, heirs, assigns and successors in interest and will not be modified except by written agreement signed by both Developer and Company.

15.15 Limitation of Claims. Any and all claims arising out of or relating to this Agreement or the relationship among the parties to this Agreement will be barred unless an action or proceeding is commenced within one year from the date Developer or Company knew or should have known of the facts giving rise to such claim.

15.16 No Third Party Beneficiaries. Nothing in this Agreement is intended, nor will be deemed, to confer any rights or remedies upon any person or Entity not a party to this Agreement.

15.17 Approvals. Except where this Agreement expressly obligates Company reasonably to approve or not unreasonably to withhold Company's approval of any action or request by Developer, Company has the absolute right to refuse any request by Developer or to withhold Company's approval of any action by Developer that requires Company's approval.

15.18 Headings. The headings of the several articles, sections and paragraphs of this Agreement are for convenience only and do not define, limit or construe the contents of such sections or paragraphs.

15.19 Joint and Several Liability. If the Developer includes more than one person and/or Entity, such person(s) and/or Entities shall be deemed to be a general partnership and each shall be jointly and severally liable for all obligations and liabilities of Developer.

15.20 Counterparts. This Agreement may be executed in multiple copies, each of which will be deemed an original.

15.21 Notices and Payments. Except as otherwise expressly provided herein, all payments, written notices, reports and documents permitted or required to be delivered by the provisions of the Agreement shall be delivered by hand, by telegraph or telecopier, by FedEx, DHL Worldwide Express, or other reputable overnight courier service ("**Courier**"), or by deposit with United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and shall be deemed so delivered at the time delivered by hand, one business day after transmission by facsimile (with confirming copy sent by mail), 1 business day after deposit with a Courier for delivery, or 3 business days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed as follows:

If to Company: SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED
550 S. Hope St, Suite 2100
Los Angeles, CA 90071
Attn.: General Counsel
Facsimile No.: (310) 815-2504

With copy (which shall not constitute notice) to:

R. Andrew Chereck, Esq.
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, California 90401-2386
Email: andrew.chereck@bclplaw.com

If to Developer: Developer Notice Address (See Section 1.2)

or to such other address as such party may designate by 10 days' advance written notice to the other party.

15.22 Gender and Construction. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article, section or paragraph hereof may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. Unless otherwise expressly provided herein to the contrary, any consent, approval or authorization of Company which Developer may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment or determination, including any decision as to whether any condition or circumstance meets Company's standards or satisfaction, Company may do so in its sole subjective judgment.

15.23 Time of Essence. Time is of the essence of each provision of this Agreement in which time is an element.

15.24 Entire Agreement. This Agreement, the Exhibits incorporated herein, and the Manuals contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. No other agreements concerning the subject matter hereof, written or oral, shall be deemed to exist or to bind any of the parties hereto. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement, are merged and are expressly and superseded by this Agreement, except such representations as are made in any franchise disclosure document delivered to Developer (if required by Applicable Law) and any representations made by Developer in acquisition of this Agreement. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or in any franchise disclosure document delivered to Developer (if required by Applicable Law), and Developer agrees that he has executed this Agreement without reliance upon any such representation or promise. During the Term, this Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties hereto.

15.25 Disclaimers. The success of the business venture contemplated to be undertaken by Developer by virtue of this Agreement is speculative and depends, to a large extent, upon the ability of Developer and its Owners as an independent businessman, its active participation in the daily affairs of the business as well as other factors. Company does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby. Developer acknowledges that it has entered into this Agreement after making an independent investigation of Company's operations and not upon any representation as to gross revenues, volume, potential earnings or profits which Developer in particular might be expected to realize, nor has anyone made any other representation which is not expressly set forth herein or in any franchise disclosure document that Company furnished to Developer, to induce Developer to accept this Agreement and execute this Agreement. Developer represents that it has read Agreement and the disclosure document presented by Company, if any, in their entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. Developer further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby. Nothing in

this Agreement is intended to disclaim the representations Company made in any franchise disclosure document that Company furnished to Developer.

15.26 Submission of Agreement. The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Developer. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF COMPANY.

15.27 Acknowledgement. Developer, and its Owners, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement (or knowingly has not obtained the advice of counsel), that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

[SIGNATURE PAGE FOLLOWS]

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

COMPANY:

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,
a corporation organized under Irish law

By:_____
Name:_____
Title:_____

DEVELOPER:

By:_____
Name:_____
Title:_____

APPENDIX 1
DEFINITIONS

In addition to the terms defined elsewhere in this Agreement, the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"**Accounting Period**" means each of the 12 accounting periods in Company's fiscal year during the Term, or such other period as Company may designate in writing from time to time. Each Accounting Period begins on a Monday. The first Accounting Period in each quarter consists of five weeks (35 days), the second Accounting Period in the quarter consists of four weeks (28 days), and the third Accounting Period of each quarter consists of four weeks (28 days). This is commonly referred to as the 5,4,4 method of accounting. Currently, the accounting year ends on the Sunday closest to December 31st and, although generally consists of 52 weeks, in some years will consists of 53 weeks.

"**Advertising and Promotional Materials Fee**" shall have the meaning set forth in Section 5.6 of this Agreement.

"**Affiliate**" when used herein in connection with Company or Developer, includes each person or Entity which directly, or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with Company or Developer, as applicable. Without limiting the foregoing, the term "Affiliate" when used herein in connection with Developer includes any Entity more than 50% of whose stock; membership interests; Partnership Rights; or other equity ownership interests (collectively "**Equity**") or voting Control, is held by person(s) or Entities who, directly or indirectly, own or Control more than 50% of the Equity or voting Control of Developer. Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Developer, the term "**Affiliate**" shall not include or refer to the Company or that Affiliate (the "**Company Affiliate**"), and no obligation or restriction upon an "Affiliate" of Developer, shall bind Company, or said Company Affiliate or their respective officers, directors, or managers.

"**Alternate Channels of Commerce**" shall have the meaning set forth in Section 2.4(b)(ii) of this Agreement.

"**Applicable Law**" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including all immigration, labor, disability, food and drug laws, health and safety regulations, and, if applicable, Americans With Disabilities Act requirements, as in effect on the Effective Date hereof, and as may be amended from time to time.

"**Advertising and Promotional Materials Fee**" shall have the meaning set forth in Section 5.6 of this Agreement.

"**Assignment**" shall have the meaning set forth in Section 10.2 of this Agreement.

"**Café Technology System Fee**" shall have the meaning set forth in Section 5.4 of this Agreement.

"**CBTL-Brand Single-Serve Products**" shall have the meaning set forth in Section 2.4(b)(iii) of this Agreement.

"**CBTL-Brand Single-Serve Stores**" shall have the meaning set forth in Section 2.4(b)(iv) of this Agreement.

"**Central Marketing Fee**" shall have the meaning set forth in Section 5.3 of this Agreement.

"**Coffee Bean Products**" means the specific espresso drinks and coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, which may include coffee industry related equipment, cups, hats, t-shirts and novelty items, as specified by Company from time to time in the Manuals, or as otherwise directed by Company in writing, for sale at Developer's Licensed Store, prepared and served in strict accordance with Company's and Company's Affiliates' recipes, quality standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

"**Coffee Bean Store**" means a store operated under the Marks and in accordance with the System and specializing in the sale of Coffee Bean Products, and in the case of a licensee or franchisee of Company, pursuant to a validly executed license or franchise agreement, but excluding a CBTL-Brand Single-Serve Store.

"**Company**" shall have the meaning set forth in the preamble.

"**Competitive Business**" means any business operating, or granting franchises or licenses to others to operate, a business offering at wholesale or retail, or engaged in the production of, (conjunctively or disjunctively) specialty premium coffee beverages, espresso drinks, roasted coffee beans and blends, premium teas, prepackaged coffees and teas, baked goods, snacks and other food items and ancillary products, which may include but are not limited to, coffee making equipment, including single-serve coffee machines and related single-serve coffee, espresso, and/or powder, capsules, cups, hats, t-shirts and novelty items, and other specialty ingredients or offering any other goods or services similar to any other Coffee Bean Product.

"**Confidential Information**" means any information relating to the Coffee Bean Products or the development or operation of Coffee Bean Stores or the System, including: (i) site selection criteria; (ii) recipes, ingredients and methods for the preparation of Coffee Bean Products; (iii) methods, techniques, formats, specifications, systems, procedures, sales and marketing techniques and knowledge of and experience in the development and operation of Coffee Bean Stores; (iv) marketing programs for Coffee Bean Stores; (v) knowledge of specifications for and suppliers of certain Coffee Bean Products, materials, supplies, equipment, furnishings and fixtures; (vi) knowledge of operating results and financial performance of Coffee Bean Stores; (vii) strategic plans and concepts for the development, operation, or expansion of Coffee Bean Stores or the System; and (viii) any negotiated terms of this Agreement, except as otherwise provided by Applicable Law. "Confidential Information" shall not include information which: (a) has entered the public domain or was known to Developer prior to Company's disclosure of such information to Developer, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or any Company Affiliate; (b) becomes known to Developer from a source other than

Company or Company Affiliate and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or a Company Affiliate; or (c) was independently developed by Developer without the use or benefit of other Confidential Information. The burden of proving that particular information is not Confidential Information will reside with Developer.

"**Content**" means all text, images, sounds, files, video, designs, animations, layout, color schemes, trade dress, concepts, methods, techniques, processes and data used in connection with, displayed on, or collected from or through the Website.

"**Control**" of or "**Controlling**" an Entity means the power (whether or not exercised) to direct the policies, operations or activities of such Entity by or through the ownership of, or right to vote, or to direct the manner of voting of, securities of such Entity, or pursuant to law or agreement, or otherwise.

"**Courier**" shall have the meaning set forth in Section 15.21 of this Agreement.

"**Customer Data**" means all data, materials, documents, and information, whether or not Confidential Information, concerning or otherwise relating to Store customers and potential customers, including without limitation information regarding customer loyalty, customer transactions, reviews and feedback, customer purchasing and/or customer use of products and services, regardless of how collected or received, and including without limitation such information or data processed, entered into or stored on Developer's point of sale system or other information hardware.

"**Customer Facing Technology Fee**" shall have the meaning set forth in Section 5.7 of this Agreement.

"**Designated Territory**" shall have the meaning set forth in Section 1.2(d) of this Agreement.

"**Developer's Interest**" means the issued and outstanding Equity Securities of Developer beneficially owned by each of Developer's Owners, other than the Company or its Affiliates.

"Developer Page" means one or more interior pages of the Website dedicated in whole or in part to the Licensed Store.

"**Director of Operations**" means a full-time employee responsible for the overall operations of Developer's Coffee Bean Stores who shall ensure that all of the Coffee Bean Stores are operated in conformity with the System Standards.

"**Effective Date**" shall have the meaning set forth in Section 1.1.

"**Entity**" means any limited liability company or Partnership, and any trust, association, corporation or other person which is not an individual.

"**Equity**" is defined in the definition of Affiliate.

"**Equity Securities**" means (i) any common stock, preferred stock, membership interests, general or limited partnership interests or other equity security of any individual or Entity, (ii) any security convertible, with or without consideration, into any common stock, preferred stock, membership interests, general or limited partnership interests or other security (including any option to purchase such a convertible security) of any individual or Entity, (iii) any security carrying any warrant or right to subscribe to or purchase any common stock, preferred stock, membership interests, general or limited partnership interests or other security of any individual or Entity, or (iv) any such warrant or right.

"**GAAP**" means the United States Generally Accepted Accounting Principles.

"**General Manager**" means an individual who provides full-time, direct, day to day on-site management of the Licensed Store and who has satisfactorily completed Company's initial training program and such other supplemental or occasional training programs as are required from time to time by Company.

"**Governmental Authority**" means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Revenues**" means the aggregate amount of all sales (plus tips and service charges except for tips to the extent paid directly by the customer to an employee of Developer and not entered in or through the cash register) of Coffee Bean Products and other goods, services and supplies sold, made, rendered or prepared in, or in connection with, the operation of the Licensed Store, or which are promoted or sold directly or indirectly by Developer under or using any of the Marks, including sales made directly or indirectly by Developer at or away from the premises of the Licensed Store (if permitted), whether for cash or credit or barter (and, if for credit or barter, whether or not payment is received therefor), but excluding all Federal, state or municipal sales, use, value added or service taxes collected from customers and paid to the appropriate taxing authority(ies).

"**Initial Term**" shall have the meaning set forth in Section 2.2 of this Agreement.

"**Internet**" means collectively the myriad of computer and telecommunications facilities, including equipment and software, which comprise the interconnected worldwide network of networks that employ the TCP/IP [Transmission Control Protocol/Internet Protocol], or any predecessor or successor protocols to such protocol, to communicate information of all kinds by fiber optics, wire, radio, or other methods of electronic transmission.

"**Intranet**" means the "The Coffee Bean & Tea Leaf" internal store and/or developer computer network, currently commonly referred to as "Inside The Bean".

"**Kiosk**" means a Coffee Bean Store, at a Special Distribution Site, of typically less than 800 square feet, including storage and other back of house areas, and which may have limited or no dedicated seating. Kiosks are generally located in office complexes, shopping malls or at specific street locations.

"**L/C Amount**" shall have the meaning set forth in Section 6.18(c)(i) of this Agreement.

"**L/C Termination Date**" shall have the meaning set forth in Section 6.18(c)(i) of this Agreement.

"**Letter of Credit**" shall have the meaning set forth in Section 6.18(c)(i) of this Agreement.

"**Licensed Store**" means the Coffee Bean Store licensed to Developer pursuant to this Agreement.

"**Liquidity Event**" means (a) a Public Offering, (b) Company (or a Parent of Company) entering into a letter of intent or an agreement to sell all or substantially all of its assets to, or merge or otherwise combine with, any Entity which is not an Affiliate of Company (or a Parent of Company), or (c) one or more Owners of Company (or of a Parent of Company) entering into a letter of intent or an agreement to effect the sale, conveyance, exchange or assignment by such Owners in one transaction or series of related transactions, of 50% or more of the outstanding Equity of Company (or of a Parent of Company) to any person, group or Entity which is not an Affiliate of Company (or a Parent of Company).

"**Marks**" shall have the meaning set forth in Recital A above.

"**Manuals**" means the "The Coffee Bean & Tea Leaf" brand multi-volume Operations Manual Package, as the same may be amended and revised in writing from time to time, including all bulletins, supplements and ancillary manuals.

"**Mediation**" shall have the meaning set forth in Section 15.9(a) of this Agreement.

"**Mediation Organization**" shall have the meaning set forth in Section 15.9(a) of this Agreement.

"**Net Worth**" means Developer's current assets minus total liabilities, all calculated in accordance with GAAP applied on a consistent basis.

"**Operating Hours**" shall have the meaning set forth in Section 1.2(m) of this Agreement.

"**Owner**" means any direct or indirect shareholder, member, general or limited partner, trustee or beneficiary, or other equity owner of an Entity; provided, that if Company or any Owner or Affiliate of Company has any ownership interest in such Entity, the term Owner shall not include or refer to Company or Company's Owners or Affiliates, and no obligation or restriction upon Developer or its Owners, officers, directors, or managers shall bind Company or its Affiliates, or their respective officers, directors or managers.

"**Parent**" of a specified Entity means an affiliate Controlling such person directly, or indirectly through one or more intermediaries.

"**Partnership**" means any general partnership or limited partnership.

"**Partnership Rights**" mean the partnership interests of a Partnership.

"**Permits**" mean any governmental license, permit or approval required to operate the Licensed Store.

"**Proudly Pour Sales Agreement**" means a written contract between Company, or one of its Affiliates, and an unaffiliated third party, pursuant to which Company or one of its Affiliates agrees to sell to such third party "The Coffee Bean & Tea Leaf" brand coffees and/or teas to be served to and consumed on-site by a customer of a retail café, bakery or other restaurant operated by such third party as one or more items on the menu offered by such retail café, bakery or other restaurant.

"**Public Offering**" means Company (or a Parent or Subsidiary of the Company other than the Developer) (the "**Company Public Entity**") becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended or registers a class of its Equity Securities (the "**Public Equity Securities**") under Article 12 or Article 15 of the Securities Exchange Act of 1934, as amended, or shall have entered into an agreement or letter of intent for an underwritten initial public offering of shares of its Equity Securities pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended.

"**Required CBTL Sign**" shall have the meaning set forth in Section 3.4(b) of this Agreement.

"**Renewal Fee**" shall have the meaning set forth in Section 2.3(c)(vi) of this Agreement.

"**Renewal Franchise Agreement**" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"**Renewal Notice**" shall have the meaning set forth in Section 2.3(b)(i) of this Agreement.

"**Renewal Right**" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"**Renewal Term**" shall have the meaning set forth in Section 2.3(a) of this Agreement.

"**Restricted Person**" means, except for such exceptions as Company may from time to time grant in writing on a case by case basis: Developer, each of Developer's Owners, if Developer is an Entity, and the respective officers, directors, managers, and Affiliates of Developer and all such Owners; the Director of Operations; each of Developer's General Managers; and the spouses of any of the foregoing. Developer has provided Company a complete and correct list of all Restricted Persons as of the Effective Date, and that list is included as part of **Exhibit "A"**.

"**Sign Restrictions**" means restrictions under Applicable Law, under the terms of any lease or sublease to which Developer is a party, or under covenants, conditions, restrictions or agreements of record, on Developer's ability to install Required CBTL Signs.

"**Software**" means all computer programs and computer code (e.g., HTML, Java) used for or on the Website, excluding any software owned by third parties.

"**Special Distribution Kiosk**" means a Coffee Bean Store operated at a Special Distribution Site that is also a Kiosk.

"**Special Distribution Site**" shall mean an institutional setting, including hotels, airports, colleges, universities, schools, grocery stores, supermarkets, hospitals, military and other governmental facilities, office or in-plant food service facilities, department stores, duty free shops, shopping mall food courts operated by a master concessionaire, and any venue in which food service is or may be provided by a master concessionaire or contract food service provider, but not including a CBTL-Brand Single-Serve Store.

"**Subsidiary**" of a specified Entity means an affiliate Controlled by such person directly, or indirectly through one or more intermediaries.

"**System**" shall have the meaning given that term in Recital B above, with such modifications as Company may require in the future.

"**System Standards**" means the specifications, standards, operating procedures and rules Company requires for the operation of Coffee Bean Stores, as modified by Company from time to time in writing.

"**Term**" shall have the meaning set forth in Section 2.2 of this Agreement.

"**Then-Current**" means the form then currently provided to prospective developers or area developers of Company, as applicable, or if not then being so provided, then such form selected by Company in its sole discretion which previously has been delivered to and executed by a developer of Company.

"**URL**" means uniform resource locator.

"**Website**" means one or more Internet websites (and webpages) that may, among other things, facilitate catering, take-out and delivery orders, ordering and sale of Coffee Bean Products, provide information about the System and the products and services which are offered on such Website and at Coffee Bean Stores.

"**Week**" or "**Weekly**" means the 7-day period beginning on Monday at 12:00 AM and ending on Sunday at 11:59 PM.

EXHIBIT "A"
TO
FRANCHISE AGREEMENT

LIST OF OWNERS, OTHER RESTRICTED PERSONS AND INITIAL STORE MANAGEMENT PERSONNEL

OWNERS:

As of the Effective Date, if Developer is an Entity, Developer represents and warrants to Company that Developer's Owners, and the exact nature of their ownership interest in Developer, is as follows:

PLEASE NOTE THE FOLLOWING DEFINITION OF OWNER IN COMPLETING THIS EXHIBIT:

"Owner" means any direct or indirect shareholder, members, general or limited partner, trustee or beneficiary, or other equity owner of an Entity; provided, that if Company or any Owner or Affiliate of Company has any ownership interest in such Entity, the term Owner shall not include or refer to Company or Company's Owners or Affiliates, and no obligation or restriction upon Developer or its officers, directors, or managers shall bind Company, its Affiliates, or their respective Owners, officers, directors or managers.

Name	Title	Address	Ownership Shares/% of Developer	Voting/ Management Rights
_____ Printed _____ Signature				
_____ Printed _____ Signature				

RESTRICTED PERSONS:

As of the Effective Date, Developer represents and warrants to Company that, in addition to all Owners, if Developer is an Entity, the following is a complete list of all Restricted Persons:

PLEASE NOTE THE FOLLOWING DEFINITION OF RESTRICTED PERSON IN COMPLETING THIS EXHIBIT:

"**Restricted Person**" means, except for such exceptions as Company may from time to time grant in writing on a case by case basis: Developer, each of Developer's Owners, if Developer is an Entity, and the respective officers, directors, managers, and Affiliates of Developer and all such Owners; the Director of Operations; each of Developer's General Managers; and the spouses of any of the foregoing. Developer has provided Company a complete and correct list of all Restricted Persons as of the Effective Date, and that list is included as part of this **Exhibit "A"**.

Name	**Relationship to Restricted Person**

INITIAL LICENSED STORE MANAGEMENT PERSONNEL:

As of the Effective Date, Developer represents and warrants to Company that Developer's initial Licensed Store management personnel consist of the following:

Title	**Name**	**Address**
Director of Operations		
General Manager		
Assistant Manager		

The address where Developer's Financial Records, and Entity records (e.g. Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

_____

_____

_____

Developer:

_____, a

_____

By: _____

Title: _____

EXHIBIT "B"
TO
FRANCHISE AGREEMENT

LIMITED MENU ITEMS

1. Brewed Coffee
2. Selected Lattes
3. Selected Café Drinks
4. Selected other espresso based beverages
5. Brewed Teas
6. Selected Tea Lattes
7. Selected Coffee Based Ice Blended® Beverages
8. Selected Non Coffee Based Ice Blended® Beverages
9. Selected freshly baked food items
10. Selected grab and go food and drink items

EXHIBIT "C"

GUARANTY AND SUBORDINATION AGREEMENT

The undersigned, in order to induce **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED** ("**Company**") to enter into a Franchise Agreement ("**FA**") dated the __ day of _____ 20____, with _____ ("**Developer**"), unconditionally, jointly and severally, guarantees to Company, its successors or assigns, the prompt full payment and performance of all obligations of the Developer which are or may become due and owing to Company, including, all obligations arising out of said FA or any other agreement (whether or not in effect on the date hereof) between Developer and Company, and all extensions or renewals thereof, and the payment of all attorneys' fees, costs and other expenses incurred by Company to enforce this Guaranty (collectively, the "**Agreements**") in the same manner as if Agreements were executed between Company and the undersigned directly, as Developer.

The undersigned expressly waive(s): (a) notice of the acceptance by Company of this Guaranty, (b) demands of payment, presentation and protest, (c) all rights to assert or plead any statute of limitations as to or relating to this Guaranty, (d) any right to require Company to proceed against any other Guarantor or any other person or entity liable to Company, (e) any right to require Company to proceed under any other remedy Company may have before proceeding against Guarantor, or any other Guarantor, and (f) any right of subrogation. This Guaranty shall not be affected by the modification, amendment, extension, release or renewal of any agreement between Company and Developer, the taking of a note or other obligation from Developer or others, the taking of security for payment, the granting of extension of time for payment, the filing by or against Developer of bankruptcy, insolvency, reorganization of other debtor's relief afforded by the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals. The obligations of the undersigned shall be unconditional notwithstanding any defect in the genuineness, validity, regularity, or enforceability of the Developer's obligations or liability to Company, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

This is an irrevocable, unconditional and absolute guaranty of payment and performance and the undersigned agree(s) that his, hers or their liability of this Guaranty shall be immediate and shall not be contingent upon the exercise or enforcement by Company of whatever remedies it may have against the Developer or others, or the enforcement of any lien or realization upon any security Company may at any time possess.

The undersigned covenant(s) and agree(s) that any indebtedness by the Developer to the undersigned, for any reason, currently existing, or which might hereafter arise, shall at all times be inferior and subordinate to any indebtedness owed by the Developer to Company.

The undersigned further covenant(s) and agree(s) that as long as the Developer owes any monies to Company (other than royalty and advertising and payments that are not past due) the Developer will not pay and the undersigned will not accept payment of any part of any

indebtedness owed by the Developer to any one of the undersigned, either directly or indirectly, without the consent of Company.

If this Guaranty is executed by more than one individual or entity, each person or entity executing this Guaranty shall be jointly and severally liable for the obligations created herein.

This Guaranty shall remain in full force and effect until all obligations arising out of and pursuant to the Agreements including all renewals, modifications, amendments and extensions thereof, are fully paid and satisfied, provided that this Guaranty shall automatically terminate on the second anniversary of the effective date of any Assignment (as defined in the FA) and provided further that neither the Agreement nor any other agreement between Company and the assignee of such Assignment shall be in default on such effective date nor has been in default (whether or not cured) during such two year period.

This Guaranty shall be governed by and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. Any dispute arising out of or under this Guaranty shall be resolved in accordance with the dispute resolution process set forth in the FA.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS THEREOF, the undersigned have constituted this Agreement on the date set forth below.

Dated: _____

GUARANTOR:

_____

By:_____
Its:_____

Dated: _____

_____

_____, an individual

Dated: _____

_____

_____, an individual

EXHIBIT "D"
TO
FRANCHISE AGREEMENT

LETTER OF CREDIT

SAMPLE IRREVOCABLE STANDBY LETTER OF CREDIT

ISSUING BANK LETTER OF CREDIT NO. _____

ISSUANCE DATE:_____

ADVISING (AND CONFIRMING BANK):
(The credit shall be issued by authenticated S.W.I.F.T) **directly** through:
ADVISING BANK (and Confirming Bank):

City National Bank
International Department
555 So. Flower Street, 24th Floor
Los Angeles, California 90071 U.S.A.
S.W.I.F.T. Address: ***CINAUS6L***

BENEFICIARY:
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

_____
(Attention)

_____
(Street Address)

_____
(City, State, Zip Code)

STANDBY LETTER OF CREDIT EXPIRY DATE:
(Expiry date must be at least 120 days beyond the termination of the Agreement between "Company" and "Developer")
FOR PRESENTATION OF DRAFTS AT THE COUNTERS OF
(*Name Of Issuing or Confirming Bank*):

_____ ("Bank") hereby ESTABLISHES its IRREVOCABLE STANDBY LETTER OF CREDIT ("Letter of Credit") in favor of the above-named Beneficiary. Subject to the terms and conditions herein, the Letter of Credit shall be honored by the presentment by Beneficiary of a payment request to the Bank in the form of a draft drawn under the Letter of Credit and payable at sight within three (3) banking days for any sum or sums not exceeding in total U.S. $ _____, on the account of:

_____
(Full Corporate Name of Developer)

_____
(Street Address of Principal Offices)

_____
(City, State, Zip Code)

Drafts presented for payment must include the Letter of Credit number set forth above, this Letter of Credit, and a certification by Beneficiary as follows:

BENEFICIARY'S SIGNED AND DATED STATEMENT WORDED:

"I, [insert name of signer], AN AUTHORIZED SIGNER FOR **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, AS "COMPANY", UNDER THE **(insert title of agreement)** AGREEMENT DATED [date of agreement] BETWEEN **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,** AS COMPANY, AND [insert name of developer], AS DEVELOPER, (AS SAME MAY BE AMENDED FROM TIME TO TIME) ("AGREEMENT") CERTIFY THAT

A) DEMAND HAS BEEN MADE BY COMPANY TO DEVELOPER FOR PERFORMANCE OF THE OBLIGATIONS OF DEVELOPER OWED TO COMPANY AND THAT SAID DEMAND HAS NOT BEEN SATISFIED BY DEVELOPER, OR;

B) DEVELOPER HAS FAILED TO RENEW THE REFERENCED LETTER OF CREDIT OR PROVIDED AN ACCEPTABLE REPLACEMENT, AT LEAST 45 DAYS PRIOR TO ITS EXPIRATION, OR;

C) DEVELOPER HAS FILED A VOLUNTARY PETITION UNDER THE UNITED STATES BANKRUPTCY CODE (THE "BANKRUPTCY CODE"), OR DEVELOPER'S CREDITORS HAVE FILED AN INVOLUNTARY PETITION UNDER THE BANKRUPTCY CODE.

THEREFORE, IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT, **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED** HAS THE RIGHT TO DRAW THE AMOUNT OF [insert amount of drawing] UNDER (Issuing Bank) LETTER OF CREDIT NUMBER (l/c number)."

(Developer must provide for extension of the L/C at least 45 days prior to the current Expiry Date, or alternatively provide an auto-extension of the Expiry Date. Example:

*THIS LETTER OF CREDIT SHALL BE **AUTOMATICALLY EXTENDED** WITHOUT AMENDMENT FOR AN ADDITIONAL PERIOD OF **ONE YEAR** FROM THE PRESENT OR **EACH FUTURE EXPIRATION DATE**, UNLESS AT LEAST **FORTY-FIVE (45) DAYS PRIOR TO ANY EXPIRATION DATE,** WE SHALL NOTIFY YOU IN WRITING, BY CERTIFIED MAIL RETURN RECEIPT REQUESTED OR BY OVERNIGHT DELIVERY SERVICE REQUESTING RECEIPTED DELIVERY, TO THE BENEFICIARY ADDRESS AS STATED IN THIS LETTER OF CREDIT THAT WE ELECT NOT TO EXTEND THE LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD. IN THE EVENT THAT YOU RECEIVE SUCH NON-EXTENSION NOTICE FROM US, **YOU MAY DRAW** ON THIS LETTER OF CREDIT IN ACCORDANCE WITH ITS TERMS AND CONDITIONS PRIOR TO THE THEN CURRENT EXPIRY DATE.)*

This Letter of Credit and all matters incidental hereto shall be governed by and construed in accordance with the laws of the State of California without giving effect to the choice of law principles included therein, the Uniform Commercial Code and the usages and customs set forth, EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED, THIS CREDIT, SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998 (ISP98), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590.

This Letter of Credit is irrevocable and shall inure to the benefit of the Beneficiary and shall be binding upon the undersigned and its successors and assigns. This Letter of Credit may be transferred or assigned by the Beneficiary, with express prior written notification to the Bank. Transfer of this Letter of Credit is subject to Transferring Bank's receipt of your instructions in the form provided them, accompanied by the original of this Letter of Credit and amendment(s), if any.

All Bank fees and charges, including Confirmation fees and any Transfer fees are for account of the **Applicant.**

The Bank engages with the Beneficiary that drafts properly presented and in compliance with this Letter of Credit will be duly honored.

[*For L/Cs issued by a foreign/non-USA bank, L/C must be confirmed by an acceptable USA bank.]*

(Issuing Bank Name)

_____

(Authorized Officer Name & Title

EXHIBIT "E"
TO
FRANCHISE AGREEMENT

ELECTRONIC FUNDS TRANSFER

Authorization To Honor Charges Drawn By and Payable To*:*

Super Magnificent Coffee Company Ireland Limited

Bank Name	Account No.	ABA#	FEIN
_____	_____	_____	_____

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks, and electronic debits (collectively, "debits") drawn on such account which are payable to the above named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as it if were a check drawn and signed by the Depositor. It is further agreed that is any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization.

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the request and authorization, or in any manner arising by reason of the Depository's or Payee's participation.

Name of Depository:_____

Name of Depositor:_____

Designated Bank Account:_____
(Please attach one voided check for the above account)

Business Number:_____

For information call:_____

Address:_____

Phone #:_____ Fax #:_____

Name of Franchisee/Depositor (please print):_____

By:_____
Signature and Title of Authorized Representative
Date:_____

Exhibit "B"
Area Development Agreement

THE COFFEE BEAN & TEA LEAF

AREA DEVELOPMENT AGREEMENT

BY AND BETWEEN

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,
AS COMPANY

AND

_____,
AS DEVELOPER

_____, 20_

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Page

THE COFFEE BEAN & TEA LEAF
AREA DEVELOPMENT AGREEMENT

THIS **AREA DEVELOPMENT AGREEMENT** ("**Agreement**") is made and entered this ___ day of _____, 20___ (the "**Effective Date**") by and between SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED, a corporation organized under Irish law ("**Company**"), and _____, a(n) _____ ("**Developer**"), with reference to the following facts:

A. Company has the right to grant franchises in the U.S. and certain other geographic markets in and to the name and service mark "The Coffee Bean & Tea Leaf", and such other trademarks, service marks, trade names, logotypes, insignias, trade dress, designs and other commercial symbols as Company may from time to time authorize or direct its franchisees to use in connection with the operation of Coffee Bean Stores (the "**Marks**").

B. Company has the right to franchise a "system" for the operation of stores featuring specialty premium coffee beverages, espresso drinks, roasted coffee beans and blends, premium teas, prepackaged coffees and teas, baked goods, snacks and other food items and products which may include but are not limited to coffee making equipment, cups, hats, t-shirts, miscellaneous branded items and other novelty and food items and ancillary products, including among other things distinctive signs, food recipes, trade secrets and other confidential information, architectural designs, trade dress, layout plans, uniforms, equipment specifications, inventory and marketing techniques (the "**System**").

C. Company desires to expand the System and seeks sophisticated and efficient area developers who will develop numerous Coffee Bean Stores within designated areas.

D. Developer desires to build and operate Coffee Bean Stores, and Company desires to grant to Developer the right to build and operate said Coffee Bean Stores in accordance with the terms and upon the conditions contained in this Agreement.

E. Company's agent for service of process in the state of New York is the Secretary of State of New York, 41 State Street, Albany New York, 11231, copies of which should be sent to Company in accordance with Section 16.18 of this Agreement.

NOW, THEREFORE, the parties agree as follows:

ARTICLE 1
CERTAIN DEFINITIONS.

1.1 Certain Fundamental Provisions. In this Agreement, in addition to those terms defined in Appendix 1 and elsewhere in this Agreement, the following terms, shall have the meanings set forth below, unless the context otherwise requires:

(a) "**Advertising and Promotional Materials Rate**" means 0.5%.

(b) "**Central Marketing Fee Rate**" means 2%.

(c) **Developer Notice Address** is:

_____
_____
_____
Fax No._____

(d) "**Guaranteed Minimum Royalty**" means, as applicable, 1/12th of $25,000 (or $12,500 if the Coffee Bean Store developed pursuant to this Agreement is a Kiosk).

(e) "**Initial Development Fee**" means $_____ (i.e., the number of Coffee Bean Stores required to be developed during the Initial Term, multiplied by $12,500).

(f) "**Initial Franchise Fee**" shall be (i) $12,500 for each of the first ____ non-Kiosk Franchise Agreements executed by Developer pursuant to this Agreement; (ii) $25,000 for each non-Kiosk Franchise Agreement thereafter executed pursuant to this Agreement, or (iii) $15,000 for each Franchise Agreement executed for a Kiosk pursuant to this Agreement.

(g) "**Initial Investment**" means $_____ (see Article 14 of this Agreement).

(h) "**Minimum Capitalization**" means $_____.

(i) "**Minimum Net Worth**" means $_____.

(j) "**Royalty Rate**" means 5.5%.

ARTICLE 2
GRANT OF RIGHTS.

2.1 Grant.

(a) Upon the terms, and subject to the conditions of this Agreement, Company hereby grants to Developer, and Developer hereby accepts, the right, during the Initial Term hereof, to develop Coffee Bean Stores at Venues within the Development Area pursuant to individual Franchise Agreements which shall be executed by and between Company and Developer in accordance with the terms and conditions set forth in this Agreement. Developer may not develop Coffee Bean Stores which are Kiosks without Company's express prior written consent which may granted or withheld in its sole discretion, and which if granted may be subject to such additional terms and conditions as Company may prescribe. This Agreement does not grant Developer the right to operate or develop CBTL-Brand Single-Serve Stores. Developer may offer and sell CBTL-Brand Single-Serve Products at the Coffee Bean Store developed pursuant to this Agreement only if and for so long as Company has authorized them as approved Coffee Bean Products.

(b) Subject to Section 2.3 of this Agreement, during the Initial Term of this Agreement, Company shall not open or operate (directly or through an Affiliate), nor license any

other person or Entity to own or operate, any Coffee Bean Store operating under the Marks at any Venue within the Development Area.

2.2 Scope of Agreement. This Agreement is not a franchise or license to operate Coffee Bean Stores under the Marks or the System, and Developer shall have no right to use the System and Marks in any manner (in any medium, including the internet, world wide web, website or web page) by virtue of this Agreement (except during the Initial Term to the limited extent permitted in Section 9.2 of this Agreement).

2.3 Reservation of Rights. Company expressly reserves the exclusive, unrestricted right, in its sole and absolute discretion, directly and indirectly, itself and through its employees, Affiliates (including without limitation International Coffee & Tea, LLC ("**ICT**") and CBTL Franchising, LLC), representatives, licensees, developers, franchisees, assigns, agents and others:

(a) to own or operate and to license others (which may include its Affiliates) to own or operate (i) Coffee Bean Stores at any location outside the Development Area, regardless of the proximity to any of Developer's Coffee Bean Stores opened hereunder; (ii) Coffee Bean Stores at Special Distribution Sites within and outside the Development Area, and (iii) in the event of a merger or acquisition, stores and other businesses of any type operating under names other than "CBTL" or "The Coffee Bean & Tea Leaf," at any location, within or outside the Development Area, and, regardless of the proximity to any of Developer's Coffee Bean Stores opened hereunder;

(b) to produce, license, distribute, market, and sell food, beverage and non-food products, including Coffee Bean Products, pre-packaged coffee, tea, food, snacks and beverage products; books; equipment; clothing; souvenirs and promotional and novelty items, under the Marks or other marks at any outlet (regardless of its proximity to a Coffee Bean Store developed pursuant to this Agreement or any Coffee Bean Store under development at the premises of Developer's Coffee Bean Stores, or under consideration by Developer), including grocery stores, supermarkets and convenience stores and through any distribution channel, at wholesale or retail, including by means of office services, Proudly Pour Sales Agreements, the internet, mail order catalogs, direct mail advertising and other distribution and licensing methods ("**Alternate Channels of Commerce**") and to use, in connection with such production, licensing, distribution, marketing and sale, 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 the Company, including the Marks;

(c) to produce, license, distribute, market and sell, single-serve coffee machines under the "CBTL" and/or other marks and all enhancements, features and accessories, incidental thereto, and single-serve coffee, tea, espresso, and/or powder capsules under the "CBTL" and/or other marks ("**CBTL-Brand Single-Serve Products**"), through Alternate Channels of Commerce; and

(d) to license, develop and operate stores under the "CBTL" and/or other marks (and which may include the "The Coffee Bean & Tea Leaf" Mark and logo), which primarily feature the sale of CBTL-Brand Single Serve Products ("**CBTL-Brand Single-Serve Stores**") within or outside the Development Area.

ARTICLE 3
TERM.

3.1 Initial Term. Unless terminated or extended as provided herein, this Agreement shall expire [__] years after the Effective Date ("**Initial Term**").

3.2 Additional Development Right. Company shall provide Developer an opportunity to continue the development of Coffee Bean Stores for up to 2 consecutive 5-year periods following the Initial Term in the following manner:

(a) Developer shall deliver to Company in writing not less than 6 months prior to the expiration of the Initial Term, a proposed plan for the development of additional Coffee Bean Stores in the Development Area during the 5-year period following the Initial Term ("**Renewal Term**"). During the 3-month period following Company's receipt of such proposed plan, Company shall either notify Developer that the plan is acceptable to Company or shall attempt to negotiate a plan which is mutually agreeable to Company and Developer.

(b) If the plan proposed by Developer pursuant to Section 3.2(a) of this Agreement is accepted by Company, or if a substitute plan is mutually agreed upon within said 3 month period, subject to the conditions set forth in Section 3.3 of this Agreement, Company shall deliver to Developer two copies of the Renewal Development Agreement reflecting such plan. The Renewal Development Agreement, which may differ from this Agreement, will provide for the payment of the Development Fee required of new area developers for the number of Coffee Bean Stores contemplated by the Renewal Development Agreement, and will reflect Developer's new development obligation as aforesaid, provided that it shall likewise grant Developer the right, subject to the conditions stated therein (which may include those stated in Section 3.3 of this Agreement), to propose a plan for the development of additional Coffee Bean Stores in the Development Area for one additional 5 year period; each subsequently executed Renewal Development Agreement shall be modified to conform to the then remaining number of renewal periods as set forth above. Within 30 days after Developer's receipt of the Renewal Development Agreement, Developer shall execute both copies and return them to Company, together with the applicable fees. If Developer has so executed and returned the copies and has satisfied the conditions set forth in Section 3.3 of this Agreement, Company will execute the copies and return one fully executed copy to Developer.

(c) If Developer does not provide Company with notice of its intent to renew pursuant to Section 3.2(a) or if the parties hereto do not enter into a Renewal Area Development Agreement pursuant to this Section 3.2 of this Agreement, then, following the expiration of the Initial Term of this Agreement, Company and its Affiliates shall have the right in their sole and absolute discretion to develop or license any other person or Entity to develop additional Coffee Bean Stores within the Development Area (subject only to any exclusive territorial rights and radius restrictions expressly granted in any then-existing franchise agreements).

3.3 Conditions to Exercise of Right of Additional Development. Developer's right to engage in additional development described in Section 3.2 of this Agreement, shall be subject to Developer's fulfillment of the following conditions precedent: (a) Developer shall have fully performed all of its material obligations under this Agreement and all other agreements between

Company (and any Company Affiliate) and Developer, including all Franchise Agreements between Developer and Company; (b) Developer shall have demonstrated to Company that Developer possesses the skills, qualifications and financial capacity to perform the additional development obligations, or management services, set forth in the new Area Development Agreement (in determining if Developer has the requisite skills, qualifications and financial capacity, Company will apply the same criteria to Developer as it applies to prospective area developers for other geographic regions); and (c) there shall continue to be operated in the Development Area, not less than the cumulative number of Coffee Bean Stores set forth in the Minimum Development Schedule.

ARTICLE 4
FEES.

4.1 Initial Development Fee. Upon execution of this Agreement, Developer shall pay Company or its designee the Initial Development Fee. The Initial Development Fee is deemed fully earned by Company upon execution of this Agreement, in its entirety, and is not refundable.

4.2 Franchise Fees for Each Coffee Bean Store. For each Coffee Bean Store operated by Developer in the Development Area, Developer shall execute a separate Franchise Agreement on Company's Then-Current form; provided, however, that in any event, the Franchise Agreement shall provide for the following fees:

(a) Payment of the applicable Initial Franchise Fee.

(b) A royalty fee ("**Royalty Fee**") equal to the product of the Royalty Rate multiplied by the monthly Gross Revenues of each Coffee Bean Store developed pursuant to this Agreement, but in no event less than the Guaranteed Minimum Royalty (defined below). The definition of "Gross Revenues" set forth herein shall apply to all Franchise Agreements executed by Developer pursuant to Article 6 of this Agreement, notwithstanding any inconsistent definition in such Franchise Agreements.

(c) Beginning with the month in which a Coffee Bean Store first opens to the public or 270 days after execution of the Franchise Agreement for that Coffee Bean Store, whichever is sooner (the "**Royalty Commencement Date**"), Developer shall pay to Company or its designee the Guaranteed Minimum Royalty. If the Royalty Commencement Date occurs other than on the first day of a month, the Guaranteed Minimum Royalty for the first calendar month for which a Guaranteed Minimum Royalty is due will be prorated based on a 30-day month. Notwithstanding the terms of the Franchise Agreement for any single Coffee Bean Store which requires the Guaranteed Minimum Royalty to be calculated independently for that Coffee Bean Store, for so long as this Agreement remains in effect, Developer shall be deemed to have satisfied the Guaranteed Minimum Royalty for each Coffee Bean Store if the aggregate Royalty Fees paid by Developer each month for all of its Coffee Bean Stores in the Development Area equals or exceeds the aggregate amount of the Guaranteed Minimum Royalties due from Developer on account of all of its Coffee Bean Stores.

(d) An Advertising and Promotional Materials Fee equal to the product of the Advertising and Promotional Materials Rate multiplied by the monthly Gross Revenues of each Coffee Bean Store developed pursuant to this Agreement.

(e) A Central Marketing Fee ("**Central Marketing Fee**") equal to the product of the Central Marketing Fee Rate multiplied by the monthly Gross Revenues of each Coffee Bean Store developed pursuant to this Agreement; provided, that Developer shall, in addition, expend not less than 1.0% of Gross Revenues on local advertising in accordance with the Franchise Agreement, subject to adjustment as set forth in the Franchise Agreement.

4.3 Developer Accounting, Reports, Financial Statements and Audits.

(a) Developer shall establish and maintain accurate and complete books and records concerning the business of each Coffee Bean Store developed by Developer hereunder, and furnish to Company or its designee the following information, data, and reports showing aggregate results of all of Developer's Coffee Bean Stores, on the forms and in the manner (i.e., via mail, facsimile, email, or other method selected from time to time by Company) selected by Company from time to time: (i) not later than 2 days following the end of each Week (or such other period as may be specified by Company from time to time, including without limitation daily reporting) reports for the each Coffee Bean Store indicating for the previous Week the Weekly and daily sales information and guest count for such period; (ii) within 10 days after the end of each Accounting Period, reports for each Coffee Bean Store indicating for the previous Accounting Period the: Royalty Fee, Central Marketing Fee and Advertising and Promotional Materials Fee computations, and Gross Revenues; (iii) within 20 days after the end of each Accounting Period, complete monthly financial statements for each Coffee Bean Store for the previous Accounting Period (i.e., balance sheets, statements of operations, cash flows and retained earnings); (iv) within 20 days after the end of each Accounting Period, a report which shall indicate Developer's budget for advertising during the current fiscal year and the amount spent on local advertising during the preceding Accounting Period; (v) within 90 days after the end of each fiscal year, audited financial statements (i.e., balance sheets, statements of operations, cash flows and retained earnings) for each Coffee Bean Store as of the end of that fiscal year, and prepared in accordance with GAAP consistently applied, and prepared by an independent auditor approved by Company; and (vi) within 10 days after tax returns or other statutory filings required by Applicable Law are filed, exact copies of federal, state and regional income, sales and any other required tax returns or statutory filings, and the other forms, records, books and other information as Company may periodically require.

(b) Each report and financial statement will be signed and verified by Developer in the manner Company may specify.

(c) Company and its Affiliates may disclose data derived from the sales reports to other existing and prospective developers and licensees. Company and its Affiliates may, on a daily basis, access the database contained in the computerized records of each Coffee Bean Store developed by Developer hereunder and transfer the data from Developer's database to Company's database. Company and its Affiliates may also access the database contained in the computerized records to obtain and verify the reports that Developer is required to provide in accordance with this Agreement. Developer shall keep full, complete and proper books, records and accounts of

Gross Revenues and of Developer's operations at its Coffee Bean Stores. All the books, records and accounts will be certified and prepared by an independent auditor approved by Company, will be kept in the English language, and will be retained for a period of at least 3 years, or such longer period required under Applicable Law, following the end of each fiscal year. The books and records will include daily cash reports; cash receipts journal and general ledger; cash disbursements journal and Weekly payroll register; monthly bank statements and daily deposit slips and canceled checks; tax returns (sales and income); supplier invoices; dated cash register tapes (detail and summary); semi-annual balance sheets and monthly profit and loss statements; daily production records and Weekly inventories; records of promotions and coupon redemptions; records of all corporate accounts; and such other records as Company may request.

(d) Company and its designated representatives may inspect, audit and copy any of the books and records of Developer, and of any person or Entity which is a guarantor of Developer, or which otherwise has liability for the performance of this Agreement, or any Franchise Agreement. This includes the right to inspect and copy any or all financial records and related data.

4.4 Operational Visit Fee. If requested by Company, Developer shall pay to Company or its designee, in advance, all out-of-pocket expenses, including, travel, meals and lodging expenses, incurred by or on behalf of Company, but excluding salary, to send 1 member of its training or operations staff for up to 4 visits each year during the Initial Term of this Agreement, to inspect the performance and operations of Developer, including each of the Coffee Bean Stores developed hereunder and other business operations, business methods, quality of food and service, and management and financial records. The travel expenses shall be for business class airfare and accommodations in the case of its senior executives, and economy class in all other cases.

4.5 Manner of Payment; Late Payments.

(a) Developer acknowledges that unless Company may agree otherwise, on a case by case basis, Developer shall pay Company (or its Affiliates, as applicable), in advance, before shipment, for all coffees, espresso coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, purchased from Company (or its Affiliates).

(b) All payments to Company and its Affiliates shall be payable in U.S. currency in immediately available funds and are nonrefundable. Developer shall make all filings and submissions required by Applicable Law. If Developer shall fail to pay to Company or its Affiliates the entire amount of any payment due hereunder promptly when due, Developer shall pay to Company or its Affiliates, as appropriate, in addition to all other amounts which are due but unpaid (excluding the late fee described below), interest on the unpaid amounts, from the due date thereof, at the rate of 1.5% per month, or the highest rate allowable under Applicable Law, whichever is less. In addition, Company may, at its option, charge a late fee of up to $100 for each delinquent payment. The parties stipulate that such late fee represents a reasonable estimate of the additional administrative costs which will be incurred by Company and which shall be in addition to and not in lieu of any other remedies available to Company at law or in equity on account of any such default. This Section does not constitute Company's or Company's Affiliates' agreement

to accept payments after they are due or a commitment by Company or Company's Affiliates to extend credit to Developer or otherwise to finance the operation of the Coffee Bean Store.

ARTICLE 5
DEVELOPMENT OBLIGATIONS.

5.1 Minimum Development Schedule. Developer shall execute Franchise Agreements for, construct, equip, open and thereafter continue to operate at Venues within the Development Area not less than the cumulative number of Coffee Bean Stores within each of the Development Periods specified in Exhibit "B" (the "**Minimum Development Schedule**"). Developer may not develop or open any Kiosk without Company's express prior written consent, and which if granted may be subject to such additional terms and conditions as Company may establish. Neither Kiosks nor Coffee Bean Stores operated at Special Distribution Sites, if any, developed by Developer, shall be included in the determination of the cumulative number of Coffee Bean Stores equipped, opened and operated within the Development Area. Notwithstanding the Minimum Development Schedule, Developer shall construct, equip, and open the first Coffee Bean Store (but not a Kiosk) within 270 days following the Effective Date. If by the end of any Development Period, Developer shall have a fully executed a Franchise Agreement and fully executed lease (approved in accordance with the Franchise Agreement and a true and correct copy of which has been provided to Company) for any Coffee Bean Store at an accepted Venue within the Development Area, but shall not have commenced operation of the Store, Company shall nevertheless count that Store in satisfaction of the Development Obligation for so long as Developer complies with the Franchise Agreement and lease (but in no event for longer than 12 months following the execution of the lease). Developer acknowledges and agrees that: (i) it is Developer's sole responsibility to satisfy the Minimum Development Obligation; (ii) Developer has voluntarily agreed to the Minimum Development Schedule attached hereto; and (iii) any market expectation data or market research Company or its Affiliates may have provided to Developer in connection with the preparation of the Minimum Development Schedule should not be considered, and is not, an assurance, representation, promise or guaranty that the Minimum Development Obligation can be achieved

5.2 Failure to Satisfy Minimum Development Schedule.

(a) If by the end of any Development Period, Developer shall have failed to execute Franchise Agreements for, construct, open and continue to operate at least the cumulative number of Coffee Bean Stores stated in the Minimum Development Schedule for that Development Period (as determined pursuant to Section 5.1 of this Agreement); or if Developer shall fail at any time to have paid the Guaranteed Minimum Royalty for each of the Coffee Bean Stores required to have been opened in accordance with the Minimum Development Schedule; then Company shall have the right, in its full and absolute discretion, and without limiting any other rights, remedies or recoveries available under Applicable Law or in equity, to exercise any or all of the following remedies: (i) terminate this Agreement and all rights of Developer hereunder; (ii) terminate the exclusivity of Developer to develop the Development Area; (iii) require Developer to attend additional training at the sole cost and expense of Developer; or (iv) fashion any other remedy which may be reasonable and appropriate in order to complete and maintain the development of the Development Area.

(b) Notwithstanding Section 5.2(a) of this Agreement, if by the end of any Development Period, Developer shall have failed to execute Franchise Agreements for, construct, open and continue to operate at least the cumulative number of Coffee Bean Stores stated in the Minimum Development Schedule for that Development Period (as determined pursuant to Section 5.1 of this Agreement), but shall have executed Franchise Agreements for, constructed, opened and continued to operate at least 75% of said cumulative number of Coffee Bean Stores, Company shall agree to refrain from exercising the remedies set forth in Section 5.2(a) of this Agreement for so long as Developer pays to Company or its designee by the end of each month following said Development Period an amount equal to the product of: (i) 150% of the Guaranteed Minimum Royalty (for Coffee Bean Stores other than Kiosks), multiplied by (ii) the difference between the number of Coffee Bean Stores required as of the end of the preceding Development Period and the number of Coffee Bean Stores (excluding Kiosks) actually open and operating during that month.

5.3 Coffee Bean Store Openings and Closures. If a Coffee Bean Store owned and operated by Developer is destroyed or damaged, other than by the negligence or voluntary act of Developer, so that such Coffee Bean Store cannot continue to operate, the destroyed or damaged Coffee Bean Store shall continue to count toward satisfaction of the Minimum Development Obligation (during the applicable Development Period until repaired and restored, or until a substitute location opens), but only if (a) Developer shall repair and restore such Coffee Bean Store to Company's then-approved plans and specifications within 180 days after the occurrence of such destruction or damage, subject to delays permitted by Section 16.14 of this Agreement, or (b) Developer shall, within 180 days after the occurrence of such destruction or damage, relocate the Coffee Bean Store by opening a new Coffee Bean Store at a substitute location within the Development Area in accordance with Company's then-approved plans and specifications, including the terms and conditions of the subject Coffee Bean Store's Franchise Agreement governing relocations and, provided, that, any such substitute location and the lease for such location must in any event be approved in writing in advance by Company pursuant to the procedures set forth in Article 6 of this Agreement.

5.4 Developer May Exceed Minimum Development Obligation. Provided that Company is satisfied, in its sole subjective judgment, that Developer has the requisite skills, financial resources, management structure, personnel and other capabilities to do so, and subject to the terms and conditions of this Agreement and the Franchise Agreements, Developer may during the Initial Term construct, equip, open and operate more Coffee Bean Stores at locations within the Development Area than required in the Minimum Development Obligation.

5.5 Promotional Campaigns.

(a) Prior to the opening of the first Coffee Bean Store required to be opened hereunder, Developer shall expend on advertising and promotion of the Coffee Bean Stores in the Development Area an amount equal to the lesser of: (a) $10,000 multiplied by the number of Coffee Bean Stores required to be opened during the first year of the Initial Term; or (b) $50,000. Developer shall conduct such advertising and promotion in accordance with such policies and provisions with respect to format, content, media, geographic coverage and other criteria as are from time to time contained in the Manuals, or as otherwise directed by Company, and shall not use or publish any advertising material which does not conform to said policies and provisions.

(b) Without limiting the generality of the foregoing, Developer shall not engage or otherwise use the services of a third party marketing or promotional consultant or firm during the first year of the Initial Term, without first obtaining Company's prior written consent (and after providing Company with such information regarding such third party as Company shall request) and provided that such consent is not subsequently revoked. Developer shall submit to Company evidence of such expenditures in such form as Company may require from time to time.

ARTICLE 6
EXECUTION OF INDIVIDUAL FRANCHISE AGREEMENTS.

6.1 Site Acceptance, Submission of Disclosure Document, Execution of Franchise Agreement.

(a) After Developer has located a site for construction of a Coffee Bean Store, Developer shall submit to Company such information (which may include a video tape) regarding the proposed site as Company shall require, in the form which Company shall from time to time require, together with the terms of any proposed lease relating to such site. Company may seek such additional information as it deems necessary within 30 days of submission of the prospective site, and Developer shall respond promptly to such request for additional information. Company's acceptance of a site shall not be construed to insure or guarantee the profitable or successful operation of a Coffee Bean Store at that site by Developer, and Company hereby expressly disclaims any responsibility therefor.

(b) If Company shall not reject the site in writing within said 30 days, or within 30 days after a receipt of such additional information, whichever is later, the site shall be deemed accepted. Company's acceptance of a site proposed by Developer will not be unreasonably withheld.

(c) Developer acknowledges and agrees that it is Developer's sole responsibility to locate a sufficient number of proposed sites within the Development Area and to submit the proposed sites to Company for acceptance sufficiently in advance of the end of each Development Period to insure that the Minimum Development Obligation is met. Without limiting the foregoing, Developer acknowledges that this will likely require Developer to locate a number of possible sites substantially in excess of the Minimum Development Obligation for the applicable Development Period. Company may not accept, or may reject, certain of such sites, and Developer may not be able to acquire or lease particular sites or negotiate acceptable lease terms. Company's rejection of any site(s) shall not affect, reduce or otherwise alter Developer's obligation to satisfy the Minimum Development Obligation.

(d) Promptly after acceptance of a proposed site, Company shall, if required by Applicable Law and if it has not done so already, transmit to Developer a Disclosure Document and two execution copies of the Franchise Agreement pertaining to the accepted site. Immediately upon receipt of the Disclosure Document, Developer shall return to Company a signed copy of the Acknowledgment of Receipt of the Disclosure Document. Not less than the waiting period prescribed under Applicable Law, nor more than thirty (30) days after Company's delivery of such Franchise Agreement, Developer shall execute and deliver to Company two copies of said Franchise Agreement and pay to the Company the Initial Franchise Fee therefor.

(e) Company shall, promptly upon receipt of said documents and Developer's payment of the Initial Franchise Fee (as adjusted from time to time), execute and return to Developer one copy of the Franchise Agreement for the accepted location. Developer shall then procure the site by purchase or lease, and return one copy of the executed lease (which shall include such provisions as specified in the Franchise Agreement, unless waived) or, if purchased, the deed evidencing Developer's right to occupy the accepted site. Developer shall then commence construction and operation of the Coffee Bean Store pursuant to the terms of the Franchise Agreement.

(f) Notwithstanding the foregoing, Company's obligation to deliver a Franchise Agreement shall be subject to Company's legal authority to do so, and if Company is not legally able to deliver a Disclosure Document to Developer by reason of any lapse or expiration of its franchise registration, or because Company is in the process of amending any such registration, or for any reason beyond Company's reasonable control, Company may delay acceptance of the site for Developer's proposed Coffee Bean Store and delivery of its Disclosure Document until such time as Company is legally able to deliver a Disclosure Document. In no event shall Company be liable to Developer for any loss, cost or expense occasioned by such delays.

6.2 Condition Precedent to Company's Obligations. It shall be a condition precedent to Company's obligations pursuant to Section 6.1 of this Agreement, that Developer shall have performed all of its obligations under and pursuant to all agreements between Developer and Company.

6.3 Template Plans. Promptly following the execution of this Agreement, Company shall deliver to Developer one copy of the current master template plans and specifications (the "**Template Plans**") for a Coffee Bean Store. Developer shall, at its sole expense, modify and revise such Template Plans in accordance with the Manuals, which revisions shall include Developer engaging a qualified design professional, an interior designer, and an architect and construction contractor who will prepare the necessary revisions to modify the Template Plans to conform with all applicable ordinances, building codes and permit requirements. Company may from time to time, at its sole discretion, modify or amend the Template Plans. Following each such modification or amendment by Company, Developer shall at its sole cost and expense, thereafter promptly modify and revise such modified or amended Template Plans in accordance with this Section and the Manuals.

6.4 Staffing and Training.

(a) Developer must at all times during the Initial Term, employ at least (a) one Director of Operations, (b) one Certified Training Manager, and (c) one General Manager for each Coffee Bean Store operated in the Development Area (the first of whom Developer shall employ prior to commencement of Initial Training), which in the case of the Director of Operations and Certified Training Manager, shall be accepted by Company. Developer's initial Director of Operations and Certified Training Manager, and their replacement(s) in the event either or both of them cease to be employed by Developer, and the first General Manager must each successfully complete the Initial Training program as required pursuant to Section 7.1 of this Agreement, to Company's satisfaction prior to the opening of the first Coffee Bean Store developed by Developer

hereunder. Developer acknowledges that because of Company's superior skill and knowledge with respect to the training and skill required to manage the Coffee Bean Stores, its judgment as to whether or not the trainees have satisfactorily completed such training shall be determined by Company in its sole subjective judgment, exercised in good faith. Further, the Director of Operations shall devote his/her full time, attention and effort to the development, support and operation of the Stores in the Development Area and the obligations as provided in this Agreement and each underlying Franchise Agreement, unless otherwise approved by Company. If the Director of Operations has or later intends to engage in any other business interests, then Developer shall immediately provide notice to Company of such other business interests. Such notice shall include the name of the other business interest(s); the identity of the person(s) or entity(ies) that own the business; a disclosure of the Director of Operations' ownership interest in such business, if any; a description of the business; a summary of the Director of Operations' involvement with such business; a list of pertinent contact information for such business, including its address, phone number(s), fax number(s), and any website address(es); and such other information as Company may reasonably request. Company shall have the right to require that Developer designate a replacement Director of Operations or confirm that the Director of Operations shall cease its other business interests if Company determines, in its sole discretion, that any such other business will impair or otherwise prevent the Director of Operations from fulfilling its duties and responsibilities.

(b) Developer shall provide the General Manager at each of its Coffee Bean Stores, other than Developer's first General Manager, not less than 15 days training by Developer's Certified Training Manager in all aspects of Coffee Bean Store operations, including drink making, in strict accordance with the System Standards. Such training shall also include instruction in how to train Coffee Bean Store employees and Developer shall certify a General Manager to train the employees of any individual Coffee Bean Store only upon such General Manager's satisfaction of the training certification requirements, as in effect from time to time. Before the opening of each Coffee Bean Store, Developer shall cause all Coffee Bean Store employees to receive not less than 7 days initial training in all aspects of Coffee Bean Store operations, including drink making, in strict accordance with the System Standards, which training shall be provided either by Developer's Certified Training Manager, or by a General Manager who has been certified by the Certified Training Manager to train such Coffee Bean Store employees. Developer shall similarly provide all subsequently hired Coffee Bean Store employees to receive not less than 7 days initial on the job training in all aspects of Coffee Bean Store operations, which training may be provided at the Coffee Bean Store during normal working hours, in accordance with such in-store training methods and procedures as Company may prescribe from time to time.

(c) At Company's request, Developer shall, at Developer's cost, retain a consultant designated (or otherwise approved) by Company to supervise the operational establishment of each of Developer's first 2 Coffee Bean Stores that are not Kiosks, and Developer's first Kiosk developed hereunder. Company shall not designate or require Developer to retain a consultant who does not commit to charge Developer an amount not to exceed $30,000 for each Coffee Bean Store that is not a Kiosk (or $20,000 if the Coffee Bean Store is a Kiosk), exclusive of travel, accommodations and out of pocket expenses.

ARTICLE 7
COMPANY'S RIGHTS AND OBLIGATIONS.

7.1 Initial Training.

(a) Company shall provide, or cause to be provided to, Developer a 15 day (as determined by Company in its reasonable business judgment) initial training program ("**Initial Training**") for Developer's Director of Operations, Certified Training Manager and the first General Manager. The Initial Training shall be held at Company's corporate offices, at a Company-owned or Affiliate-owned Coffee Bean Store in Southern California, or such other place or places as may be designated by Company. The Initial Training will focus on Coffee Bean Store operations and management and may include such matters as Coffee Bean Store operations, sales and marketing techniques and guidelines, site selection criteria, lease negotiation guidelines, administrative and financial guidelines, public relations, and monitoring of Coffee Bean Store operations. Training will be conducted by Company's management or individuals approved by such management. Company shall not pay any salary to Developer's trainees for on-the-job training, nor reimburse Developer for Developer's trainees' wages, salary, transportation, food and personal expenses, all of which shall be the sole responsibility of Developer. Following the successful completion of the Initial Training as provided above, Developer's Certified Training Manager and certified General Managers shall, at Developer's sole cost, train the employees at each Coffee Bean Store. All costs and expenses of Coffee Bean Store staffing and training shall be borne exclusively by Developer, except as otherwise expressly provided herein to the contrary.

(b) In addition to the Initial Training, Company shall provide, or cause to be provided to, Developer a 5-day training program for one Owner and one other person designated by Developer and accepted by Company (the "**Owner Training**"). The Owner Training shall be held at Company's corporate offices, at a Company-owned or Affiliate-owned Coffee Bean Store in Southern California, or such other place or places as may be designated by Company. The Owner Training will focus on the System and concept and overall operations of Coffee Bean Stores and may include such matters such as, marketing, equipment and maintenance, leadership, financial reporting, and labor management. Training will be conducted by Company's management or individuals approved by such management. Company shall not pay any salary for on-the-job training, and all wages, salary, transportation, food and personal expenses of those individuals attending training shall be the sole responsibility of Developer.

7.2 On-site Assistance.

(a) In addition to the Initial Training an Owner Training described in Section 7.1 of this Agreement, Company shall (subject to Section 16.14 of this Agreement):

(i) send 1-3 training or operations staff members to the Development Area for a period of 15 days, commencing at or around the scheduled opening date of the first Coffee Bean Store developed by Developer in the Development Area to provide additional training and assistance to Developer; and

(ii) send 1-3 training or operations staff members to the Development Area for a period of 10 days, commencing at or around the scheduled opening date of the second

and third Coffee Bean Stores developed by Developer in the Development Area to provide additional training and assistance to Developer.

(b) If Developer requests, Company may, at Company's option and in its sole discretion, send 1 training or operations staff member to the Development Area for a period of 7 days (or other mutually agreeable time period), commencing at or around the opening date of the fourth or subsequent Coffee Bean Stores developed by Developer in the Development Area to provide additional training and assistance to Developer.

(c) Developer shall reimburse Company for, or at Company's request advance, all costs (except salary) and expenses for travel, meals and lodging incurred by Company and its personnel in connection with the assistance to be provided in Sections 7.2(a) and 7.2(b) (first class airfare and lodging accommodations in the case of its senior executives, and business class in all other cases). In addition, for any training provided by Company or its Affiliate pursuant to Section 7.2(b) of this Agreement, Developer shall pay Company its then-current training fee for each day of such training.

7.3 Ongoing Advice.

(a) At no additional charge (except as described below), but subject to Section 16.14 of this Agreement, in addition to the training specified in Sections 7.1 and 7.2 of this Agreement, each calendar year during the Initial Term, Company shall provide Developer with 1 training or operations staff member at a Coffee Bean Store within the Development Area for up to 14 days (as determined by Company in its reasonable discretion), in the aggregate, to provide ongoing advice and assistance. Developer shall reimburse Company for, or at Company's request advance, all costs and expenses for travel, meals and lodging incurred by Company and its trainer in connection with such visit (first class airfare and lodging accommodations in the case of its senior executives, and business class in all other cases).

(b) Developer shall have the right to inquire of Company headquarters staff, its field representatives and training staff with respect to problems relating to the operation of the Coffee Bean Stores, by telephone or correspondence, and Company shall use its best efforts to diligently respond promptly to such inquiries. Developer shall provide all necessary training, assistance and consultation required for its employees at Developer's sole cost and expense.

(c) Company, at its sole discretion, may provide on an optional or mandatory basis, such supplemental or additional training programs as Company may deem necessary or appropriate for the proper operation of the Coffee Bean Stores generally, and in the case of mandatory training Company may require Developer, its Certified Training Manager and/or General Manager to attend. Developer shall pay Company's then-current, reasonable training charges and expenses which Company may impose for optional courses and for training provided at the request of Developer, but Company shall not impose a charge fee for mandatory supplemental or additional training programs. In any event, Developer shall pay all travel, living, compensation, and other expenses, if any, incurred by Developer and/or Developer's employees in connection with attending such additional training.

(d) Developer acknowledges that Company has demonstrated consistency and high standards of services and methods of operation. Accordingly, Developer and Company agree to Company's control over the quality of the products and services being offered by Developer and the image, appearance, style and methods of operations of the Coffee Bean Stores, all of which the parties intend to be observed for the benefit of Company and Developer.

(e) Upon Developer's request, Company may in its discretion, send one or more representatives to the Development Area to assist Developer in the Development Area. Such assistance shall be subject to Company's scheduling needs, availability of personnel, legal restrictions, and Section 16.14 of this Agreement. Developer shall pay Company its reasonable travel and living expenses for Company's personnel, and reimburse Company for the direct and indirect salary and related payroll costs for Company's representatives.

7.4 Advertising Materials. Company will from time to time at no additional charge furnish to Developer copies or samples of certain standard advertising materials, layouts and promotional items used in the United States to promote the business and goodwill of the Coffee Bean Stores, which Developer may use to develop advertising materials for use in the Development Area. Such materials may be provided electronically or in hardcopy and all shipping costs associated with such advertising materials are the responsibility of Developer. If Developer requests additional advertising assistance or materials, Company may require Developer to pay Company's reasonable charges, as established by Company from time to time, for such items, plus, if Company engages one or more third parties in connection with such advertising assistance or materials, an amount equal to such third party's(ies') charges plus a handling and administrative charge imposed by Company. Company shall not be required to provide advertisements designed for radio or television broadcasts, but may do so in its sole discretion.

7.5 Operations Manuals.

(a) Company will loan to Developer, or make available to Developer on the Intranet, one copy of the Manuals as used in the United States, which may include multiple parts, subsections or volumes and be provided in varying formats (e.g., electronic, hard copy, video files, etc.) and shall include, among other things, standards and specifications for equipment, inventory, supplies and ingredients; food and beverage standards and specifications; required, authorized and prohibited menu items and ingredients. All shipping and production charges relating to the Manuals or any part hereof are the responsibility of Developer. Developer may not offer for sale or sell, any alcoholic beverages without the written consent of Company.

(b) Company shall loan one copy of each subsequent revision to the Manuals, or make such revisions available to Developer on the Intranet. Such revisions shall become effective upon Company's provision thereof. Company shall maintain a "master copy" of the master Manuals, as revised from time to time, and in the event of a dispute over the content of the Manuals, the version maintained by Company shall control. Company intends to post such "master copy" on its Intranet site, to which Developer shall be allowed electronic access, subject to the then-current terms of use.

(c) Developer may duplicate one copy of certain of the Manuals which are intended for use at the Coffee Bean Stores, as instructed by Company in writing, and each such

subsequent revision thereto, for each Coffee Bean Store (whose employees shall be obligated to maintain the confidentiality thereof, to return the Manuals upon termination or expiration of the applicable Franchise Agreement, and who shall be prohibited from making any further copies or facsimiles thereof, except to the extent explicitly authorized by Company in the Manuals or otherwise in writing). Each copy shall be sequentially numbered and Developer shall keep Company advised as to the identifying number and the location of each Manual. Developer shall not make any changes or modifications to the Manuals without the prior written consent of Company.

(d) As between Company and Developer, Company shall own all copyrights and other intellectual property rights to the Manuals, and any and all works, ideas, concepts, formulas, trade secrets, know how, recipes, methods, techniques relating to the operation of the Coffee Bean Stores or the services or products offered or sold in connection therewith ("**Intellectual Property**"), and Developer shall not claim or assert any right, title or interest in such copyrights or other proprietary rights, or to the information contained in or embodying the Intellectual Property. If Developer or any of its employees or contractors during the Initial Term of this Agreement or any Renewal Term, or the term of any Franchise Agreement, develops, creates, invents, conceives or otherwise devises any Intellectual Property relating to, or used in connection with the operation of a Coffee Bean Store, all such Intellectual Property shall be the sole property of Company and Company shall be the sole owner of all worldwide rights in connection therewith. As between Company and Developer, all Intellectual Property shall be the sole property of Company, and Company shall be the sole owner of all worldwide rights in connection therewith. To the extent possible under Applicable Law, Developer agrees that the Intellectual Property developed, created, invented, conceived or otherwise devised by Developer (or its employees or contractors) shall be considered "works made for hire" on behalf of Company under 17 U.S.C. Section 101. To the extent not deemed "works made for hire", Developer hereby assigns to Company, and shall execute any instruments required by Company to effectuate such assignment, any and all rights that it may have or acquire in such Intellectual Property, including the right to modify such Intellectual Property and the right to sue for past and future infringement of any of such rights. Developer agrees to waive and/or release all rights of restraint and moral rights in the Intellectual Property. Developer shall assist Company in every proper way (but at Company's expense) to obtain and enforce patents, copyrights, trademarks or other proprietary rights in such Intellectual Property and Developer will execute all documents for use in applying for and obtaining such rights and enforcing them as Company may desire. If Company is unable for any reason whatsoever to secure Developer's signature to any lawful and necessary document required to apply for or execute any application with respect to such Intellectual Property, Developer hereby irrevocably designates and appoints Company and its duly authorized officers and agents, as his agents and attorneys-in-fact to act for and in his behalf and to execute and file any such application and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, trademarks or other rights therein, with the same legal force and effect as if executed by Developer. If and to the extent Developer has or acquires any rights in the Intellectual Property, Developer hereby grants to Company a non-exclusive, royalty-free, transferable, sub-licensable, irrevocable, perpetual, worldwide license in, to and under its rights to make, have made, modify, create derivative works of, use, sell, import, export, license, publicly display, market, distribute, grant security interests in or otherwise commercially exploit the Intellectual Property. Developer shall retain all rights and interests in all works, ideas, concepts, formulas, trade secrets, know how, recipes, methods and techniques that do not relate to and/or

that are not used in connection with the operation of a Coffee Bean Store which Developer obtains or develops independently of Company.

ARTICLE 8
ASSIGNABILITY AND SUBFRANCHISING.

8.1 Assignability By Company. This Agreement is fully transferable by Company, in whole or in part, without the consent of Developer and shall inure to the benefit of any transferee or their legal successor to Company's interests herein; provided, however, that such transferee and successor shall expressly agree to assume the obligations which are transferred by Company. Without limiting the foregoing, Company may (i) assign any or all of its rights and obligations under this Agreement to a Subsidiary or Affiliate; (ii) sell its assets, its Marks, or its System outright to a third party; (iii) go public; (iv) engage in a private placement of some or all of its securities; (v) merge, acquire other corporations, or be acquired by another corporation; or (vi) undertake a refinancing, recapitalization, leveraged buy-out or other economic or financial restructuring. Company shall be permitted to perform such actions without liability or obligation to Developer who expressly and specifically waives any claims, demands or damages arising from or related to any or all of the above actions (or variations thereof).

8.2 No Subfranchising by Developer. Developer shall not offer, sell, or negotiate the sale of "The Coffee Bean & Tea Leaf" franchises or any direct or indirect interest therein to any third party, either in Developer's own name or in the name and on behalf of Company, or otherwise subfranchise, subcontract, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting Developer the right to do so.

8.3 Assignment by Developer.

(a) This Agreement has been entered into by Company in reliance upon and in consideration of the individual or collective character, reputation, skill, attitude, business ability, and financial capacity of Developer or, if applicable, its Owner(s) who will actively and substantially participate in the development, ownership and operation of Developer's Coffee Bean Stores. Accordingly, except as otherwise may be permitted herein, neither Developer nor any person with an interest in Developer (other than Company, if applicable) shall, without Company's prior written consent, make any Assignment. Any such purported Assignment occurring by operation of Applicable Law or otherwise without prior written consent of Company shall constitute a default of this Agreement by Developer, and shall be null and void. This Agreement may not be assigned or transferred to a public Entity, or to any Entity whose direct or indirect Parent's securities are publicly traded and no Equity of Developer or any direct or indirect Owner of Developer may be offered for sale to the public under the Securities Act, nor may Developer become a reporting company under the Securities Act of 1934, as amended, or any comparable federal, state or foreign law, rule or regulation.

(b) If Developer and its Owner(s) are in full compliance with the terms and obligations of this Agreement and all other agreements between Developer and Company, and if Company elects not to exercise the Right of First Refusal, and if Company shall approve a proposed Assignment restricted under Section 8.3(a) of this Agreement, Company may impose any reasonable condition to its consent to such Assignment, including the satisfaction of some or

all of the following conditions which shall be deemed reasonable: (i) the proposed assignee and its Owner(s) shall be of good moral character, meet the then-applicable standards and qualifications for developers, including possession of sufficient business experience, aptitude, and financial resources to perform Developer's obligations under this Agreement and to own and operate any Coffee Bean Store(s) to be assigned or transferred; (ii) such assignee shall assume all obligations of Developer and its Owner(s) under this Agreement by a written assumption agreement approved by Company, provided however, that such assumption shall not relieve Developer (as transferor/assignor) of any such obligations; or at Company's option, such proposed assignee shall execute a replacement area development agreement on the Then-Current form and the transferee's Owners and their spouses shall execute a continuing guaranty in favor of Company and its Affiliates of the performance and payment by the transferee/assignee of all obligations and debts to Company and its Affiliates under the replacement area development agreement); (iii) there shall not be any suit, action, or proceeding pending, or to the knowledge of Developer any suit, action, or proceeding threatened, against Developer with respect to the Coffee Bean Stores; (iv) Developer shall have fully performed all Developer's obligations under all Franchise Agreements or any other agreement with Company, and Developer is not then in default under any such agreement; (v) Developer must simultaneously assign and the transferee assume all of Developer's rights and obligations under all Franchise Agreements then in effect between Company (or any Affiliate) and Developer (or any Affiliate), and Developer shall not be released of liability under the assigned agreements in the event of a breach by the assignee; (vi) Developer and its Owner(s) shall execute a general release, in form satisfactory to Company, of any and all claims against Company and Company's Affiliates, and each of their respective Owners, managers, officers, directors, employees, and agents; (vii) Developer shall obtain Company's approval of the material terms and conditions of such transfer or assignment, and in connection therewith, Company shall have the right, without limitation, to consider whether the price and terms of payment are so burdensome as to adversely affect the future development and operations of the Development Area and the Coffee Bean Stores located therein; (viii) Developer and its Owner(s) shall enter into an agreement with Company providing that all obligations of the proposed transferee/assignee to make any payments owing to Developer or its Owner(s), including, without limitation, installment payments of the purchase price or interest thereon, shall be subordinate to the proposed transferee's/assignee's obligations to make any payments owing to Company or Company's Affiliates, including, without limitation, royalties and payments for purchases from Company or Company's Affiliates; and (ix) and the transferee/assignee, its Certified Training Manager, Director of Operations or other employees responsible for the operation of the Coffee Bean Stores shall have satisfactorily completed the Initial Training program; and (xi) Developer shall pay Company or its designee a transfer fee in the amount of $5,000. In addition to and without limitation of the foregoing, it shall be reasonable for Company to disapprove any proposed transfer or Assignment if, as a result thereof, the ownership interests in Developer will be, in Company's reasonable business judgment, so widely held by different persons as to materially compromise the financial stake and dedication of those person(s) in whose individual or collective character, skill, attitude, and business ability Company has placed reliance in entering into this Agreement or is willing to place reliance in approving such transfer or Assignment.

(c) The term "**Assignment**" means (1) directly or indirectly to sell, assign (by operation of law or otherwise), transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement, and (2) if Developer is an Entity, each of the following shall be deemed to be an Assignment: (i) the transfer of 25% or more in the

aggregate, whether in one or more transactions, of the Equity or voting power of Developer, by operation of law or otherwise; (ii) the issuance of any Equity Securities which itself or in combination with any other transaction(s) results in the Owner(s) existing as of the Effective Date, as applicable, owning 75% or less of the Equity or voting power of Developer as constituted as of the date of such issuance; (iii) if Developer is a Partnership, the resignation, removal, withdrawal, death or legal incapacity of a general partner or limited partner owning 25% or more of the voting power, property, profits or losses, or partnership interests of the Partnership (each of which is referred to hereinafter as a "**Partnership Right**"), or the admission of any additional general partner or the transfer by any general partner of any of its Partnership Rights in the Partnership; (iv) the death or legal incapacity of any Owner(s) owning 25% or more of the Equity, or voting power of Developer; (v) any merger, stock redemption, conversion, consolidation, reorganization or recapitalization involving Developer; and (vi) the amendment of the articles, bylaws or operating agreement of Developer, or any other transaction, that would transfer control of the Developer. If Developer is an Entity, Developer shall promptly provide Company with notice of each and every change or issuance of Equity Securities by Developer and every transfer, assignment and encumbrance by any Owner of any direct or indirect Equity or voting rights in Developer, notwithstanding that the same may not constitute an "Assignment."

(d) Developer shall not in any event have the right to pledge, encumber, hypothecate or otherwise give any third party a security interest in this Agreement in any manner whatsoever without the express prior written permission of Company, which permission may be withheld for any reason whatsoever in Company's sole subjective judgment.

8.4 Individual Franchise Agreements. Developer shall not execute any Franchise Agreement, or construct or equip any Coffee Bean Store with the intent of transferring or assigning such Franchise Agreement or Coffee Bean Store. Developer acknowledges and agrees that it will not be permitted to assign any Franchise Agreement executed pursuant to this Agreement except in conjunction with a concurrent assignment to the same assignee of all of the Franchise Agreements executed pursuant to this Agreement, and otherwise in accordance with the terms and conditions of said Franchise Agreement(s).

8.5 Death or Disability of Developer. Upon the death or permanent disability of Developer, if Developer is an individual, or, if Developer is an Entity, any Owner of a Controlling interest in Developer, the executor, administrator, conservator, or other personal representative of such person ("**Representative**") or Developer shall, within 30 days following such death or disability, (i) notify Company of any such death or disability; (ii) if Developer is an individual, notify Company of its desire to continue as Developer hereunder (in which case no transfer fee shall be payable pursuant to Section 8.3(b) of this Agreement, and (iii) if Developer is an individual, or if such deceased or permanently disabled Owner is the Chief Executive Officer or Director of Operations, appoint a designated successor reasonably acceptable to Company to continue to oversee the proper ongoing development and operation of Developer and the Developer's Coffee Bean Stores in the Development Area, (iv) otherwise reasonably satisfy Company that Developer's (if an individual) or such Owner's (if Developer is an Entity) heir(s) meet all of the standards and qualifications for a transferee Developer, or Owner, as the case may be, or agrees to transfer promptly following such death or disability, his or her Equity in Developer to a third party who satisfies such standards and qualifications, and subject to Company's right to approval of such transfer and the Right of First Refusal. Failure to satisfy or transfer Developer's

interest to a third party who satisfies such standards within 90 days following such death or disability shall constitute a breach of this Agreement.

8.6 Effect of Consent to Transfer. Company's consent to any transfer or Assignment shall not constitute (i) a waiver of any claim that Company may have against Developer or of Company's right to demand the assignee or transferee's strict compliance with this Agreement; or (ii) Company's consent to any subsequent transfer or Assignment.

8.7 Company's Right of First Refusal.

(a) If Developer desires to enter into or effect an Assignment, or, if Developer is an Entity, any of its Owners desire, to transfer any or all of its Equity of Developer (notwithstanding that such transfer may not constitute an Assignment), Developer (or such Owner, as applicable) shall obtain a bona fide, executed written offer for such Assignment or transfer from the assignee or transferee (the "**Bona Fide Offer**"). For an offer to be considered a Bone Fide Offer, Developer must submit to Company, a valuation of the Equity or other interest to be so transferred or Assigned, prepared by an independent third-party Investment Bank (as defined in Section 8.8). Developer shall be solely responsible for the cost of the preparation of such valuation report. Company (or its nominee) shall have the right, exercisable by delivery of written notice to Developer (and the applicable Owner(s)) within 30 days from the date of its receipt of an exact copy of said offer, to purchase the property, rights, Equity, and/or interest which is the subject of the Bona Fide Offer (the "**Right of First Refusal**"). The price payable by Company (or its nominee) for such purchase shall be the same price, and the sale shall be on the same terms (except as set forth in Section 8.7(b) of this Agreement) as proposed pursuant to the Bona Fide Offer; provided, however, if the Bona Fide Offer provides for the payment of any non-cash consideration, Company (or its nominee) shall have the right to substitute an equivalent amount of cash. Developer shall provide Company (and/or its nominee) and its (or the nominee's) representatives reasonable access during normal business hours to Developer's personnel, properties, contracts, books and records, and other documents and data, and copies of such contracts, documents, books and records, and financial, operating, and other data and information as Company may reasonably request for a period, to complete its due diligence review of Developer.

(b) Not later than 60 days after delivery of notice of its exercise of its Right of First Refusal to Developer, and, if applicable, the appropriate Owner(s), Company (or its nominee) and Developer, or the appropriate Owner(s) shall consummate such purchase, and in the case of an assignment or transfer of this Agreement, this Agreement shall thereupon terminate and Developer shall have no right to develop additional Coffee Bean Stores in the Development Area; provided however, that Developer shall continue to perform those provisions of this Agreement which by their nature survive its termination. No failure of Company (or its nominee) to exercise the Right of First Refusal on any occasion shall constitute a waiver of such right as to any other occasion. If Company (or its nominee) does not exercise the Right of First Refusal by delivery of written notice to Developer (and, if applicable, the appropriate Owners) within 30 days of receipt of the copy of the Bona Fide Offer, Developer or its Owner may complete the sale to such purchaser pursuant to and on the same terms as Bona Fide Offer, subject to Company's approval as provided above in Section 8.3 of this Agreement. If the transfer or Assignment is not completed within 90 days after delivery of the Bona Fide Offer to Company, or if there is a material change in the terms of the transfer or Assignment, Company shall again have the right of refusal as

provided herein. Developer shall cause each of its Owners (other than Company) to agree to be bound by the terms of this Section 8.7 of this Agreement.

8.8 Company's Rights in Connection with a Liquidity Event.

(a) Developer and each Owner hereby grant Company (or its nominee) the right, but not the obligation, on the terms and conditions set forth herein, to purchase (the "**Purchase Option**") all but not less than all of the Developer's Interest following the occurrence of a Liquidity Event, but subject to the consummation of the transaction contemplated by the Liquidity Event, involving (1) all or substantially all of the United States Coffee Bean Stores owned by Company or any Affiliate of Company, and (2) all or substantially all of the rights of Company and Company's Affiliates as licensors and franchisors of Coffee Bean Stores in the United States.

(b) The Purchase Option may be exercised, if at all, until the date which is five years after a Liquidity Event. If Company (or its nominee) desires to purchase Developer's Interest, then Company (or its nominee) shall deliver written notice ("**Option Notice**") to Developer stating (i) that it is exercising the Purchase Option; and (ii) the anticipated closing date of the purchase and sale of Developer's Interest. The purchase price (the "**Purchase Price**") for Developer's Interest shall be the Fair Market Value of Developer's Interest.

(c) Promptly following (but not later than 10 days thereafter) the date of the Option Notice, Developer (on behalf of each Owner) and Company shall each appoint one Investment Bank in accordance with Section 8.8(d) of this Agreement and diligently proceed to determine the Fair Market Value of the Developer's Interest within 40 days after the date of the Option Notice. Developer shall, during such 40 day period provide Company and its representatives reasonable access during normal business hours to Developer's personnel, properties, contracts, books and records, and other documents and data, and copies of such contracts, documents, books and records, and financial, operating, and other data and information as Company may reasonably request for a period, to complete its due diligence review of Developer. Within 10 days following the determination of the Fair Market Value of the Developer's Interest, Company (or its nominee) shall have the right to withdraw the Option Notice at which time the Option Notice and the Purchase Option shall be of no further force or effect.

(d) The Fair Market Value ("**Fair Market Value**") of Developer's Interest shall be determined by a valuation of Developer's Interest as of the date of the Option Notice and utilizing, among other things, the date of most recently available audited and unaudited financial statements of Developer, and shall be conducted as follows: Company and Developer shall each obtain a valuation of Developer's Interest from an experienced, reputable and independent investment bank or appraiser in the United States, or as otherwise agreed by Company (or its nominee) ("**Investment Bank**"). Fair Market Value shall be the average of the valuations determined by the Investment Banks if those two valuations do not vary by more than 10%. If such valuations vary by more than 10%, then the two Investment Banks shall jointly select a third independent Investment Bank, who must unless otherwise agreed by Company (or its nominee) and Developer be recognized as one of the top-ten investment banks in the United States and must confirm in writing that it has no conflict of interest with Company, Developer or their respective Owners (except to the extent Developer and Company may consent in writing), and the Fair Market

Value of Developer's Interest shall then be the average of (i) the value determined by the third Investment Bank, and (ii) the value determined by one of the first two Investment Banks that is the nearest in value to the value determined by the third Investment Bank. Each party shall bear the cost of the Investment Bank selected by such party, and the parties shall share equally in the cost of the third Investment Bank, if applicable. The Fair Market Value as determined pursuant to this process shall include a methodology to adjust Fair Market Value to reflect material changes between the date of the Option Notice and the closing of the transaction.

(e) The closing of the sale and purchase of Developer's Interest pursuant to the exercise of the Purchase Option shall occur not later than 120 days after the date of the Option Notice at the offices of the Company or at such other time and place as Company and Developer mutually agree, except that if in Company's reasonable opinion regulatory or shareholder or member approval is required under Applicable Law or the rules or regulations of any exchange on which its securities are traded, then such 120 day period shall be extended to 210 days, or until such date as all approvals (or non-appealable denials) have been obtained. Developer shall cause each of its Owners (other than Company) to agree to be bound by the terms of this Section, which obligations shall survive the termination or expiration of this Agreement. In connection with any purchase of Developer's Interest under this Section or any other Section of this Agreement by Company or its nominee, there will be customary representations and warranties (and customary qualifications), and reasonable indemnities by Developer and its Owners, and the Fair Market Value shall be adjusted, if and as necessary to reflect any material positive or negative changes in the balance sheet between the effective date of the Fair Market Value determination and the closing date.

(f) At the closing:

(i) Company (or its nominee) shall pay each of Developer's Owners (other than the Company or its Affiliates) their pro-rata share of the Purchase Price in U.S. dollars, payable by wire transfer or other immediately available funds, except as otherwise set forth below;

(ii) Developer and its Owners (other than Company or its Affiliates) shall, as applicable, deliver the certificate(s) representing the Developer's Interest to Company (or its nominee), along with a duly executed documents in form and substance satisfactory to Company (or its nominee) and its counsel so as to vest good and marketable title to the Equity purchased.

(g) Notwithstanding the foregoing, in the case of a Liquidity Event consisting of a Public Offering, at the election of each of the holders of the Equity Securities of Developer (which election shall bind all such holders of Equity Securities of Developer, other than Company), the Purchase Price may be paid in the form of Public Equity Securities, or a combination of cash and such Public Equity Securities. Further, if an Owner elects to accept Public Equity Securities, Developer shall execute (and cause each Owner to execute) such documents and agreements, if any, required to be executed by stockholders (or members) of the Company Public Entity, including shareholders' agreements, buy-sell agreements, and other agreements required to be executed by any underwriter of the Company Public Entity which agreements may, among other things, restrict the purchase, quantity or resale of such Public Equity Securities. The Developer's Owners, and the Public Equity Securities to be issued pursuant to the Purchase Option, shall have

comparable resale restrictions to those rights and restrictions to which holders of similar amounts of Public Equity Securities shall be subject, or if required by the underwriter, to which Affiliates of the Company and the Public Equity Securities of Company owned by such Affiliates shall be subject, in connection with the closing of the Public Offering. Each share of Public Equity Securities shall be valued at the mean of the closing prices for the Public Equity Securities over the 5 trading days prior to the date immediately preceding the closing date of the purchase, or the public offering price if closed contemporaneously with, or within 5 trading days after, the Company's Public Offering.

(h) The parties further agree that nothing in this Section shall bind Company to purchase Developer's Interest at the Fair Market Value unless Company elects to exercise its Purchase Option and, in such event, Developer (and Developer shall cause its Owners) to be bound by the determination of the Fair Market Value as determined in accordance with this Section 8.8, which shall be final, conclusive and binding on the parties.

(i) Developer shall cause each of Owners, and each of their respective successors, assigns, and transferees, to agree to be bound by this Section 8.8.

ARTICLE 9
TRADEMARKS.

9.1 Trademarks.

(a) Company and its Affiliates shall have the sole right to register the Marks in the Development Area, and in all other geographic areas, and Developer shall not register or attempt to register the Marks, or any of them, or any name or mark which is similar thereto. Developer shall give immediate written notice to Company of any improper use of the Marks or any other trade name or service mark used by any third party which is confusingly similar to the Marks which comes to Developer's attention. Upon receipt of written notification, Company or its Affiliate may, at their option, elect to undertake and control the prosecution, defense or settlement of any legal action in connection with such improper usage or infringement. Neither Company nor any of its Affiliates shall be obligated to take any action, however, and shall not be liable to Developer on account of its decision not to take action. In connection therewith, Developer shall assist Company and its Affiliates in carrying out such action, provided that Company will reimburse Developer promptly for any expenses it incurs at Company's request upon submission of proof of such expenses in form reasonably satisfactory to Company. Subject to Company's and its Affiliates' continuing option and right to elect to undertake and control the prosecution, defense or settlement of any legal action in connection with such improper usage or infringement, upon Company's prior consent, Developer may, at its sole cost, take any such action in connection with the improper usage infringement.

(b) Developer shall immediately notify Company if any third party shall assert any challenge, claim or action against Developer for infringement or unfair competition ("**Trademark Claim**") on account of the use by Developer, or both, of the Marks. Company or its Affiliate will undertake and control the defense or settlement of such Trademark Claim and reimburse Developer promptly for all reasonable out-of-pocket expenses (not including consequential damages or loss of income) incurred by Developer in connection with the defense

or settlement of the Trademark Claim upon submission of proof thereof in form reasonably satisfactory to Company; provided, however, that such obligations of Company or its Affiliates to defend and to reimburse Developer will exist only if Developer has used the Marks in strict accordance with the terms of this Agreement and the rules, regulations, procedures, requirements and instructions of Company, has promptly notified Company of the challenge, claim or action as set forth above, and has otherwise fully cooperated with Company and its Affiliates in the defense of any such action.

(c) If Developer shall be required to cease using the Marks (or any of them) by court order, or as a result of any settlement of any such Trademark Claim, or if Company shall deem it necessary or appropriate to change the name of the Coffee Bean Stores in order to mitigate any potential exposure or damages arising under any Trademark Claim, Developer shall promptly change the name of all then existing Coffee Bean Stores to, and thereafter develop new Coffee Bean Stores under an alternative name established by Company. In such event, Company shall reimburse Developer for the actual, reasonable out of pocket costs of changing Developer's signs and menus to incorporate such new name and Mark. Neither Company nor any of its Affiliates shall otherwise be liable for any losses or any consequential damages, including lost future profits, resulting from or arising out of the Trademark Claim(s).

9.2 Use of Marks in Developer's Name. If Developer is an Entity, Developer shall not use any of the Marks, or any abbreviations or variations thereof, or any words deemed by Company to be confusingly similar to the Marks as part of the name of any Entity. Developer may use the Marks on its letterhead in conjunction with said Entity's name and in accordance with the System Standards.

ARTICLE 10
NON-COMPETITION, NON-SOLICITATION, TRADE SECRETS.

10.1 In Term. During the Initial Term hereof (and any applicable Renewal Term), no Restricted Person, shall in any capacity whatsoever, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Competitive Business, wherever located, whether located within or outside the Development Area. Developer's obligations under Section 10.1 are in addition to any in-term covenants then in effect between Company and Developer pursuant to any Franchise Agreement.

10.2 Post Term. To the extent permitted by Applicable Law, upon (i) the expiration or termination of this Agreement, (ii) the occurrence of any Assignment, or (iii) the cessation of any Restricted Person's relationship with Developer, each person or Entity who was a Restricted Person before such event shall not for a period of 2 years thereafter, either directly or indirectly, own, operate, advise, be employed by, or have any financial interest in any Competitive Business: (i) within the Development Area, or (ii) within an area within ten (10) miles from the location of any then-existing Coffee Bean Store, without the Company's prior written consent; provided that a Restricted Person may own up to 10% of the stock of any company traded on a national securities exchange, provided that such Restricted Person is not a Controlling person of, or a member of a group which Controls, such company. Developer's obligations under Section 10.2 are in addition to any in-term covenants then in effect between Company and Developer pursuant to any Franchise Agreement.

10.3 Modification. The parties have attempted in Sections 10.1 and 10.2 above to limit the Developer's right to compete only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if the scope or enforceability of Sections 10.1 and 10.2 is disputed at any time by Developer, a court or arbitrator, as the case may be, may modify either or both of such provisions to the extent that it deems necessary to make such provision(s) enforceable under Applicable Law. In addition, Company reserves the right to reduce the scope of either, or both, of said provisions without Developer's consent, at any time or times, effective immediately upon notice to Developer.

10.4 Trade Secrets.

(a) Non-disclosure. Company and its Affiliates possess Trade Secrets, confidential information including recipes, secret ingredients and certain confidential specifications, procedures, concepts and methods of marketing and operating Coffee Bean Stores and other retail outlets featuring espresso, ground coffee and roasted coffee beans, tea, and other food and beverage products. The term Trade Secrets includes improvements in such recipes, secret ingredients and confidential specifications, procedures, concepts and methods of marketing and operating Coffee Bean Stores and other retail outlets. Trade Secrets may be disclosed to Developer in the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, and through training and other guidance and management assistance, and in performing Company's other obligations and exercising Company's rights under this Agreement or the Franchise Agreements executed pursuant hereto.

(b) Limits on use. Developer shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating Coffee Bean Stores pursuant to the Franchise Agreements executed pursuant to Article 6 of this Agreement during the term thereof. During the Initial Term of this Agreement (and any applicable Renewal Term), and during the term of each of the Franchise Agreements executed pursuant to this Agreement, Developer's duplication or use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition and shall be prohibited. Developer shall: (i) not use the Trade Secrets in any business or other endeavor other than in connection with such Coffee Bean Stores; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Initial Term of this Agreement (and any applicable Renewal Term); (iii) make no unauthorized copy of any portion of the Trade Secrets, including without limitation, any of the Manuals, bulletins, supplements, confidential correspondence, or other confidential communications, whether written or oral; and (iv) adopt and implement all reasonable procedures prescribed from time to time by Company to prevent unauthorized use and disclosure of the Trade Secrets, including without limitation, restrictions on disclosure to employees and Restricted Persons with a need to know, limiting access to some or all of the Manuals to specific employees and use of non-disclosure and non-competition provisions as Company prescribes in employment agreements with employees who may have access to the Trade Secrets. Promptly upon Company's request, Developer shall deliver executed copies of such agreements to Company.

(c) Continued Rights upon Termination. Developer agrees that upon termination of this Agreement, Developer shall cease to use the Trade Secrets (except as permitted by any then validly existing Franchise Agreements) and agrees to take such other actions as may be required of Developer pursuant to this Agreement upon the termination hereof.

10.5 Rights in Addition to Other Agreements. The provisions of this Article 10 are in addition to and not in lieu of any other obligations of Developer, or any other person or Entity, whether pursuant to another agreement or Applicable Law.

ARTICLE 11
TERMINATION.

11.1 Automatic Termination Without Notice. Subject to Applicable Law, Developer shall be deemed to be in default under this Agreement, and all rights granted herein shall at Company's election automatically terminate without notice to Developer if: (i) Developer shall be adjudicated bankrupt or judicially determined to be insolvent (subject to any contrary provisions of any applicable state or federal laws), shall admit to its inability to meet its financial obligations as they become due, or shall make a disposition for the benefit of its creditors; (ii) Developer shall allow a judgment against it in the amount of more than $25,000 to remain unsatisfied for a period of more than 30 days (unless a supersedeas or other appeal bond has been filed); (iii) Developer is dissolved or liquidated, if an order is made or resolution passed for the winding-up, dissolution or liquidation of Developer; (iv) an order of attachment, execution or other judicial seizure is issued against Developer business or property and not dismissed within 30 days after being issued; or (v) Company learns that Developer made a material misrepresentation or omission in obtaining the rights granted by this Agreement.

11.2 Termination Pursuant to a Material Breach Of This Agreement. This Agreement may be terminated by Company in the event of any material breach by Developer of this Agreement, unless such default is cured by Developer within 15 days following written notice of the default (or 5 days in the case of a default in the payment of money); provided that the following defaults shall be deemed material and incurable: (1) Any attempt by Developer to sell, assign, transfer or encumber in whole or in part any or all rights and obligations under this Agreement, in violation of the terms of this Agreement, or without the written consents required pursuant to this Agreement; (2) failure of Developer to satisfy the Minimum Development Obligation within the Development Periods set forth herein (subject to Section 5.2 of this Agreement); (3) any violation by Developer of Article 10 of this Agreement; and (4) failure to satisfy the capitalization requirements set forth in Article 14 of this Agreement..

11.3 Termination by Reason of a Material Breach of Other Agreement. This Agreement may be terminated, at the election of Company, in the event of the termination by reason of a material breach by Developer of an individual Franchise Agreement executed pursuant hereto or any other agreement between Company (or any Affiliate) and Developer (or any Affiliate), following the notice and the opportunity to cure, if any, specified in the Franchise Agreement or other such agreement.

11.4 Effect of Termination. Upon the expiration of the Initial Term (and any applicable Renewal Term), or upon the prior termination of this Agreement:

(a) Developer shall have no further right to construct, equip, own, open or operate additional Coffee Bean Stores which are not, at the time of such termination or expiration, the subject of a then existing Franchise Agreement between Developer and Company (or any Affiliate) which is in full force and effect; and

(b) Company and its Affiliates may construct, equip, open, own or operate, or franchise or license others to construct, equip, open, own or operate Coffee Bean Stores in the Development Area, except as may be expressly provided to the contrary in any Franchise Agreement executed pursuant to this Agreement.

(c) Company may avail itself of any and all remedies available hereunder, under Applicable Law or in equity.

ARTICLE 12
BUSINESS ENTITY DEVELOPER; REPRESENTATIONS AND WARRANTIES.

12.1 Entity Information. If Developer is an Entity, Developer represents and warrants that the information set forth in Exhibit "C" which is annexed hereto and by this reference made a part hereof, is accurate and complete in all material respects. Developer shall notify Company in writing within ten (10) days of any change in the information set forth in Exhibit "C". Developer promptly shall provide such additional information as Company may from time-to-time request concerning all persons who may have any direct or indirect financial interest in Developer. Developer shall upon demand, reimburse Company for its direct and indirect costs, including attorneys' fees, to review any revised or supplemental Exhibit "C".

12.2 Legend Conditions. If Developer is an Entity or if this Agreement is assigned to an Entity, such entity shall conduct no business other than the business contemplated hereunder and under any executed Franchise Agreement. The articles of partnership, partnership agreement, articles of incorporation, memorandum of association, articles of organization or other organizational documents of such Entity shall recite that the issuance and transfer of any interest therein is subject to the restrictions set forth in this Agreement. All issued and outstanding stock certificates of an Entity which is corporation, or certificates representing each Owner's Equity interest in the Entity other than a corporation, shall bear a legend referring to the restrictions in this Agreement.

12.3 Business and Ethical Practices.

(a) As of the date of this Agreement, Developer and each of its Owners shall be and, during the Initial Term shall remain, in full compliance with all Applicable Laws in each jurisdiction in which Developer or any of its Owners, as applicable, conducts business that prohibits unfair, fraudulent or corrupt business practices in the performance of its obligations under this Agreement and related activities, including but not limited to the following prohibitions:

(i) Neither Developer nor any of its Owners shall make any expenditure other than for lawful purposes or directly or indirectly offering, giving, promising to give or authorizing the payment or the gift of any money, or anything of value, to any person or Entity, while knowing or having reason to know that all or a portion of such money or thing of value will be given or promised, directly or indirectly, to any government official, official of an international organization, officer or employee of a foreign government or anyone acting in an official capacity for a foreign government, for the purpose of (a) influencing any action, inaction or decision of such official in a manner contrary to his or her position or creating an improper advantage; or (b)

inducing such official to influence any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality.

(ii) No government official, official of an international organization, political party or official thereof, or candidate is an Owner or has any investment interest in the revenues or profit of Developer.

(b) Neither Developer nor any of its Owners conducts any activity, or has failed to conduct any activity, if such action or inaction constitutes a money laundering crime, including any money laundering crime prohibited under the United States International Money Laundering Abatement and Anti-Terrorist Financing Act, as amended, and any amendments or successors thereto.

(c) Neither Developer, nor any of its Owners nor any employee of either of them is named as a "Specially Designated Nationals" or "Blocked Persons" as designated by the U.S. Department of the Treasury's Office of Foreign Assets Control. Currently, this list is published under the internet website address "www.treas.gov/offices/enforcement/ofac/sdn/". Neither Developer, any of its Owners nor any employee of either of them is named or described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001, as amended or replaced from time to time. Developer is neither directly nor indirectly owned or controlled by the government of any country that is subject to a United States embargo. Nor does Developer or its Owners act directly or indirectly on behalf of the government of any country that is subject to a United States embargo. Developer agrees that Developer will notify Company in writing immediately of the occurrence of any event, which renders the foregoing representations and warranties of this paragraph incorrect.

(d) Developer represents that it understands and has been advised by legal counsel on the requirements of the Applicable Laws referred to above, including the United States Foreign Corrupt Practices Act (currently located at http://www.justice.gov/criminal/fraud/fcpa/), as amended or replaced from time to time, any local foreign corrupt practices laws, and the USA Patriot Act of 2001, as amended, and hereby acknowledges the importance to Company and the parties' relationship of Developer's compliance with any applicable auditing requirements and any requirement to report or provide access to information to Company or any government, that is made part of any Applicable Law. Developer must take all reasonable steps to require its consultants, agents and employees to comply with such laws prior to engaging or employing any such persons.

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DEVELOPER INITIALS

(e) Developer represents to Company that it has taken all necessary and proper action required by the laws of the Development Area and has the right to execute this Agreement and perform under all of its terms.

ARTICLE 13
GUARANTY, LETTER OF CREDIT

13.1 Guaranty. If Developer is an Entity, each Owner and his/her spouse, shall unconditionally guaranty Developer's compliance with the terms and performance of its obligations hereunder and all other agreements between Developer and its Affiliates and Company and its Affiliates pursuant to the guaranty in substantially the form attached hereto as Exhibit "D" (the "**Guaranty**"). A material breach of such Guaranty shall be deemed a material breach of this Agreement.

13.2 Letter of Credit.

(a) Upon the execution of each Franchise Agreement pursuant to this Agreement, Developer shall deliver to Company, an irrevocable and unconditional negotiable standby letter of credit (the "**Letter of Credit**") in favor of Company in an amount equal to twenty thousand dollars and 00/100 ($20,000.00) (the "**L/C Amount**") in lawful money of the United States. The Letter of Credit shall be: (A) issued by a bank reasonably acceptable to Company, with an office in Los Angeles County, California; (B) in the L/C Amount; (C) in form and content as that attached hereto as Exhibit "E" or shall otherwise be reasonably acceptable to Company; and (D) subject to the terms and conditions stated in this Section. In lieu of a single $20,000 letter of credit for each Franchise Agreement, Developer may deliver to Company a single irrevocable and unconditional negotiable standby letter of credit (the "**Aggregate L/C**") upon the execution hereof, in favor of Company in an amount equal to twenty thousand dollars ($20,000) multiplied by the total number of Franchise Agreements to be executed by and between Developer and Company under this Agreement, not to exceed two hundred thousand dollars ($200,000) in the aggregate, provided, however, that such letter of credit otherwise satisfies the terms and conditions of this Section and shall be held as security for the full and faithful performance by Developer's obligations under all such Franchise Agreements (and any renewal or replacement of the same), and each and every other agreement between Developer (or any of its Affiliates), on the one hand, and Company or any of its Affiliates (including ICT and CBTL Franchising, LLC), on the other hand, other than this Agreement, but including purchase orders for the purchase by Developer or its permitted Affiliates. If delivered, the Aggregate L/C shall be the deemed to be the "Letter of Credit" for purposes of each Franchise Agreement entered into by the parties pursuant hereto. Notwithstanding the foregoing, the Letter of Credit shall have a term of not less than 1 year and shall be automatically renewed at least 45 days prior to expiration of each period for an additional term of not less than 1 year each and shall remain in effect throughout the term of all Franchise Agreements between the parties (and any renewal or replacement of the same) (such last expiration date being the "**L/C Termination Date**"). Developer shall pay all expenses, points and/or fees incurred by Developer in obtaining and maintaining the Letter of Credit. Developer represents, warrants, and covenants that the security for the Letter of Credit (and any renewal letter of credit) is not and shall not be at any time, be the Initial Investment, or any part thereof or any Equity of Developer.

(b) The Letter of Credit shall be held by Company as security for the full and faithful performance by Developer of Developer's obligations under this Agreement (and any renewal or replacement of the same), and each and every other agreement between Developer (or any of its Affiliates), on the one hand, and Company or any of its Affiliates (including ICT and

CBTL Franchising, LLC), on the other hand, but including purchase orders for the purchase by Developer or its permitted Affiliates (each of the foregoing an "**Obligation**"). If (A) Developer defaults with respect any Obligation, or (B) if Developer fails to renew the Letter of Credit at 45 days prior to its expiration, or (C) Developer has filed a voluntary petition under the United States Bankruptcy Code (the "**Bankruptcy Code**"), or Developer's creditors have filed an involuntary petition under the Bankruptcy Code, then Company, in its sole and absolute discretion, shall be entitled to draw upon all or any part of the Letter of Credit and shall be able to apply any portions thereof for the payment of the required amount of any sum in default, and for the payment of any amount that Company may spend or may become obligated to spend by reason of Developer's default, and to compensate Company for loss or damage that Company suffers by reason of Developer's default. The use, application or retention of the Letter of Credit, or any portion thereof, shall not (i) prevent Company (or any of its Affiliates) from exercising any other rights or remedies provided under this Agreement or by law, it being intended that Company shall not be required to first proceed against the Letter of Credit, or (ii) operate as a limitation on any recovery to which Company may otherwise be entitled.

(c) To the extent that Company has not drawn upon the Letter of Credit pursuant to the terms of this Agreement, the Letter of Credit shall be returned to Developer within 45 days following the L/C Termination Date. However, if Developer has delivered to Company an Aggregate L/C, then Company's obligation to return the Letter of Credit to Developer will only arise if Developer simultaneously delivers a letter of credit in accordance with the terms of any or all other franchise agreements (and other agreements) between Developer and Company. Developer acknowledges that Company has the right to transfer or pledge its interest in the Agreement and Developer agrees that in the event of any such transfer, Company shall have the right to transfer or assign the Letter of Credit to the transferee or pledgee with any fee in connection therewith being paid by Developer, and, in the event of any such transfer, Developer shall look solely to such transferee or pledgee for the return of the Letter of Credit. Company shall not be required to keep said Letter of Credit or any drawn funds thereunder separate from its general accounts. No trust relationship is created herein between Company and Developer with respect to the Letter of Credit. Developer acknowledges and agrees that (A) the Letter of Credit constitutes a separate and independent contract between Company and the issuing bank, (B) Developer is not a third party beneficiary of such contract, (C) Company's claim under the Letter of Credit for the full amount due and owing thereunder shall not be, in any way, restricted, limited, altered or impaired by virtue of any provision of the Bankruptcy Code, including, but not limited to, Section 502(b)(6) thereof.

ARTICLE 14
CAPITALIZATION OF DEVELOPER.

14.1 Developer represents and warrants to Company (and promptly upon request Developer shall provide Company evidence satisfactory to Company confirming) that (i) upon execution of the Agreement that Developer's capitalization is not less than the Minimum Capitalization amount, comprised of the Initial Investment; (ii) upon execution of the Agreement, Developer has received a cash contribution in the aggregate of not less than the Initial Investment in exchange for Equity issued or to be issued in Developer; (iii) at all times during the Term, Developer's debt-to-asset ratio shall not exceed 1:1; (iv) at all times during the Term, Developer shall maintain a Net Worth of not less than the Minimum Net Worth; and (v) throughout the Term,

Developer shall not cause or permit any Distribution to or for the direct or indirect benefit of any of its Owners, except to the extent that after such Distribution Developer's Net Worth shall remain at or in excess of the Minimum Net Worth and Developer's debt-to-asset ratio shall not exceed 1:1.

14.2 Developer's failure to have received the Initial Investment on or before the Effective Date, or to deliver the written evidence requested by Company pursuant to Section 14.1, shall constitute an incurable material breach of the Agreement, entitling Company to terminate the Agreement upon written notice, and to retain the Initial Development Fee without reimbursement to Developer of any portion thereof.

ARTICLE 15
DISPUTE RESOLUTION: MEDIATION, ARBITRATION AND LEGAL PROCEEDINGS.

15.1 Mediation.

(a) Subject to Section 15.3 of this Agreement, the parties hereby agree to first submit any controversy or claim between Company and Developer arising out of or relating to this Agreement or any alleged breach thereof to non-binding mediation ("**Mediation**"). Such Mediation shall occur in Los Angeles, California or by virtual means before a single mediator, using the facilities and mediation rules of a professional dispute-resolution organization selected by Company and reasonably acceptable to Developer (the "**Mediation Organization**"). If the parties cannot agree on a Mediation Organization, they will use the facilities and mediation rules of the National Franchise Mediation Program. The parties shall jointly select a mediator from the panel of mediators maintained by the Mediation Organization. The mediator must be either a retired judge or an individual experienced in franchise law. If the parties are unable to agree on a mediator within 30 days after the claim or controversy is submitted to Mediation, the Mediation Organization will select a mediator who possesses the indicated qualifications. The parties will share the Mediation filing fee equally, but will otherwise separately bear their own costs and expenses (including legal fees) of participating in the Mediation process. Each party agrees cause at least one representative to participate the Mediation conference who has authority to enter into binding settlement on that party's behalf. Each party further agrees to sign a confidentiality agreement that exempts the mediator from disclosing, orally or in writing, any information the other party discloses to the mediator in confidence at any stage of the Mediation process. If either party fails or refuses to participate in Mediation in accordance with this Section 15.1(a), the other shall be entitled to immediately submit the claim or controversy to binding arbitration in accordance with Section 15.2.

(b) Notwithstanding Sections 15.1(a), the parties mutually agree that Company is not obligated to mediate any claim or controversy arising from: (i) Developer's alleged infringement of the Marks, or other alleged misappropriation of Company's or its Affiliates' intellectual property; or (ii) Developer's failure to pay when due any Royalty Fees or other monetary obligation to Company or any Company Affiliates.

15.2 Arbitration. Except as provided in Section 15.3 of this Agreement and except as precluded by Applicable Law, any controversy or claim between Company and Developer arising

out of or relating to this Agreement or any alleged breach hereof not resolved through Mediation within 30 days after the Mediation conference concludes, including any disputes arising out of or concerning Franchise Agreements between Developer and Company, and any issues pertaining to the arbitrability of such controversy or claim and any claim that this Agreement or any part hereof is invalid, illegal, or otherwise voidable or void, shall be submitted exclusively to binding arbitration. Said arbitration shall be conducted before three arbitrators and in accordance with the then-current Commercial Rules of the American Arbitration Association. Judgment upon any award rendered may be entered in any Court having jurisdiction thereof. Except to the extent prohibited by Applicable Law, the proceedings shall be held exclusively in the City of Los Angeles, State of California. All arbitration proceedings and claims shall be filed and prosecuted separately and individually in the name of Developer and Company, and not in any class action or representative capacity, and shall not be joined with or consolidated with claims asserted by or against any other developer. The arbitrator shall have no power or authority to grant punitive or exemplary damages as part of its award. In no event may the material provisions of this Agreement including, but not limited to the method of operation, authorized product line sold or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at any arbitration hearing. The substantive law applied in such arbitration shall be as provided in Section 16.8 of this Agreement. The arbitration and the parties' agreement therefor shall be deemed to be self-executing, and if either party fails to appear at any properly noticed arbitration proceeding, an award may be entered against such party despite said failure to appear. All issues relating to arbitrability or the enforcement of the agreement to arbitrate contained herein shall be governed by the Federal Arbitration Act (9 U.S.C. § 1 et seq.), notwithstanding any provision of this Agreement specifying the state law under which this Agreement shall be governed and construed.

15.3 Exceptions to Mediation and Arbitration. Notwithstanding anything to the contrary contained in Sections 15.1 or 15.2 of this Agreement, Company and Developer will each have the right in a proper case to obtain specific performance, temporary restraining orders and temporary or preliminary injunctive relief from a court of competent jurisdiction, and other provisional relief including but not limited to enforcement of liens, security agreements, or attachment, as Company deems to be necessary or appropriate to compel Developer to comply with Developer's obligations hereunder and/or to protect the Marks; or any claim or dispute involving or contesting the validity of any of the Marks. However, the parties will contemporaneously submit their dispute for arbitration on the merits. Developer agrees that Company may have temporary or preliminary injunctive relief without bond, but upon due notice, and Developer's sole remedy in the event of the entry of such injunctive relief will be the dissolution of the injunctive relief, if warranted, upon hearing duly had (all claims for damages by reason of the wrongful issuance of any the injunction being expressly waived).

15.4 Attorneys' Fees and Expenses. If a claim for amounts owed by Developer to Company or Company's Affiliates is asserted in judicial proceeding or appeal, or if Company or Developer is required to enforce this Agreement in an arbitration or proceeding or appeal, the party prevailing in such proceeding will be entitled to reimbursement of its costs and expenses, including reasonable arbitrators', accounting and legal fees, whether incurred prior to, in preparation for or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce the obligations of this Agreement. If Company incurs expenses in connection with Developer's failure to pay when due amounts owing to Company or its Affiliates, to submit when

due any reports, information or supporting records or otherwise to comply with this Agreement, including, but not limited to legal, arbitrators' and accounting fees, Developer will reimburse Company for any such costs and expenses which Company incurs.

15.5 Survival. The terms of this Article shall survive termination, expiration or cancellation of this Agreement.

ARTICLE 16
GENERAL CONDITIONS AND PROVISIONS.

16.1 Relationship of Developer to Company. It is expressly agreed that the parties intend by this Agreement to establish between Company and Developer the relationship of franchisor and franchisee. It is further agreed that Developer has no authority to create or assume in Company's name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Developer is the employer, employee, agent, partner or co-venturer of or with the other, each being independent. Developer agrees that neither it nor its Owners or representatives will hold themselves out as the agent, employee, partner or co venturer of Company. All employees hired by or working for Developer are and shall be the employees of Developer and shall not, for any purpose, be deemed employees of Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

16.2 Indemnity by Developer. Developer hereby agrees to protect, defend and indemnify Company, and all of its past, present and future Owners, direct and indirect Parent companies, Subsidiaries, Affiliates, officers, directors, employees, attorneys and designees and hold them harmless from and against any and all costs and expenses, including attorneys' fees, court costs, losses, liabilities, damages, claims and demands of every kind or nature on account of (i) any breach by Developer of any representation or warranty made to Company under this Agreement, any Franchise Agreement or any other agreement between Company (or any Affiliate) and Developer (or any Affiliate); and (ii) any actual or alleged loss, injury or damage to any person or Entity or to any property arising out of or in connection with Developer's operation of Coffee Bean Stores pursuant hereto, except to the extent resulting from the negligence or intentional misconduct of Company.

16.3 Limitation of Liability. Neither Company nor any Company Affiliate shall be liable to Developer for any consequential damages, including but not limited to lost profits, interest expense, increased construction or occupancy costs, or other costs and expenses incurred by Developer by reason of any delay in the delivery of a Disclosure Document (if required by Applicable Law) caused by legal incapacity during the Initial Term (and any applicable Renewal Term), events beyond Company's reasonable control, or other conduct not due to the gross negligence or misfeasance of Company. EXCEPT FOR LIABILITY RESULTING FROM COMPANY'S INTENTIONAL WRONGDOING, AND EXCEPT TO THE EXTENT THAT SUCH LIMITATIONS ON LIABILITY ARE PROHIBITED BY APPLICABLE LAW, COMPANY'S LIABILITY TO DEVELOPER SHALL IN NO EVENT EXCEED THE

AGGREGATE OF ALL SUMS PAID TO COMPANY BY DEVELOPER PURSUANT TO ARTICLE 4 OF THIS AGREEMENT.

16.4 Waiver and Delay. No waiver by Company of any breach or series of breaches or defaults in performance by Developer, and no failure, refusal or neglect of Company to exercise any right, power or option given to it hereunder or under any other franchise agreement between Company (or any Affiliate) and Developer (or any Affiliate), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Coffee Bean Stores) or to insist upon strict compliance with or performance of Developer's obligations under this Agreement or any other franchise agreement between Company (or any Affiliate) and Developer (or any Affiliate), whether entered into before, after or contemporaneously with the execution hereof (and whether or not related to the Coffee Bean Stores), shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

16.5 Survival of Covenants. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

16.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against Assignment contained herein.

16.7 Joint and Several Liability. If the named Developer includes more than one person and/or Entity, such person(s) and/or Entities shall be deemed to be a general partnership and each shall be jointly and severally liable for all obligations and liabilities of Developer.

16.8 Governing Law, Waiver of Punitive Damages. All matters relating to arbitration and within the scope of the federal arbitration act (9 U.S.C. §1 et seq.) will be governed by such act. Except to the extent governed by the Federal Arbitration Act, the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. § 1051 et seq.) or other Federal law, this agreement and the relationship between Developer and Company will be governed by and construed in accordance the laws of the state of California, without giving effect to principles of conflicts of law, except that (a) the provisions of Sections 10.1 and 10.2 of this Agreement (and to the extent applicable, Section 10.3) respecting Non-Competition Covenants shall be governed in accordance with the laws of the State where the default of said section occurs; and (b) the California Franchise Investment Law, and any other state law relating to (1) the offer and sale of franchises (2) franchise relationships, or (3) business opportunities, will not apply unless the applicable definitional and jurisdictional requirements thereof are met independently without reference to this paragraph.

TO THE EXTENT THAT Article 15 SHALL NOT APPLY OR, IF FOUND UNENFORCEABLE, THE PARTIES, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, HEREBY WAIVE THEIR RIGHT TO TRIAL BY JURY WITH RESPECT TO ANY DISPUTE ARISING UNDER THIS AGREEMENT, AND THEY AGREE

THAT, EXCEPT TO THE EXTENT PROHIBITED BY LAW, LOS ANGELES, CALIFORNIA SHALL BE THE SOLE AND EXCLUSIVE VENUE FOR ANY LITIGATION BROUGHT WITH RESPECT TO MATTERS ARISING UNDER OR RELATING TO THIS AGREEMENT. THE PARTIES ACKNOWLEDGE THAT THEY HAVE REVIEWED THIS SECTION AND HAVE HAD THE OPPORTUNITY TO SEEK INDEPENDENT LEGAL ADVICE AS TO ITS MEANING AND EFFECT.

EXCEPT WITH RESPECT TO ANY AMOUNT A COURT OF COMPETENT JURISDICTION DETERMINES BY A FINAL, UNAPPEALABLE JUDGMENT TO BE PAYABLE TO AN UNAFFILIATED THIRD PARTIES, THE PARTIES WAIVE TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT, IN ANY EVENT OF A DISPUTE BETWEEN THEM, THE PARTY MAKING A CLAIM WILL BE LIMITED TO RECOVERY OF ACTUAL DAMAGES IT SUSTAINS.

16.9 Entire Agreement. This Agreement, the Exhibits incorporated herein, and the Manuals contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. No other agreements concerning the subject matter hereof, written or oral, shall be deemed to exist or to bind any of the parties hereto. All prior or contemporaneous agreements, understandings and representations relating to the subject matter of this Agreement, are merged and are expressly and superseded by this Agreement, except such representations as are made in any Disclosure Document delivered to Developer (if required by Applicable Law) and any representations made by Developer in acquisition of this Agreement. No officer or employee or agent of Company has any authority to make any representation or promise not contained in this Agreement or in any Disclosure Document delivered to Developer (if required by Applicable Law), and Developer agrees that he has executed this Agreement without reliance upon any such representation or promise. During the Term, this Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties hereto.

16.10 Titles For Convenience. Article, section and paragraph titles used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants, or conditions of this Agreement.

16.11 Gender And Construction. All terms used in any one number or gender shall extend to mean and include any other number and gender as the facts, context, or sense of this Agreement or any article, section or paragraph hereof may require. As used in this Agreement, the words "include," "includes" or "including" are used in a non-exclusive sense. The terms of the Recitals and all Exhibits to this Agreement are incorporated into and made a part of this Agreement as if set forth in full. Unless otherwise expressly provided herein to the contrary, any consent, approval or authorization of Company which Developer may be required to obtain hereunder may be given or withheld by Company in its sole discretion, and on any occasion where Company is required or permitted hereunder to make any judgment or determination, including any decision as to whether any condition or circumstance meets Company's standards or satisfaction, Company may do so in its sole subjective judgment.

16.12 Severability. Nothing contained in this Agreement shall be construed as requiring the commission of any act contrary to Applicable Law. Whenever there is any conflict between

any provisions of this Agreement and any present or future statute, Applicable Law, ordinance or regulation contrary to which the parties have no legal right to contract, the latter shall prevail, but in such event the provisions of this Agreement thus affected shall be curtailed and limited only to the extent necessary to bring it within the requirements of Applicable Law. In the event that any part, article, section, paragraph, sentence or clause of this Agreement shall be held to be indefinite, invalid or otherwise unenforceable, the indefinite, invalid or unenforceable provision shall be deemed deleted, and the remaining part of this Agreement shall continue in full force and effect.

16.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

16.14 Force Majeure.

(a) Neither Company nor Developer (subject to Developer's compliance with Section 16.14(b) of this Agreement) shall be liable for loss or damage or deemed to be in breach of this Agreement to the extent its failure to perform results from (i) transportation shortages strikes, inadequate supply or interruptions in the supply of equipment, merchandise, supplies, material, or energy, or the voluntary foregoing of the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instructions of any Governmental Authority; (ii) compliance with any law, ruling, order, regulation, requirement or instruction of any Governmental Authority (other than an order, requirement or instruction arising from a violation of law by Developer); (iii) acts of God; or (iv) war or civil unrest. Any delay resulting from any such cause shall extend or excuse performance, as applicable, in whole or in part, as may be reasonable, except that said causes shall not excuse payments of amounts owed at the time of such occurrence or payments of royalties due on any sales thereafter.

(b) In the event of the occurrence of an event specified in Section 16.14(a) of this Agreement Developer shall notify Company in writing within 5 days following commencement of the alleged event of the specific nature and extent of the event, and how it has impacted Developer's performance hereunder. Developer shall continue to provide Company with updates and all information as may be requested by Company, including Developer's progress and diligence in responding to and overcoming such event.

16.15 Time. The time for performance of any obligation of Developer hereunder is of the essence of this Agreement.

16.16 Breach By Company. No failure of Company to perform any of its obligations under this Agreement shall be deemed a material breach hereof unless and until it has received written notice of such failure from Developer and has failed to cure such failure for a period of 60 days after receipt of such notice, or if the nature of such failure requires a longer period of time to cure, such longer period so long as Company is diligently and in good faith seeking to cure such failure.

16.17 Rights of Parties are Cumulative. The parties' rights hereunder are cumulative. No exercise or enforcement of any right or remedy hereunder shall preclude the exercise or

enforcement of any other right or remedy hereunder or to which Company or Developer is entitled by law.

16.18 Notices. Except as otherwise expressly provided herein, all payments, written notices, reports and documents permitted or required to be delivered by the provisions of the Agreement shall be delivered by hand, by telegraph or telecopier, by FedEx, DHL Worldwide Express, or other reputable overnight courier service ("**Courier**"), or by deposit with United States or Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and shall be deemed so delivered at the time delivered by hand, one Business Day after transmission by facsimile (with confirming copy sent by mail), 1 Business Day after deposit with a Courier, or 3 Business Days after placement in the United States Mail by Registered or Certified Mail, Return Receipt Requested, postage prepaid, and addressed as follows:

If to Company: SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED
550 S. Hope St, Suite 2100
Los Angeles, California 90071
Attn.: General Counsel
Facsimile No.: (310) 815-2504

With copy (which shall not constitute notice) to:

R. Andrew Chereck, Esq.
Bryan Cave Leighton Paisner LLP
120 Broadway, Suite 300
Santa Monica, California 90401
Email: andrew.chereck@bclplaw.com

If to Developer: Developer Notice Address (See Section 1.1)

or to such other address as such party may designate by ten (10) days' advance written notice to the other party.

ARTICLE 17
FEES AND EXPENSES.

Each party hereto shall bear its own costs and expenses, incurred at any time in connection with the negotiation and consummation of the transactions described in this Agreement (except as expressly provided otherwise in this Agreement), unless otherwise agreed in writing by the Parties; provided, however, that Developer shall promptly reimburse Company for any and all legal, accounting and other professional fees in excess of $10,000 incurred by Company in connection with the negotiation and execution of this Agreement (including any exhibits, addendum or attachments hereto).

ARTICLE 18
DISCLAIMER AND EXEMPTIONS.

18.1 The success of the business venture contemplated to be undertaken by Developer and its Owners by virtue of this Agreement is speculative and depends, to a large extent, upon the

ability of Developer as an independent business, its active participation in the daily affairs of the business as well as other factors. Company does not make any representation or warranty, express or implied, as to the potential success of the business venture contemplated hereby.

18.2 Developer acknowledges that it has entered into this Agreement after making an independent investigation of Company's operations.

18.3 Developer represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor. Developer further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound thereby.

18.4 Developer represents to Company that it has taken all necessary and proper action required by the Laws of the Development Area, and has the right, to execute this Agreement and perform under all of its terms.

18.5 Developer represents to Company that the execution, delivery and performance of Developer's obligations under this Agreement will not conflict with or result in a breach of any of the terms and provisions of, or constitute a default under, any agreement, or other document or instrument to which Developer or any of its Owners are a party.

ARTICLE 19
SUBMISSION OF AGREEMENT.

The submission of this Agreement does not constitute an offer and this Agreement shall become effective only upon the execution thereof by Company and Developer. THIS AGREEMENT SHALL NOT BE BINDING ON COMPANY UNLESS AND UNTIL IT SHALL HAVE BEEN ACCEPTED AND SIGNED BY AN AUTHORIZED OFFICER OF COMPANY.

ARTICLE 20
ACKNOWLEDGMENT.

Developer, and its Owner(s), as applicable, jointly and severally acknowledge that they have carefully read this Agreement and all other related documents to be executed concurrently or in conjunction with the execution hereof, that they have obtained the advice of counsel in connection with entering into this Agreement, that they understand the nature of this Agreement, and that they intend to comply herewith and be bound hereby.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the first date set forth above.

COMPANY:

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,
a corporation organized under Irish law

By:_____
Name:_____
Title:_____

DEVELOPER:

By:_____
Name:_____
Title:_____

APPENDIX 1
DEFINITIONS

In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

"**Accounting Period**" means each of the 12 accounting periods in Company's fiscal year during the Initial Term, or such other period as Company may designate in writing from time to time. Each Accounting Period begins on a Monday. The first Accounting Period in each quarter consists of five weeks (35 days), the second Accounting Period in the quarter consists of four weeks (28 days), and the third Accounting Period of each quarter consists of four weeks (28 days). This is commonly referred to as the 5,4,4 method of accounting. Currently, the accounting year ends on the Sunday closest to December 31st and, although generally consists of 52 weeks, in some years will consists of 53 weeks.

"**Advertising and Promotional Materials Fee**" shall have the meaning set forth in Section 4.2(d) of this Agreement.

"**Affiliate**" when used herein in connection with Company or Developer, includes each person or Entity which directly, or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with Company or Developer, as applicable. Without limiting the foregoing, the term "**Affiliate**" when used herein in connection with Developer includes any Entity more than 50% of whose stock; membership interests; Partnership Rights; or other equity ownership interests (collectively "**Equity**") or voting Control, is held by person(s) or Entities who, directly or indirectly, own or Control more than 50% of the Equity or voting Control of Developer. Notwithstanding the foregoing definition, if Company or its Affiliate has any ownership interest in Developer, the term "Affiliate" shall not include or refer to the Company or that Affiliate (the "**Company Affiliate**"), and no obligation or restriction upon an "Affiliate" of Developer, shall bind Company, or said Company Affiliate or their respective officers, directors, or managers.

"**Agreement**" shall have the meaning set forth in the preamble.

"**Alternate Channels of Commerce**" shall have the meaning as set forth in Section 2.3(b) of this Agreement.

"**Applicable Law**" means and includes applicable common law and all applicable statutes, laws, rules, regulations, ordinances, policies and procedures established by any Governmental Authority, including all immigration, labor, disability, food and drug laws, health and safety regulations, and, if applicable, Americans with Disabilities Act requirements, as in effect on the Effective Date hereof, and as may be amended from time to time.

"**Assignment**" shall have the meaning set forth in Section 8.3(c) of this Agreement.

"**Bankruptcy Code**" shall have the meaning set forth in Section 13.2(b) of this Agreement.

"**Bona Fide Offer**" shall have the meaning set forth in Section 8.7(a) of this Agreement.

"**Business Day**" means any day other than a Saturday, Sunday, holidays or other day on which banks in California are authorized or required to be closed.

"**CBTL-Brand Single-Serve Products**" shall have the meaning set forth in Section 2.3(c) of this Agreement.

"**CBTL-Brand Single-Serve Stores**" shall have the meaning set forth in Section 2.3(d) of this Agreement.

"**Central Marketing Fee**" shall have the meaning set forth in Section 4.2(d) of this Agreement.

"**Certified Training Manager**" means an individual, accepted by Company, who has satisfactorily completed the Initial Training program and such other supplemental or occasional training programs as are required from time to time by Company and who shall be responsible for initial and ongoing training of each General Manager.

"**Coffee Bean Products**" means the specific espresso drinks and coffees, roasted coffee beans and blends, premium teas, baked goods, snacks and other food items and ancillary products, which may include coffee industry-related equipment, cups, hats, t-shirts and novelty items, as specified by Company from time to time in the Manuals, or as otherwise directed by Company in writing, for sale at Developer's Coffee Bean Stores, prepared and served in strict accordance with Company's and Company's Affiliates' recipes, quality standards and specifications, including specifications as to ingredients, brand names, preparation and presentation.

"**Coffee Bean Store**" means a store operated under the Marks and in accordance with the System and specializing in the sale of Coffee Bean Products, and in the case of a licensee or franchisee of Company, pursuant to a validly executed license or franchise agreement, excluding a store at a Special Distribution Site and a CBTL-Brand Single Serve Store.

"**Company**" shall have the meaning set forth in the preamble.

"**Competitive Business**" means any business operating, or granting franchises or licenses to others to operate, a business offering at wholesale or retail, or engaged in the production of, (conjunctively or disjunctively) specialty premium coffee beverages, espresso drinks, roasted coffee beans and blends, premium teas, prepackaged coffees and teas, baked goods, snacks and other food items and ancillary products, which may include but are not limited to, coffee making equipment, including single-serve coffee machines and related single-serve coffee, espresso, and/or powder, capsules, cups, hats, t-shirts and novelty items, and other specialty ingredients or offering any other goods or services similar to any other Coffee Bean Product.

"**Control**" of or "**Controlling**" an Entity means the power (whether or not exercised) to direct the policies, operations or activities of such Entity by or through the ownership of, or right to vote, or to direct the manner of voting of, securities of such Entity, or pursuant to law or agreement, or otherwise.

"**Courier**" shall have the meaning set forth in Section 16.18 of this Agreement.

"**Developer**" shall have the meaning set forth in the preamble.

"**Developer's Interest**" means the issued and outstanding Equity Securities of Developer beneficially owned by each of Developer's Owners, other than the Company or its Affiliates.

"**Development Area**" means the geographic area described in Exhibit "A" attached to this Agreement.

"**Development Period**" means the period specified beneath the heading 'Development Period Ending' on Exhibit "B" of this Agreement.

"**Director of Operations**" means a full-time employee responsible for the overall operations of Developer's Coffee Bean Stores who shall ensure that all of the Coffee Bean Stores are operated in conformity with the System Standards.

"**Disclosure Document**" means Company's Franchise Disclosure Document or its equivalent as may be required by Applicable Law.

"**Effective Date**" shall have the meaning set forth in the preamble.

"**Entity**" means any limited liability company or Partnership, and any trust, association, corporation or other person which is not an individual.

"**Equity**" is defined in the definition of Affiliate.

"**Equity Securities**" means (i) any common stock, preferred stock, membership interests, general or limited partnership interests or other equity security of any individual or Entity, (ii) any security convertible, with or without consideration, into any common stock, preferred stock, membership interests, general or limited partnership interests or other security (including any option to purchase such a convertible security) of any individual or Entity, (iii) any security carrying any warrant or right to subscribe to or purchase any common stock, preferred stock, membership interests, general or limited partnership interests or other security of any individual or Entity, or (iv) any such warrant or right.

"**Franchise Agreement**" means the Then-Current form of agreement prescribed by Company to license a person or Entity the right to own and operate a single Coffee Bean Store in the Development Area, including all exhibits, riders, guarantees or other related instruments, all as amended from time to time.

"**GAAP**" means United States Generally Accepted Accounting Principles.

"**General Manager**" means an individual who provides full-time, direct, day to day on-site management of one (1) Coffee Bean Store.

"**Governmental Authority**" means and includes all Federal, state, county, municipal and local governmental and quasi-governmental agencies, commissions and authorities.

"**Gross Revenues**" means the aggregate amount of all sales (plus tips and service charges except for tips to the extent paid directly by the customer to an employee of Developer and not entered in or through the cash register) of Coffee Bean Products and other goods, services and supplies sold, made, rendered or prepared in, or in connection with, the operation of all of Developer's Coffee Bean Stores, or which are promoted or sold under or using any of the Marks, including sales made at or away from the premises of Developer's Coffee Bean Stores (if permitted), whether for cash or credit or barter (and, if for credit or barter, whether or not payment is received therefor), but excluding all Federal, state or municipal sales, use, value added or service taxes collected from customers and paid to the appropriate taxing authority.

"**Guaranteed Minimum Royalty**" shall have the meaning set forth in Section 1.1(d) of this Agreement.

"**Guaranty**" shall have the meaning set forth in Section 13.1 of this Agreement.

"**Initial Development Fee**" shall have the meaning set forth in Section 1.1(e) of this Agreement.

"**Initial Franchise Fee**" shall have the meaning set forth in Section 1.1(f) of this Agreement.

"**Initial Investment**" shall have the meaning set forth in Section 1.1.(g) of this Agreement.

"**Initial Term**" shall have the meaning set forth in Section 3.1 of this Agreement.

"**Initial Training**" shall have the meaning set forth in Section 7.1 of this Agreement.

"**Intellectual Property**" shall have the meaning set forth in Section 7.5(d) of this Agreement.

"**Intranet**" means "The Coffee Bean & Tea Leaf" internal store and/or developer computer network, currently commonly referred to as "Inside the Bean".

"**Kiosk**" means a Coffee Bean Store of typically less than 800 square feet, including storage and other back of house areas, and which may have limited or no dedicated seating. Kiosks are generally located in office complexes, shopping malls or at specific street locations.

"**L/C Amount**" shall have the meaning set forth in Section 13.2(a) of this Agreement.

"**L/C Termination Date**" shall have the meaning set forth in Section 13.2(a) of this Agreement.

"**Letter of Credit**" shall have the meaning set forth in Section 13.2(a) of this Agreement.

"**Liquidity Event**" means (a) a Public Offering, (b) Company (or a Parent of Company) entering into a letter of intent or an agreement to sell all or substantially all of its assets to, or merge or otherwise combine with, any Entity which is not an Affiliate of Company (or a Parent of Company), or (c) one or more Owners of Company (or of a Parent of Company) entering into a

letter of intent or an agreement to effect the sale, conveyance, exchange or assignment by such Owners in one transaction or series of related transactions, of 50% or more of the outstanding Equity of Company (or of a Parent of Company) to any person, group or Entity which is not an Affiliate of Company (or a Parent of Company).

"**Manuals**" means the "The Coffee Bean & Tea Leaf" brand multi-volume Operations Manual package, as the same may be amended and revised from time to time, including all bulletins, supplements and ancillary manuals.

"**Marks**" shall have the meaning set forth in Recital A.

"**Mediation**" shall have the meaning set forth in Section 15.1(a) of this Agreement.

"**Mediation Organization**" shall have the meaning set forth in Section 15.1(a) of this Agreement.

"**Minimum Development Schedule**" shall have the meaning set forth in Section 5.1 of this Agreement.

"**Minimum Development Obligation**" means Developer's right and obligation to construct, equip, open and thereafter continue to operate at sites within the Development Area the cumulative number of Coffee Bean Stores set forth in the Minimum Development Schedule under the heading "Minimum Development Obligation" within each Development Period and, if applicable, within the geographic areas specified therein.

"**Net Worth**" means Developer's current assets minus total liabilities, all calculated in accordance with GAAP applied on a consistent basis.

"**Owner**" means any direct or indirect shareholder, member, general or limited partner, trustee or beneficiary, or other equity owner of an Entity; provided, that if Company or any Owner or Affiliate of Company has any ownership interest in such Entity, the term Owner shall not include or refer to Company or Company's Owners or Affiliates, and no obligation or restriction upon Developer or its Owners, officers, directors, or managers shall bind Company, or Affiliates, or their respective officers, directors or managers.

"**Parent**" of a specified Entity means an Affiliate Controlling such person directly, or indirectly through one or more intermediaries.

"**Partnership**" means any general partnership or limited partnership.

"**Partnership Right**" shall have the meaning set forth in Section 8.3(c) of this Agreement.

"**Proudly Pour Sales Agreement**" means a written contract between Company, or one of its Affiliates, and an unaffiliated third party, pursuant to which Company or one of its Affiliates agrees to sell to such third party "The Coffee Bean & Tea Leaf" brand coffees and/or teas to be served to and consumed on-site by a customer of a retail café, bakery or other restaurant operated by such third party as one or more items on the menu offered by such retail café, bakery or other restaurant.

"**Public Offering**" means Company (or a Parent or Subsidiary of the Company other than the Developer) (the "**Company Public Entity**") becomes subject to the reporting requirements of the Securities Exchange Act of 1934, as amended or registers a class of its Equity Securities (the "**Public Equity Securities**") under Section 12 or 15 of the Securities Exchange Act of 1934, as amended, or shall have entered into an agreement or letter of intent for an underwritten initial public offering of shares of its Equity Securities pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended.

"**Purchase Option**" shall have the meaning set forth in Section 8.8(a) of this Agreement.

"**Renewal Development Agreement**" means the Then-Current form of Area Development Agreement which will reflect Developer's development obligation during the applicable Renewal Term.

"**Renewal Term**" shall have the meaning set forth in Section 3.2(a) of this Agreement.

"**Representative**" shall have the meaning set forth in Section 8.5 of this Agreement.

"**Restricted Person**" means, except for such exceptions as Company may from time to time grant in writing on a case by case basis: Developer, each of Developer's Owners, if Developer is an Entity, and the respective officers, directors, managers, and Affiliates of Developer and all such Owners; the Director of Operations; each of Developer's General Managers; and the parents, spouses, natural and adopted children, and siblings of any of the foregoing.

"**Right of First Refusal**" shall have the meaning set forth in Section 8.7(a) of this Agreement.

"**Royalty Fee**" shall have the meaning set forth in Section 4.2(a) of this Agreement.

"**Royalty Rate**" shall have the meaning set forth in Section 1.1(j) of this Agreement.

"**Special Distribution Sites**" shall mean institutional settings, including hotels, airports, colleges, universities, schools, grocery stores, supermarkets, hospitals, military and other governmental facilities, office or in-plant food service facilities, department stores, duty free shops, shopping mall food courts operated by a master concessionaire, and any venue in which food service is or may be provided by a master concessionaire or contract food service provider, but not including a CBTL-Brand Single-Serve Store.

"**Subsidiary**" of a specified Entity means an Affiliate Controlled by such person directly, or indirectly through one or more intermediaries.

"**System**" shall have the meaning given that term in Recital B above, with such modifications as Company may require in the future.

"**System Standards**" means the specifications, standards, operating procedures and rules Company requires for the operation of Coffee Bean Stores, as modified by Company from time to time.

"**Then-Current**" as used in this Agreement and applied to the Disclosure Document, if any, Franchise Agreements and Renewal Development Agreements shall mean the form then-currently provided to prospective developers or area developers of Company, as applicable, or if not then being so provided, then such form selected by Company in its sole discretion which previously has been delivered to and executed by a developer of Company.

"**Trade Secrets**" means any information relating to the Coffee Bean Products or the development or operation of Coffee Bean Stores or the System, including: (i) site selection criteria; (ii) recipes, ingredients and methods for the preparation of Coffee Bean Products; (iii) methods, techniques, formats, specifications, systems, procedures, sales and marketing techniques and knowledge of and experience in the development and operation of the Coffee Bean Stores; (iv) marketing programs for the Coffee Bean Stores; (v) knowledge of specifications for and suppliers of certain Coffee Bean Products, materials, supplies, equipment, furnishings and fixtures; (vi) knowledge of operating results and financial performance of the Coffee Bean Stores; (vii) strategic plans and concepts for the development, operation, or expansion of the Coffee Bean Stores or the System; and (viii) any negotiated terms of this Agreement, except as otherwise provided by law. The term "**Trade Secrets**" includes improvements in all of the foregoing as made, developed or invented from time to time. "**Trade Secrets**" shall not include information which: (a) has entered the public domain or was known to Developer prior to the disclosure of such information to Developer, other than by the breach of an obligation of confidentiality owed (by anyone) to Company or any of its Affiliates; (b) becomes known to Developer from a source other than Company or a Company Affiliate and other than by the breach of an obligation of confidentiality owed (by anyone) to Company or any of its Affiliates; or (c) was independently developed by Developer without the use or benefit of other Trade Secrets. The burden of proving that particular information is not a Trade Secret will reside with Developer.

"**Trademark Claim**" shall have the meaning set forth in Section 9.1(b) of this Agreement.

"**Venue**" means any location other than a Special Distribution Site.

"**Week**" or "**Weekly**" means the 7-day period beginning on Monday at 12:00 AM and ending on Sunday at 11:59 PM.

EXHIBIT "A"

Development Area

*If the Development Area is defined by streets, highways, freeways or other roadways, or rivers, streams, or tributaries, then the boundary of the Development Area shall extend to the center line of each such street, highway, freeway or other roadway, or river, stream, or tributary.

EXHIBIT "B"

Minimum Development Schedule

Development Period Ending	Cumulative Number of Coffee Bean Stores (excluding Kiosks) to be in Operation
1st Anniversary Date*	__
2nd Anniversary Date*	__
3rd Anniversary Date*	__
4th Anniversary Date*	__
5th Anniversary Date*	__
6th Anniversary Date*	__
7th Anniversary Date*	__
8th Anniversary Date*	__
9th Anniversary Date*	__
10th Anniversary Date*	__

* "Anniversary Date" refers to the applicable anniversary date of the Effective Date of the Area Development Agreement.

EXHIBIT "C"

Developer Information

Developer is a (check as applicable):
[ ] corporation [ ] limited partnership
[ ] limited liability company [ ] general partnership
[ ] Other (specify): _____

OWNERS:

As of the Effective Date, if Developer is an Entity, Developer represents and warrants to Company that Developer's Owners, and the exact nature of their ownership interest in Developer, is as follows:

PLEASE NOTE THE FOLLOWING DEFINITION OF OWNER IN COMPLETING THIS EXHIBIT:

"Owner" means any direct or indirect shareholder, members, general or limited partner, trustee or beneficiary, or other equity owner of an Entity; provided, that if Company or any Owner or Affiliate of Company has any ownership interest in such Entity, the term Owner shall not include or refer to Company or Company's Owners or Affiliates, and no obligation or restriction upon Developer or its officers, directors, or managers shall bind Company, its Affiliates, or their respective Owners, officers, directors or managers.

Name	**Title**	**Address**	**Ownership Shares/% of Developer**	**Voting/ Management Rights**
_____ Printed _____ Signature				
_____ Printed _____ Signature				

MANAGEMENT PERSONNEL:

As of the Effective Date, Developer represents and warrants to Company that Developer's management personnel who will be devoting their full time to the Coffee Bean Stores consist of the following:

Title	Name	Address
Director of Operations		

RESTRICTED PERSONS:

As of the Effective Date, Developer represents and warrants to Company that, in addition to all Owners, if Developer is an Entity, the following is a complete list of all Restricted Persons:

PLEASE NOTE THE FOLLOWING DEFINITION OF RESTRICTED PERSON IN COMPLETING THIS EXHIBIT:

"**Restricted Person**" means, except for such exceptions as Company may from time-to-time grant in writing on a case by case basis: Developer, each of Developer's Owners, if Developer is an Entity, and the respective officers, directors, managers, and Affiliates of Developer and all such Owners; the Director of Operations; each of Developer's General Managers; and the spouses of any of the foregoing. Developer has provided Company a complete and correct list of all Restricted Persons as of the Effective Date, and that list is included as part of this **Exhibit "C"**.

Name	Relationship to Restricted Person

The address where Developer's Financial Records, and Entity records (e.g. Articles of Incorporation, Bylaws, Operating Agreement, Partnership Agreement, etc.) are maintained is:

_____

_____

_____

Developer:

_____, a

_____

By: _____

Title: _____

EXHIBIT "D"

GUARANTY
AND
SUBORDINATION AGREEMENT

The undersigned, in order to induce SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED ("**Company**") to enter into an AREA DEVELOPMENT AGREEMENT ("**ADA**") dated the _____ day of _____ 20__, with _____ _____ ("**Developer**"), unconditionally, jointly and severally, guarantees to Company, its successors or assigns, the prompt full payment and performance of all obligations of the Developer which are or may become due and owing to Company, including, all obligations arising out of said ADA or any other agreement (whether or not in effect on the date hereof) between Developer and Company, and all extensions or renewals thereof, and the payment of all attorney's fees, costs and other expenses incurred by Company to enforce this Guaranty (collectively, the "**Agreements**") in the same manner as if Agreements were executed between Company and the undersigned directly, as Developer.

The undersigned expressly waive(s): (a) notice of the acceptance by Company of this Guaranty, (b) demands of payment, presentation and protest, (c) all rights to assert or plead any statute of limitations as to or relating to this Guaranty, (d) any right to require Company to proceed against any other Guarantor or any other person or entity liable to Company, (e) any right to require Company to proceed under any other remedy Company may have before proceeding against Guarantor, or any other Guarantor, and (f) any right of subrogation. This Guaranty shall not be affected by the modification, amendment, extension, release or renewal of any agreement between Company and Developer, the taking of a note or other obligation from Developer or others, the taking of security for payment, the granting of extension of time for payment, the filing by or against Developer of bankruptcy, insolvency, reorganization of other debtor's relief afforded by the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals. The obligations of the undersigned shall be unconditional notwithstanding any defect in the genuineness, validity, regularity, or enforceability of the Developer's obligations or liability to Company, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

This is an irrevocable, unconditional and absolute guaranty of payment and performance and the undersigned agree(s) that his, hers or their liability of this Guaranty shall be immediate and shall not be contingent upon the exercise or enforcement by Company of whatever remedies it may have against the Developer or others, or the enforcement of any lien or realization upon any security Company may at any time possess.

The undersigned covenant(s) and agree(s) that any indebtedness by the Developer to the undersigned, for any reason, currently existing, or which might hereafter arise, shall at all times be inferior and subordinate to any indebtedness owed by the Developer to Company.

The undersigned further covenant(s) and agree(s) that as long as the Developer owes any monies to Company (other than royalty and advertising and payments that are not past due) the Developer will not pay and the undersigned will not accept payment of any part of any indebtedness owed by the Developer to any one of the undersigned, either directly or indirectly, without the consent of Company.

If this Guaranty is executed by more than one individual or entity, each person or entity executing this Guaranty shall be jointly and severally liable for the obligations created herein.

This Guaranty shall remain in full force and effect until all obligations arising out of and pursuant to the Agreements including all renewals, modifications, amendments and extensions thereof, are fully paid and satisfied, provided that this Guaranty shall automatically terminate on the second anniversary of the effective date of any Assignment (as defined in the ADA) and provided further that neither the Agreements nor any other agreement between Company and the assignee of such Assignment shall be in default on such effective date nor has been in default (whether or not cured) during such two year period.

This Guaranty shall be governed by and interpreted in accordance with the laws of the state of California. Any dispute arising out of or under this Guaranty shall be resolved in accordance with the dispute resolution process set forth in the ADA.

IN WITNESS THEREOF, the undersigned have constituted this Guaranty on the date set forth below.

Dated: _____ **GUARANTOR:**

By:_____
Its:_____

Dated: _____ _____, an individual

Dated: _____ _____, an individual

Dated: _____ _____, an individual

EXHIBIT "E"
FORM OF LETTER OF CREDIT

SAMPLE IRREVOCABLE STANDBY LETTER OF CREDIT

ISSUING BANK LETTER OF CREDIT NO. _____

ISSUANCE DATE:_____

ADVISING (AND CONFIRMING BANK):
(The credit shall be issued by authenticated S.W.I.F.T) **directly** through:
ADVISING BANK (and Confirming Bank):

City National Bank
International Department
555 So. Flower Street, 24th Floor
Los Angeles, California 90071 U.S.A.
S.W.I.F.T. Address: ***CINAUS6L***

BENEFICIARY:
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

_____
(Attention)

_____
(Street Address)

_____
(City, State, Zip Code)

STANDBY LETTER OF CREDIT EXPIRY DATE:

(*Expiry date must be at least 120 days beyond the termination of the Agreement between "Company" and "Developer")*

FOR PRESENTATION OF DRAFTS AT THE COUNTERS OF (*Name Of Issuing or Confirming Bank*):

_____ ("Bank") hereby ESTABLISHES its IRREVOCABLE STANDBY LETTER OF CREDIT ("Letter of Credit") in favor of the above-named Beneficiary. Subject to the terms and conditions herein, the Letter of Credit shall be honored by the presentment by Beneficiary of a payment request to the Bank in the form of a draft drawn under the Letter of Credit and payable at sight within three (3) banking days for any sum or sums not exceeding in total U.S. $ _____, on the account of:

_____
(Full Corporate Name of Developer)

_____
(Street Address of Principal Offices)

_____
(City, State, Zip Code)

Drafts presented for payment must include the Letter of Credit number set forth above, this Letter of Credit, and a certification by Beneficiary as follows:

BENEFICIARY'S SIGNED AND DATED STATEMENT WORDED:
"I, [insert name of signer], AN AUTHORIZED SIGNER FOR **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, AS "COMPANY", UNDER THE **(insert title of agreement)** AGREEMENT DATED [date of agreement] BETWEEN **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED,** AS COMPANY, AND [insert name of developer], AS DEVELOPER, (AS SAME MAY BE AMENDED FROM TIME TO TIME) ("AGREEMENT") CERTIFY THAT

A) DEMAND HAS BEEN MADE BY COMPANY TO DEVELOPER FOR PERFORMANCE OF THE OBLIGATIONS OF DEVELOPER OWED TO COMPANY AND THAT SAID DEMAND HAS NOT BEEN SATISFIED BY DEVELOPER, OR;

B) DEVELOPER HAS FAILED TO RENEW THE REFERENCED LETTER OF CREDIT OR PROVIDED AN ACCEPTABLE REPLACEMENT, AT LEAST 45 DAYS PRIOR TO ITS EXPIRATION, OR;

C) DEVELOPER HAS FILED A VOLUNTARY PETITION UNDER THE UNITED STATES BANKRUPTCY CODE (THE "BANKRUPTCY CODE"), OR DEVELOPER'S CREDITORS HAVE FILED AN INVOLUNTARY PETITION UNDER THE BANKRUPTCY CODE.

THEREFORE, IN ACCORDANCE WITH THE TERMS OF THE AGREEMENT, **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED** HAS THE RIGHT TO

DRAW THE AMOUNT OF [insert amount of drawing] UNDER (Issuing Bank) LETTER OF CREDIT NUMBER (l/c number)."

(Developer must provide for extension of the L/C at least 45 days prior to the current Expiry Date, or alternatively provide an auto-extension of the Expiry Date. Example:

*THIS LETTER OF CREDIT SHALL BE **AUTOMATICALLY EXTENDED** WITHOUT AMENDMENT FOR AN ADDITIONAL PERIOD OF **ONE YEAR** FROM THE PRESENT OR **EACH FUTURE EXPIRATION DATE**, UNLESS AT LEAST **FORTY-FIVE (45) DAYS PRIOR TO ANY EXPIRATION DATE,** WE SHALL NOTIFY YOU IN WRITING, BY CERTIFIED MAIL RETURN RECEIPT REQUESTED OR BY OVERNIGHT DELIVERY SERVICE REQUESTING RECEIPTED DELIVERY, TO THE BENEFICIARY ADDRESS AS STATED IN THIS LETTER OF CREDIT THAT WE ELECT NOT TO EXTEND THE LETTER OF CREDIT FOR ANY SUCH ADDITIONAL PERIOD. IN THE EVENT THAT YOU RECEIVE SUCH NON-EXTENSION NOTICE FROM US, **YOU MAY DRAW** ON THIS LETTER OF CREDIT IN ACCORDANCE WITH ITS TERMS AND CONDITIONS PRIOR TO THE THEN CURRENT EXPIRY DATE.)*

This Letter of Credit and all matters incidental hereto shall be governed by and construed in accordance with the laws of the State of California without giving effect to the choice of law principles included therein, the Uniform Commercial Code and the usages and customs set forth, EXCEPT SO FAR AS OTHERWISE EXPRESSLY STATED, THIS CREDIT, SUBJECT TO THE INTERNATIONAL STANDBY PRACTICES 1998 (ISP98), INTERNATIONAL CHAMBER OF COMMERCE PUBLICATION NO. 590.

This Letter of Credit is irrevocable and shall inure to the benefit of the Beneficiary and shall be binding upon the undersigned and its successors and assigns. This Letter of Credit may be transferred or assigned by the Beneficiary, with express prior written notification to the Bank. Transfer of this Letter of Credit is subject to Transferring Bank's receipt of your instructions in the form provided them, accompanied by the original of this Letter of Credit and amendment(s), if any.

All Bank fees and charges, including Confirmation fees and any Transfer fees are for account of the **Applicant.**

The Bank engages with the Beneficiary that drafts properly presented and in compliance with this Letter of Credit will be duly honored.

[*For L/Cs issued by a foreign/non-USA bank, L/C must be confirmed by an acceptable USA bank.]*

(Issuing Bank Name)

_____

(Authorized Officer Name)

_____

(Title)

Exhibit “C”
Guaranty

GUARANTY

The undersigned, in order to induce SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED ("**Company**") to enter into a Franchise Agreement ("**FA**") dated the _____ day of _____ 20____, with _____ ("**Developer**"), unconditionally, jointly and severally, guarantees to Company, its successors or assigns, the prompt full payment and performance of all obligations of the Developer which are or may become due and owing to Company, including, all obligations arising out of said FA or any other agreement (whether or not in effect on the date hereof) between Developer and Company, and all extensions or renewals thereof, and the payment of all attorneys' fees, costs and other expenses incurred by Company to enforce this Guaranty (collectively, the "**Agreements**") in the same manner as if Agreements were executed between Company and the undersigned directly, as Developer.

The undersigned expressly waive(s): (a) notice of the acceptance by Company of this Guaranty, (b) demands of payment, presentation and protest, (c) all rights to assert or plead any statute of limitations as to or relating to this Guaranty, (d) any right to require Company to proceed against any other Guarantor or any other person or entity liable to Company, (e) any right to require Company to proceed under any other remedy Company may have before proceeding against Guarantor, or any other Guarantor, and (f) any right of subrogation. This Guaranty shall not be affected by the modification, amendment, extension, release or renewal of any agreement between Company and Developer, the taking of a note or other obligation from Developer or others, the taking of security for payment, the granting of extension of time for payment, the filing by or against Developer of bankruptcy, insolvency, reorganization of other debtor's relief afforded by the Federal Bankruptcy Act or any other state or federal statute or by the decision of any court, or any other matter, whether similar or dissimilar to any of the foregoing; and this Guaranty shall cover the terms and obligations of any such modifications, notes, security agreements, extensions, or renewals. The obligations of the undersigned shall be unconditional notwithstanding any defect in the genuineness, validity, regularity, or enforceability of the Developer's obligations or liability to Company, or any other circumstances whether or not referred to herein which might otherwise constitute a legal or equitable discharge of a surety or guarantor.

This is an irrevocable, unconditional and absolute guaranty of payment and performance and the undersigned agree(s) that his, hers or their liability of this Guaranty shall be immediate and shall not be contingent upon the exercise or enforcement by Company of whatever remedies it may have against the Developer or others, or the enforcement of any lien or realization upon any security Company may at any time possess.

The undersigned covenant(s) and agree(s) that any indebtedness by the Developer to the undersigned, for any reason, currently existing, or which might hereafter arise, shall at all times be inferior and subordinate to any indebtedness owed by the Developer to Company.

The undersigned further covenant(s) and agree(s) that as long as the Developer owes any monies to Company (other than royalty and advertising and payments that are not past due) the Developer will not pay and the undersigned will not accept payment of any part of any indebtedness owed by the Developer to any one of the undersigned, either directly or indirectly, without the consent of Company.

If this Guaranty is executed by more than one individual or entity, each person or entity executing this Guaranty shall be jointly and severally liable for the obligations created herein.

This Guaranty shall remain in full force and effect until all obligations arising out of and pursuant to the Agreements including all renewals, modifications, amendments and extensions thereof, are fully paid and satisfied, provided that this Guaranty shall automatically terminate on the second anniversary of the effective date of any Assignment (as defined in the FA) and provided further that neither the Agreement nor any other agreement between Company and the assignee of such Assignment shall be in default on such effective date nor has been in default (whether or not cured) during such two year period.

This Guaranty shall be governed by and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law. Any dispute arising out of or under this Guaranty not settled by arbitration shall be resolved in accordance with the dispute resolution process set forth in the FA.

IN WITNESS THEREOF, the undersigned have constituted this Agreement on the date set forth below.

Dated: _____

GUARANTOR:

_____

By: _____
Its: _____

Dated: _____

_____

_____, an individual

Dated: _____

_____

_____, an individual

Exhibit “D”
Financial Statements

THE UNAUDITED FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAD AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.

Super Magnificent Coffee Company Ireland Limited
Statement of comprehensive income

	P3 2024 YTD
Franchising Revenue	**4,184,020.14**
Licensing Revenue	**4,120,171.96**
Revenues	**8,304,192.10**
Gross profit	**8,304,192.10**
Administrative expenses	**(2,700,156.01)**
Operating profit	**5,604,036.09**
Interest Income	**642,835.39**
Other Income	**12,726.53**
Profit before taxation	**6,259,598.01**
Tax on profit	**(130,280.81)**
Profit for the financial period	**6,129,317.20**
Profit for the financial period	**6,129,317.20**
Total comprehensive income for the financial period	**6,129,317.20**

check

Super Magnificent Coffee Company Ireland Limited
Statement of financial position

	P3 2024
Non-Current Assets	
Property, Plant, and Equipment - net	**2,345.54**
Intangible assets	**307,135,342.53**
Debtors - net of current	**3,854,722.53**
Total Non-Current Assets	**310,992,410.60**
Current Assets	
Debtors	**7,375,646.31**
Intercompany Receivable	**73,020,981.08**
Cash in bank and on hand	**936,029.93**
Total Current Assets	**81,332,657.32**
Total Assets	**392,325,067.92**
Current Liabilities	
Intercompany Payable	**(1,007,245.01)**
Creditors	**(3,127,906.79)**
Total Current Liabilities	**(4,135,151.80)**
Net Current Assets	**77,197,505.52**
Net Assets	**388,189,916.12**
Capital and reserves	
Called up share capital presented as equity	**4.00**
Other reserve	**307,135,342.53**
Profit and loss account	**81,054,569.59**
Shareholders funds	**388,189,916.12**
	-

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended December 31, 2023 and 2022

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

Contents

650 California Street, Floor 7 • San Francisco, CA 94108 • 650.212.3888 • www.wuhoover.com

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors of
Super Magnificent Coffee Company Ireland Limited:

Opinion

We have audited the accompanying financial statements of Super Magnificent Coffee Company Ireland Limited which comprise of the balance sheets as of December 31, 2023 and 2022, and the related statements of income, changes in shareholder's 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 Super Magnificent Coffee Company Ireland Limited as of December 31, 2023 and 2022, 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 Super Magnificent Coffee Company Ireland Limited 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 Super Magnificent Coffee Company Ireland Limited's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 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 Super Magnificent Coffee Company Ireland Limited'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 Super Magnificent Coffee Company Ireland Limited'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.

Whitehoover + Co. LLP

San Francisco, California
May 31, 2024

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

BALANCE SHEETS

ASSETS

	December 31 2023	2022
CURRENT ASSETS		
Cash	$ 1,179,537	$ 4,642,220
Accounts receivable - net	6,046,246	4,328,955
Receivables from related parties	30,782,549	21,004,313
Loans receivable - current	7,033,333	3,208,333
Prepaid expenses and other	62,598	1,941
Total current assets	45,104,263	33,185,762
NONCURRENT ASSETS		
Loans receivable - net of current portion	30,058,334	23,391,667
Property and equipment - net	2,961	3,192
Deposits	1,843	1,426
Deferred income tax	3,854,722	2,978,495
Trademarks	307,135,343	307,135,343
Total noncurrent assets	341,053,203	333,510,123
Total assets	$ 386,157,466	$ 366,695,885

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31 2023	2022
CURRENT LIABILITIES		
Accounts payable	$ 38,647	$ 25,892
Accrued expenses	508,709	1,245,754
Income tax payable	268,264	155,415
Payables to related parties	1,023,735	633,587
Deferred revenue - current	432,911	243,753
Total current liabilities	2,272,266	2,304,401
NONCURRENT LIABILITY		
Deferred revenue, net of current portion	1,824,601	2,093,566
Total liabilities	4,096,867	4,397,967
COMMITMENTS AND CONTINGENCIES	-	-
SHAREHOLDER'S EQUITY		
Share capital - $1 par value, 4 shares issued and outstanding	4	4
Additional paid-in capital	307,135,343	307,135,343
Retained earnings	74,925,252	55,162,571
Total shareholder's equity	382,060,599	362,297,918
Total liabilities and shareholder's equity	$ 386,157,466	$ 366,695,885

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

STATEMENTS OF INCOME

	Years Ended December 31	
	2023	2022
REVENUES		
Royalties	$ 13,601,103	$ 12,650,965
Licensing income	13,388,658	13,071,047
Marketing	3,105,465	2,105,340
Franchise fees	422,494	1,195,177
	30,517,720	29,022,529
COST AND EXPENSES		
General and administrative expenses	12,791,217	13,312,684
INCOME FROM OPERATIONS	17,726,503	15,709,845
OTHER INCOME (EXPENSE)		
Interest income	2,137,838	943,942
Foreign exchange loss	(894)	(6,092)
Other income	-	42,996
Other expense	-	(6,351)
	2,136,944	974,495
INCOME BEFORE PROVISION FOR INCOME TAXES	19,863,447	16,684,340
BENEFIT FROM (EXPENSE FOR) INCOME TAXES	(100,766)	44,286
NET INCOME	$ 19,762,681	$ 16,728,626

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

	Share Capital		Additional paid in capital	Retained earnings	Total
	Shares	Amount			
BALANCE - JANUARY 1, 2022	4	$ 4	$ 307,135,343	$ 38,433,945	$ 345,569,292
Net income	-	-	-	16,728,626	16,728,626
BALANCE - DECEMBER 31, 2022	4	$ 4	$ 307,135,343	$ 55,162,571	$ 362,297,918
Net income	-	-	-	19,762,681	19,762,681
BALANCE - DECEMBER 31, 2023	4	$ 4	$ 307,135,343	$ 74,925,252	$ 382,060,599

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 19,762,681	$ 16,728,626
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for expected credit losses	2,057,544	3,328,909
Amortization of deferred income	(427,306)	(1,195,177)
Deferred tax expense	(876,227)	(761,810)
Depreciation	2,646	2,306
Change in assets and liabilities		
Accounts receivable	(3,774,835)	(3,626,977)
Prepaid expenses and other	(60,657)	(1,941)
Receivables from related parties	(9,778,236)	(6,758,586)
Deposits	(417)	-
Accounts payable	12,755	18,217
Accrued expenses	(737,045)	493,655
Income tax payable	112,849	99,520
Payable to related parties	390,148	435,519
Deferred revenue	347,499	96,148
Net cash provided by operating activities	7,031,399	8,858,409
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to related parties	(14,200,000)	(5,500,000)
Collection of loan receivables from related parties	3,708,333	-
Purchases of property and equipment	(2,415)	-
Net cash used in investing activities	(10,494,082)	(5,500,000)
NET INCREASE (DECREASE) IN CASH	(3,462,683)	3,358,409
CASH - BEGINNING OF YEAR	4,642,220	1,283,811
CASH - END OF YEAR	$ 1,179,537	$ 4,642,220
SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION:		
Cash paid during the year for:		
Income taxes	$ 864,144	$ (618,004)

See notes to financial statements.

Super Magnificent Coffee Company Ireland Limited

Notes to the Financial Statements

Years Ended December 31, 2023 and 2022

1. Overview

Description of Business

Super Magnificent Coffee Company Ireland Limited (the Company) is a limited company incorporated and domiciled in Ireland. The registered office is located at Unit 14, Gray Office Park, Galway Retail Park, Headford Road, Galway, Ireland. The Company is a wholly owned subsidiary of Super Magnificent Coffee Company Pte. Ltd., a company domiciled in Singapore.

The Company has issued 4 shares as of December 31, 2023 and 2022. No other shares are authorized to be issued. Additional paid-in capital represents capital contribution in the form of trademark.

The Company's activities include intellectual property holding, trademark and development of "The Coffee Bean & Tea Leaf" brand for Super Magnificent Coffee Company Pte. Ltd.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying financial statements. Those estimates and assumptions could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable primarily consists of receivables for royalties and fees from franchisees. The allowance for expected credit losses is based on both current conditions and reasonable and supportable forecasts of future conditions. Current conditions include aging criteria as well as specified events that indicate the Company may not collect the balance due.

Reasonable and supportable forecasts used in determining the probability of future collection consider available data regarding default probability as well as prevailing and anticipated economic conditions.

Concentration of Credit Risk

The Company maintains cash at financial institutions. The Company's bank balances occasionally exceed the Deposit Guarantee Scheme insured limit of $107,020 (€100,000). The Company has not experienced, and does not anticipate, any losses relating to cash held in these accounts.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash, accounts receivable, and loans receivable. The Company continually evaluates the credit worthiness of its franchisees' financial condition.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. The Company's property and equipment consists of computer equipment. Depreciation is recorded using the straight-line method over the estimated useful lives of the property and equipment. The estimated useful life of computer equipment is 3 years.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Depreciation on property and equipment was $2,646 and $2,306 for the years ended December 31, 2023 and 2022, respectively. Accumulated depreciation as of December 31, 2023 and 2022 was $6,353 and $3,707, respectively.

Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The Company's trademark is not amortized but is tested for impairment annually or when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. In addition, the useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the infinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is made on a prospective basis.

As a result of the impairment assessment, management concluded that the trademark was not impaired as of December 31, 2023 and 2022. Significant judgment and estimates are required in assessing impairment of trademark, including identifying whether events or changes in circumstances require an impairment assessment, estimating future cash flows, and determining appropriate discount rates.

Management's estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Revenue Recognition

Franchise Fees

The Company receives initial franchise fees and nonrefundable fees pursuant to Area Development Agreements, which grant the right to develop franchised operations in future periods in specific geographic areas. Revenue from franchise fees received at the time of store openings and pro rata revenue related to the stores covered under the Area Development Agreements are deferred and recognized as revenue on a straight-line basis over the term of the franchise agreement, which is typically ten years. This is consistent with the franchisee's right to use and benefit from the intellectual property.

Royalties and Licensing Income

Royalties and licensing income are based upon a percentage of the net sales of franchised operations and are recognized as such sales are reported by the franchisees.

Marketing

Marketing revenues are contributions from franchisees based on a percentage of sales of the franchisees and is recognized as earned. The fund is used by the Company for marketing and advertising costs that are expensed as incurred.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate-related expenses, excluding occupancy, labor and labor-related expenditures, and advertising costs.

Occupancy Costs

Occupancy costs include rent and related expenses, such as common area maintenance costs.

Advertising Costs

Advertising Costs are expensed as incurred and included in the general and administrative expenses in the statements of income. Advertising expenses were $2,470,077 and $2,064,898 for the years ended December 31, 2023 and 2022, respectively.

Employee Benefits Plan

Contributions to defined contribution plan are recognized as an expense in the period in which the related services are provided. The contributions to the plan recognized in the statements of income were $13,549 and $13,945 for the years ended December 31, 2023 and 2022, respectively.

Income Taxes

The taxation expense represents the aggregate amount of current and deferred tax recognized in the reporting period. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in capital and reserves. In this case, tax is recognized in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognized on taxable income for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. A valuation allowance is established if it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company also recognizes the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Penalties and interest resulting from the Company's tax positions are recorded in other expenses in the statements of operations and are excluded from the provision for income taxes. Accrued interest and penalties are included within the related tax liability on the balance sheets.

Leases

Effective January 1, 2022, and for the year ended December 31, 2022, the Company adopted ASC 842, "Leases". The adoption of ASC 842 did not have a material impact on the Company's financial statements. The Company elected to not apply the recognition requirement of ASC 842 to short-term leases.

The Company leases its office under a short-term operating lease for twelve months without an extension. The lease expires in July 2024. The rent expense amounted to $17,652 and $15,183 in 2023 and 2022, respectively. Future minimum lease payments in 2024 amount to $10,254.

New and Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments - Credit Losses ("Topic 326")*. ASU 2016-13 replaces the current incurred loss impairment method with a new method that reflects expected credit losses. Under this new model, an entity would recognize an impairment allowance equal to its current estimate of credit losses on the financial assets measured at amortized cost. This guidance was effective for private companies for the fiscal year beginning after December 15, 2022. The Company adopted this guidance as of January 1, 2023 and had an immaterial impact on the financial statements.

In December 2023, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2023-09, "*Income Taxes (Topic740): Improvements to Income Tax Disclosures*" ("ASU 2023-09"). The pronouncement expands the disclosure requirements for income taxes, specifically related to the rate reconciliation and income taxes paid. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The Company is currently in the process of determining the impact that ASU 2023-09 will have on the Company's financial statement disclosures.

3. Accounts Receivable

Accounts receivable consists of:

	2023	2022
Receivables from franchisees	$ 12,319,987	$ 8,545,152
Allowance for expected credit losses	(6,273,741)	(4,216,197)
	$ 6,046,246	$ 4,328,955

The movement in the allowance for expected credit losses for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Beginning of the year	$ 4,216,197	$ 1,039,352
Provision for expected credit losses	2,057,544	3,328,909
Write-offs	-	(152,064)
End of the year	$ 6,273,741	$ 4,216,197

4. Fair Value Measurements

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used to measure the fair value of assets and liabilities. These tiers include:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs that are generally unobservable; these inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The recorded value of receivables, payables and certain assets and liabilities approximates fair value because of the short-term maturity of these instruments. The recorded value of loans receivable closely approximates fair value, as interest approximates market rates.

5. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company, including holding companies, subsidiaries and affiliates are related parties of the Company. Individuals owning, directly or indirectly, an interest in the voting power of the Company that give them significant influence over the enterprise, key management personnel, including directors and officers of the Company, and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In the normal course of business, the Company engages in transactions with its affiliates. The following table provides the summary of transactions with related parties.

	December 31, 2023		
Name of Affiliated Companies	Receivables from (payable to) related parties	Income earned	Expenses incurred
International Coffee & Tea, LLC	$ 28,313,099	$ 9,236,479	$ 4,126,634
The Coffee Bean & Tea Leaf (Malaysia) Sdn. Bhd.	1,076,880	2,562,093	559,790
The Coffee Bean & Tea Leaf (Singapore) Pte. Ltd.	745,680	2,882,033	-
Magnificent Coffee Trading Pte. Ltd.	106,342	1,138,284	-
Coffee Bean Westwood L.P.	16,889	-	-
	30,258,890		
Super Magnificent Coffee Company Pte. Ltd.	(573,269)	-	1,442,915
CBTL Franchising, LLC	(449,907)	-	-
Jollibee Worldwide Pte. Ltd. - ROHQ	(559)	-	3,410
	(1,023,735)		
	$ 29,235,155	$ 15,818,888	$ 6,132,748

	December 31, 2022		
Name of Affiliated Companies	Receivables from (payable to) related parties	Income earned	Expenses incurred
International Coffee & Tea, LLC	$ 19,613,474	$ 6,667,011	$ 3,665,458
The Coffee Bean & Tea Leaf Malaysia Sdn. Bhd.	640,974	2,178,038	482,608
The Coffee Bean & Tea Leaf (Singapore) Pte. Ltd.	231,778	2,585,488	-
Magnificent Coffee Trading Pte. Ltd.	160,456	1,287,760	-
Coffee Bean Westwood L.P.	16,889	-	-
	20,663,571		
Super Magnificent Coffee Company Pte. Ltd.	(345,888)	-	967,467
CBTL Franchising, LLC	(275,589)	-	-
Jollibee Worldwide Pte. Ltd.	(8,679)	-	6,236
Jollibee Worldwide Pte. Ltd. - ROHQ	(3,431)	-	-
	(633,587)		
	$ 20,029,984	$ 12,718,297	$ 5,121,769

The Company also extended interest bearing loans to International Coffee & Tea LLC and The Coffee Bean & Tea Leaf Malaysia Sdn. Bhd. The Company's loans receivable details are as follows:

	December 31, 2023		
Name of Affiliated Companies	Loans receivable	Interest receivables	Interest income
International Coffee & Tea, LLC	$ 27,725,000	$ 438,262	$ 1,639,842
The Coffee Bean & Tea Leaf Malaysia Sdn. Bhd.	9,366,667	85,397	477,211
	37,091,667		
Less current portion	7,033,333		
	$ 30,058,334	$ 523,659	$ 2,117,053

	December 31, 2022		
Name of Affiliated Companies	Loans receivable	Interest receivables	Interest income
International Coffee & Tea, LLC	$ 18,600,000	$ 270,233	$ 622,537
The Coffee Bean & Tea Leaf Malaysia Sdn. Bhd.	8,000,000	70,509	321,012
	26,600,000		
Less current portion	3,208,333		
	$ 23,391,667	$ 340,742	$ 943,549

On July 23, 2021, the Company extended a loan to International Coffee & Tea, LLC (ICTL) amounting to $4.6 million with interest of 2.6% per annum. The interest is payable semi-annually and interest rate reprices after interest payment date. The principal is payable in six (6) semi-annual installments commencing January 23, 2024, until July 23, 2026.

On September 3, 2021, the Company extended a loan to ICTL amounting to $7.0 million with variable interest repriced annually. The interest is payable semi-annually. The principal is payable on September 3, 2026. Interest rates in 2023 and 2022 were 6.14% and 2.72%, respectively.

On December 9, 2021, the Company extended a loan to ICTL amounting to $4.0 million with interest of 2.7% per annum. The interest is payable semi-annually. The principal is payable in eight (8) semi-annual installments commencing on June 9, 2023, until December 9, 2026.

On January 26, 2022, the Company extended a loan to ICTL amounting to $3.0 million with variable interest repriced after every interest payment. The interest is payable semi-annually. The principal is payable in eight (8) semi-annual installments commencing on July 28, 2023, until January 28, 2027. Average interest rate in 2023 and 2022 is 6% and 4%, respectively.

On June 13, 2023, the Company extended a loan to ICTL amounting to $11.6 million for a term of six years from the initial Disbursement date subject to extension as agreed upon by both parties. ICTL may borrow under the loan in multiple advances on dates to be determined by both parties ("Disbursement date"). The loan bears interest at a rate which shall be 3-month USD CME Term SOFR plus 2.50%. Interest accrued on the loan shall be paid in arrears beginning on the date that is three months from the initial Disbursement Date, and each successive quarterly period thereafter concluding on the final repayment date which is the sixth anniversary of the initial Disbursement Date.

On December 21, 2023, the Company extended a loan to ICTL amounting to $10.0 million for a term of six years computed from the Disbursement Date subject to extension as agreed upon by both parties. The loan bears interest at a rate which shall be 3-month USD CME Term SOFR plus 1.50%. Interest accrued on the loan shall be paid in arrears beginning on the date that is three months from the initial Disbursement Date, and each successive quarterly period thereafter concluding on the final repayment date which is the sixth anniversary of the initial Disbursement Date.

On June 8, 2021, the Company extended a loan to The Coffee Bean & Tea Leaf (Malaysia) Sdn. Bhd. (CBTL Malaysia) amounting to $1.5 million with interest of 5.6% per annum. The interest is payable quarterly. The principal is payable on June 10, 2022. On June 10, 2022, the loan was extended to June 9, 2023 subject to interest of 4.2% per annum. On June 9, 2023, the loan was extended to June 7, 2024 subject to an interest rate of 3.45% per annum.

On July 19, 2021, the Company extended a 5-year loan to CBTL Malaysia amounting to $4.0 million with interest of 5.6% per annum. The interest is payable quarterly. The principal is payable in twelve (12) quarterly installments commencing on October 19, 2023, until July 17, 2026.

On May 12, 2022, the Company extended a loan to CBTL Malaysia amounting to $2.0 million with interest rate of 4.2% per annum. The interest is payable semi-annually. The principal is payable on September 21, 2023. In November 2022, the loan agreement was amended to change the loan amount to $2.5 million maturing on September 20, 2024. In February 2023, the loan agreement was amended to increase the loan amount to $4.5 million.

On July 26, 2023, the Company extended a loan to CBTL Malaysia amounting to $2.0 million. CBTL Malaysia may borrow under this loan in multiple advances on dates to be determined by both parties ("Disbursement date"). The loan is payable (together with accrued interest) on the first anniversary of the Disbursement Date. The loan interest rate is determined using the Kuala Lumpur Interbank Offered Rate (KLIBOR) plus 75 bps.

6. Income Taxes

The following are the components of the expense for (benefit from) income taxes during the years ended December 31, 2023 and 2022:

	2023	2022
Current		
Irish current tax expense	$ 976,993	$ 717,524
Deferred	(876,227)	(761,810)
Expense for (benefit from) income taxes	$ 100,766	$ (44,286)

The statutory standard income tax rate for corporation in Ireland is 12.5%. Below is the reconciliation of expense for (benefit from) income taxes which differs from the effective income tax rate of the Company primarily due to nondeductible expenses.

	2023	2022
Income tax at statutory rate	$ 2,482,931	$ 2,085,543
Effect of:		
Expenses not deductible for tax purposes	(269,874)	322,644
Capital allowances and depreciation	(1,770,524)	(1,926,649)
Different Irish rates on some earnings	534,460	235,986
Deferred tax	(876,227)	(761,810)
	$ 100,766	$ (44,286)

The summary of the deferred tax assets follows:

	2023	2022
Deferred income tax asset		
Unutilized capital allowances	$ 3,854,722	$ 2,978,495
Deferred income tax liability	-	-
	$ 3,854,722	$ 2,978,495

In assessing the realizability of deferred income tax asset, management considers whether it is more likely than not that some portion or all the deferred income tax asset will not be realized. Management believes that deferred income tax assets will more likely be realized, and therefore the Company did not provide an allowance for the deferred income tax asset as of December 31, 2023 and 2022.

As of December 31, 2023, the Company's income tax filings for the tax years ended December 31, 2020, through 2023 remain subject to examination by the Irish tax authorities.

7. Concentrations

Certain significant concentrations existed related to the Company's trade receivables, accounts payable and accruals and revenues.

As of December 31, 2023 and 2022, there were two franchisees that made up 82% and three franchisees that made up 75%, respectively, of the total outstanding trade receivables.

As of December 31, 2023 and 2022, there were two vendors that made up 47% and three vendors that made up 43%, respectively, of total accounts payable and accruals. These comprise amounts owed for legal, consultancy and other professional services purchased from third parties.

During the year ended December 31, 2023, two franchisees made up 33% of total revenues and the same franchisees also made up 33% of total revenues during the year ended December 31, 2022.

8. Subsequent Events

On January 25, 2024, the Company extended $1.2 million to ICTL as initial disbursement from the term loan agreement dated December 21, 2023.

On February 12, 2024, loans to ICTL and CBTL Malaysia were amended to consolidate outstanding loans as at date of the amendment into a consolidated loan.

The Company has evaluated events subsequent to December 31, 2023, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through May 31, 2024, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or disclosure in the financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Years Ended December 31, 2022 and 2021

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

Contents

650 California Street, Floor 7 • San Francisco, CA 94108 • 650.212.3888 • www.wuhoover.com

INDEPENDENT AUDITOR'S REPORT

To the Stockholder and Board of Directors of
Super Magnificent Coffee Company Ireland Limited:

Opinion

We have audited the accompanying financial statements of Super Magnificent Coffee Company Ireland Limited which comprise of the balance sheets as of December 31, 2022 and 2021, and the related statements of income, changes in shareholder's 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 Super Magnificent Coffee Company Ireland Limited 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 Super Magnificent Coffee Company Ireland Limited 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 Super Magnificent Coffee Company Ireland Limited's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

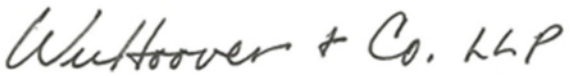
Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Super Magnificent Coffee Company Ireland Limited'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 Super Magnificent Coffee Company Ireland Limited'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.



San Francisco, California
June 16, 2023

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

BALANCE SHEETS

ASSETS

	December 31 2022	2021
CURRENT ASSETS		
Cash	$ 4,642,220	$ 1,283,811
Accounts receivable - net of allowance for doubtful accounts of $4,216,197 in 2022 and $1,039,352 in 2021	4,328,955	4,030,887
Receivables from related parties	21,004,313	14,245,727
Loans receivable - current	3,208,333	1,500,000
Prepaid expenses and other	1,941	-
Total current assets	33,185,762	21,060,425
NONCURRENT ASSETS		
Loans receivable - net of current portion	23,391,667	19,600,000
Property and equipment - net	3,192	5,498
Deposits	1,426	1,426
Deferred income tax	2,978,495	2,216,685
Trademarks	307,135,343	307,135,343
Total noncurrent assets	333,510,123	328,958,952
Total assets	$ 366,695,885	$ 350,019,377

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

BALANCE SHEETS

LIABILITIES AND SHAREHOLDER'S EQUITY

	December 31 2022	2021
CURRENT LIABILITIES		
Accounts payable	$ 25,892	$ 7,675
Accrued expenses	1,245,754	752,099
Income tax payable	155,415	55,895
Payables to related parties	633,587	198,068
Deferred revenue - current	243,753	1,195,177
Total current liabilities	2,304,401	2,208,914
NONCURRENT LIABILITIES		
Deferred revenue	2,093,566	2,241,171
Total liabilities	4,397,967	4,450,085
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDER'S EQUITY		
Share capital - $1 par value, 4 shares issued and outstanding	4	4
Additional paid-in capital	307,135,343	307,135,343
Retained earnings	55,162,571	38,433,945
Total shareholder's equity	362,297,918	345,569,292
Total liabilities and shareholder's equity	$ 366,695,885	$ 350,019,377

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

STATEMENTS OF INCOME

	Years Ended December 31	
	2022	2021
REVENUES		
Licensing income	$ 13,071,047	$ 10,620,907
Royalties	12,650,965	10,628,128
Marketing fund	2,105,340	-
Franchise fees	1,195,177	402,826
	29,022,529	21,651,861
COST AND EXPENSES		
General and administrative expenses	13,312,684	3,521,639
INCOME FROM OPERATIONS	15,709,845	18,130,222
OTHER INCOME (EXPENSE)		
Interest income	943,942	284,121
Foreign exchange loss	(6,092)	(11,579)
Other income	42,996	98,184
Other expense	(6,351)	-
	974,495	370,726
INCOME BEFORE PROVISION FOR INCOME TAXES	16,684,340	18,500,948
BENEFIT FROM INCOME TAXES	44,286	326,691
NET INCOME	$ 16,728,626	$ 18,827,639

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

STATEMENTS OF CHANGES IN SHAREHOLDER'S EQUITY

	Share Capital		Additional paid	Retained	
	Shares	Amount	in capital	earnings	Total
BALANCE - JANUARY 1, 2021	4	$ 4	$ 307,135,343	$ 23,606,306	$ 330,741,653
Net income	-	-	-	18,827,639	18,827,639
Dividends	-	-	-	(4,000,000)	(4,000,000)
BALANCE - DECEMBER 31, 2021	4	$ 4	307,135,343	$ 38,433,945	$ 345,569,292
Net income	-	-	-	16,728,626	16,728,626
BALANCE - DECEMBER 31, 2022	4	$ 4	$ 307,135,343	$ 55,162,571	$ 362,297,918

See notes to financial statements.

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 16,728,626	$ 18,827,639
Adjustments to reconcile net income to net cash used in operating activities:		
Provision for doubtful accounts	3,328,909	382,790
Amortization of deferred income	(1,195,177)	(402,826)
Deferred tax expense	(761,810)	(855,578)
Depreciation	2,306	1,242
Change in assets and liabilities		
Accounts receivable	(3,626,977)	1,689,292
Prepaid expenses and other	(1,941)	-
Receivables from related parties	(6,758,586)	(4,903,909)
Deposits	-	(1,426)
Accounts payable	18,217	(31,755)
Accrued expenses	493,655	679,798
Income tax payable	99,520	55,895
Payable to related parties	435,519	198,068
Deferred revenue	96,148	22,500
Net cash provided by operating activities	8,858,409	15,661,730
CASH FLOWS FROM INVESTING ACTIVITIES		
Loans to related parties	(5,500,000)	(21,100,000)
Purchases of property and equipment	-	(4,990)
Net cash used in investing activities	(5,500,000)	(21,104,990)
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of dividends	-	(4,000,000)
Net cash used in financing activity	-	(4,000,000)
NET INCREASE (DECREASE) IN CASH	3,358,409	(9,443,260)
CASH - BEGINNING OF YEAR	1,283,811	10,727,071
CASH - END OF YEAR	$ 4,642,220	$ 1,283,811
SUPPLEMENTAL DISCLOSURE ON CASH FLOW INFORMATION:		
Cash paid during the year for:		
Income taxes	$ (618,004)	$ (472,992)

See notes to financial statements.

Super Magnificent Coffee Company Ireland Limited

Notes to the Financial Statements

Years Ended December 31, 2022 and 2021

1. Overview

Description of Business

Super Magnificent Coffee Company Ireland Limited (the Company) is a limited company incorporated and domiciled in Ireland. The registered office is located at Unit 14, Gray Office Park, Galway Retail Park, Headford Road, Galway, Ireland. The Company is a wholly owned subsidiary of Super Magnificent Coffee Company Pte. Ltd., a company domiciled in Singapore.

The Company has issued 4 shares as of December 31, 2022 and 2021. No other shares are authorized to be issued. Additional paid-in capital represents capital contribution in the form of trademark.

The Company's activities include intellectual property holding, trademark and development of "The Coffee Bean & Tea Leaf" brand for Super Magnificent Coffee Company Pte. Ltd.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements. Those estimates and assumptions could affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable primarily consists of receivables for royalties and fees from franchisees.

The allowance for doubtful accounts is based on historical collection trends and management's judgment on the collectability of these accounts. Management routinely monitors these collection trends, as well as prevailing and anticipated economic conditions, and adjusts the allowance as required. As of December 31, 2022 and 2021, the allowance for doubtful accounts was $4,216,197 and $1,039,352, respectively.

Concentration of Credit Risk

The Company maintains cash at financial institutions. The Company's bank balances occasionally exceed the Deposit Guarantee Scheme insured limit of $107,020 (€100,000). The Company has not experienced, and does not anticipate, any losses relating to cash held in these accounts.

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. The Company continually evaluates the credit worthiness of its franchisees' financial condition.

Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation. The Company's property and equipment consists of computer equipment. Depreciation is recorded using the straight-line method over the estimated useful lives of the property and equipment. The estimated useful life of computer equipment is 3 years.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of tangible assets, the depreciation is revised prospectively to reflect the new estimates.

Depreciation on property and equipment was $2,306 and $1,242 for the years ended December 31, 2022 and 2021, respectively.

Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The Company's trademark is not amortized but is tested for impairment annually or when events or changes in circumstances indicate that it is more likely than not that the asset is impaired. In addition, the useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the infinite life assessment continues to be supportable. If not, the change in useful life assessment from indefinite to finite is made on a prospective basis.

As a result of the impairment assessment, management concluded that the trademark was not impaired as of December 31, 2022. Significant judgment and estimates are required in assessing impairment of trademark, including identifying whether events or changes in circumstances require an impairment assessment, estimating future cash flows, and determining appropriate discount rates.

Management's estimates of fair value are based on assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates.

Revenue Recognition

Franchise Fees

The Company receives initial franchise fees and nonrefundable fees pursuant to Area Development Agreements, which grant the right to develop franchised operations in future periods in specific geographic areas. Revenue from franchise fees received at the time of store openings and pro rata revenue related to the stores covered under the Area Development Agreements are deferred and recognized as revenue on a straight-line basis over the term of the franchise agreement, which is typically ten years. This is consistent with the franchisee's right to use and benefit from the intellectual property.

Franchise Royalties and Licensing Income

Franchise royalties and licensing income are based upon a percentage of the net franchise sales of franchised operations and are recognized as such sales are reported by the franchisees.

Marketing Fund

Marketing fund includes contributions to the marketing funds by franchisees. Revenue related to these contributions is based on a percentage of sales of the franchisees and is recognized as earned. Marketing costs are expensed as incurred.

General and Administrative Expenses

General and administrative expenses consist primarily of corporate-related expenses, excluding occupancy, labor, and labor-related expenditures and advertising costs.

Occupancy Costs

Occupancy costs include rent and related expenses, such as common area maintenance costs.

Advertising Costs

Advertising costs are expensed as incurred and are included in general and administrative expenses on the accompanying statements of income. Advertising expenses were $2,064,898 and $292,500 for the years ended December 31, 2022 and 2021, respectively.

Income Taxes

The taxation expense represents the aggregate amount of current and deferred tax recognized in the reporting period. Tax is recognized in the statement of income, except to the extent that it relates to items recognized in other comprehensive income or directly in capital and reserves. In this case, tax is recognized in other comprehensive income or directly in capital and reserves, respectively.

Current tax is recognized on taxable income for the current and past periods. Current tax is measured at the amounts of tax expected to pay or recover using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The components of the deferred tax assets and liabilities are individually classified as current and noncurrent based on their characteristics. A valuation allowance is established if it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company also recognizes the impact of an uncertain income tax position on the income tax return at the largest amount that is more likely than not to be sustained upon audit by the relevant taxing authority. An uncertain income tax position will not be recognized if it has less than a 50% likelihood of being sustained.

Penalties and interest resulting from the Company's tax positions are recorded in other expenses in the statements of operations and are excluded from the provision for income taxes. Accrued interest and penalties are included within the related tax liability on the balance sheets.

Leases

For the year ended December 31, 2021, the Company accounted for the lease under the Accounting Standard Codification (ASC) 840. Rent expense is recognized over the term of the lease.

Effective January 1, 2022, and for the year ended December 31, 2022, the Company adopted ASC 842, "Leases". The adoption of ASC 842 did not have a material impact on the Company's financial statements. The Company elected to not apply the recognition requirement of ASC 842 to short-term leases.

The Company leases its office under a short-term operating lease for twelve months without an extension. The lease expires in June 2023. The rent expense amounted to $15,183 and $6,992 in 2022 and 2021, respectively. Minimum lease payments in 2023 amounted to $7,705.

3. Fair Value Measurements

The Company uses a three-tier fair value hierarchy, which prioritizes the inputs used to measure the fair value of assets and liabilities. These tiers include:

Level 1 – Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Inputs that are generally unobservable; these inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The recorded value of receivables, payables and certain assets and liabilities approximates fair value because of the short-term maturity of these instruments.

4. Related Party Transactions

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company, including holding companies, subsidiaries and affiliates are related parties of the Company. Individuals owning, directly or indirectly, an interest in the voting power of the Company that give them significant influence over the enterprise, key management personnel, including directors and officers of the Company, and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In the normal course of business, the Company engages in transactions with its affiliates. The following table provides the summary of transactions with related parties.

	December 31, 2022		
Name of Affiliated Companies	Receivables from (payable to) related parties	Income earned	Expenses incurred
International Coffee & Tea, LLC	$ 19,613,474	$ 6,667,011	$ 3,665,458
The Coffee Bean & Tea Leaf Malaysia SDN BHD.	640,974	2,178,038	482,608
The Coffee Bean & Tea Leaf (Singapore) Pte. Ltd.	231,778	2,585,488	-
Magnificent Coffee Trading Pte. Ltd.	160,456	1,287,760	-
Coffee Bean Westwood L.P.	16,889	-	-
	20,663,571		
Super Magnificent Coffee Company Pte. Ltd.	(345,888)	-	967,467
CBTL Franchising, LLC	(275,589)	-	-
Jollibee Worldwide Pte. Ltd.	(8,679)	-	6,236
Jollibee Worldwide Services	(3,431)	-	-
	(633,587)		
	$ 20,029,984	$ 12,718,297	$ 5,121,769

	December 31, 2021		
Name of Affiliated Companies	Receivables from (payable to) related parties	Income earned	Expenses incurred
International Coffee & Tea, LLC	$ 13,248,054	$ 6,051,883	$ 315,623
The Coffee Bean & Tea Leaf Malaysia SDN BHD.	15,742	1,454,648	457,749
The Coffee Bean & Tea Leaf (Singapore) Pte. Ltd.	374,021	2,012,568	-
Magnificent Coffee Trading Pte. Ltd.	391,826	771,924	-
Coffee Bean Westwood L.P.	16,889	-	-
CBTL Franchising, LLC	25,753	-	-
	14,072,285		
Super Magnificent Coffee Company Pte. Ltd.	(189,389)	10,735	189,389
Jollibee Worldwide Pte. Ltd.	(8,679)	-	-
	(198,068)		
	$ 13,874,217	$ 10,301,758	$ 962,761

The Company also extended interest bearing loans to International Coffee & Tea LLC and The Coffee Bean & Tea Leaf Malaysia SDN BHD. The Company's loans receivable details are as follows:

	December 31, 2022		
Name of Affiliated Companies	Loans receivable	Interest receivables	Interest income
International Coffee & Tea, LLC	$ 18,600,000	$ 270,233	$ 622,537
The Coffee Bean & Tea Leaf Malaysia SDN BHD.	8,000,000	70,509	321,012
	26,600,000		
Less current portion	3,208,333		
	$ 23,391,667	$ 340,742	$ 943,549

	December 31, 2021		
Name of Affiliated Companies	Loans receivable	Interest receivables	Interest income
International Coffee & Tea, LLC	$ 15,600,000	$ 123,120	$ 123,120
The Coffee Bean & Tea Leaf Malaysia SDN BHD.	5,500,000	50,322	150,268
	21,100,000		
Less current portion	1,500,000		
	$ 19,600,000	$ 173,442	$ 273,388

On July 23, 2021, the Company extended a loan to International Coffee & Tea, LLC (ICTL) amounting to $4.6 million with interest of 2.6%. The interest is payable monthly. The principal is payable on July 23, 2026.

On September 3, 2021, the Company extended a loan to ICTL amounting to $7.0 million with variable interest repriced annually. The interest is payable monthly. The principal is payable on September 3, 2026. Average interest rates in 2022 and 2021 are 4.0% and 4.5%, respectively.

On December 9, 2021, the Company extended a loan to ICTL amounting to $4.0 million with interest of 2.7%. The interest is payable monthly. The principal is payable in eight (8) semi-annual installments commencing on June 9, 2023, until December 9, 2026.

On July 28, 2022, the Company extended a loan to ICTL amounting to $3.0 million with variable interest repriced annually. The interest is payable monthly. The principal is payable in eight (8) semi-annual installments commencing on July 28, 2023, until January 28, 2027. Average interest rate in 2022 is 4.0%.

On June 8, 2021, the Company extended a loan to The Coffee Bean & Tea Leaf (Malaysia) Sdn. Bhd. (CBTL Malaysia) amounting to $1.5 million with interest of 5.6%. The interest is payable quarterly. The principal is payable on June 10, 2022. On June 10, 2022, the loan was extended to June 9, 2023 subject to interest of 4.2%.

On July 19, 2021, the Company extended a 5-year loan to CBTL Malaysia amounting to $4.0 million with interest of 5.6%. The interest is payable quarterly. The principal is payable in twelve (12) quarterly installments commencing on October 19, 2023, until July 17, 2026. Average interest rates in 2022 and 2021 are 4.9% and 5.1%, respectively.

On May 12, 2022, the Company extended a loan to CBTL Malaysia amounting to $2.0 million with interest rate of 4.2%. The interest is payable semi-annually. The principal is payable on September 21, 2023. In November 2022, the loan agreement was amended to change the loan amount to $2.5 million maturing on September 20, 2024.

5. Income Taxes

The following are the components of the benefit from income taxes during the years ended December 31, 2022 and 2021:

	2022	2021
Current:		
Irish current tax expense	$ 717,524	$ 528,887
Deferred		
Origination and reversal of timing differences	(761,810)	(855,578)
Benefit from income taxes	$ (44,286)	$ (326,691)

The statutory standard income tax rate for corporation in Ireland is 12.5%. Below is the reconciliation of provision for (benefit from) income tax which differs from the effective income tax rate of the Company primarily due to nondeductible expenses.

	2022	2021
Income tax at statutory rate	$ 2,085,543	$ 2,312,619
Effect of:		
Expenses not deductible for tax purposes	322,644	(22,954)
Capital allowances and depreciation	(1,926,649)	(1,831,808)
Different Irish rates on some earnings	235,986	71,030
Deferred tax	(761,810)	(855,578)
	$ (44,286)	$ (326,691)

The Company's deferred income tax asset consists primarily of capital allowances carried forward to future years. In assessing the realizability of deferred income tax assets, management considers whether it is more likely than not that some portion or all the deferred income tax assets will not be realized. Management believes that deferred income tax assets will more likely be realized, and therefore the Company did not provide an allowance for the deferred income tax asset as of December 31, 2022 and 2021.

As of December 31, 2022, the Company's income tax filings for the tax years ended December 31, 2019, through 2022 remain subject to examination by the Irish tax authorities.

6. Subsequent Events

The Company has evaluated events subsequent to December 31, 2022, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through June 16, 2023, the date the financial statements were available to be issued. Based upon this evaluation, it was determined that no other subsequent events occurred that require recognition or disclosure on the financial statements.

Exhibit "E"
Table of Contents of Operations Manual

Contents

Exhibit "F"
Lists of Franchisees and Developers

LIST OF FRANCHISEES AND DEVELOPERS
AS OF DECEMBER 31, 2023

Franchise Name	Address	City	State	Postal Code	Phone Number
Happy Days, Inc.	72922 Baker Blvd	Baker	CA	92309	(760) 733-1048
Wolfgang Puck	10202 West Washington Blvd.	Culver City	CA	90232	(310) 244-9299
Golden State Coffee & Tea, LLC.	8462 North Friant Road #103	Fresno	CA	93720	(559) 493-5295
Kaiser Medical Carson	18600 S. Figueroa Street	Gardena	CA	90248	
MJ & CC Corporation	100 West Broadway, Suite 1171-K	Glendale	CA	91210	
Bastian Restaurant Group	275 Magnolia Ave.	Long Beach	CA	90802	(562) 612-4848
Areas USA	1 World Way, Terminal 1	Los Angeles	CA	90045	
Areas USA	1 World Way, Tom Bradley International Terminal - Arrivals	Los Angeles	CA	90045	
CGI	3435 Wilshire Blvd., Suite 141	Los Angeles	CA	90010	(213) 608-0464
CGI	5115 Wilshire Blvd. Unit G	Los Angeles	CA	90036	(323) 879-8055
CGI	450 S. Western Ave, 1st Floor #102	Los Angeles	CA	90020	(213) 995-9809
CGI	3550 Wilshire Blvd #105	Los Angeles	CA	90010	
CGI	333 S Alameda St., #108	Los Angeles	CA	90013	(213) 277-5788
CGI	4650 Sunset Blvd., Main Entrance Check-in	Los Angeles	CA	90027	(213) 266-7850
CGI	4650 Sunset Blvd., 1st Floor, HBO Café	Los Angeles	CA	90027	(213) 266-7850
DNC	1 World Way, Terminal 5	Los Angeles	CA	90045	
DNC	1 World Way, Terminal 5 Baggage Claim/pre-securtiy	Los Angeles	CA	90045	
Gnarlygrinds, Inc.	5700 Wilsre Blvd.	Los Angeles	CA	90036	
HMS Host	1 World Way, Tom Bradley International Terminal	Los Angeles	CA	90045	
HMS Host	1 World Way, Terminal 8	Los Angeles	CA	90045	
HMS Host	1 World Way, Terminal 7	Los Angeles	CA	90045	
Noga Corporation	8631 West 3rd St., Suite 311E	Los Angeles	CA	90048	(310) 657-6466
Paramount	Paramount 5555 Melrose Avenue	Los Angeles	CA	90038	
Sea View Investors	6151 West Century Blvd.	Los Angeles	CA	90045	(310) 431-4745
UCLA	Hillel Student Center UCLA 574 Hilgard Ave.	Los Angeles	CA	90024	(310) 909-5555
USC	900 W. 34th St., Suite 130A	Los Angeles	CA	90007	(213) 821-3482
Happy Avenue 7 P	32603 Avenue 7	Madera	CA	93637	(559) 214-2444
DNC	1923 East Avion Dr.	Ontario	CA	91761	(909) 975-8008
Golden State Coffee & Tea, LLC.	354 Five Cities Drive	Pismo Beach	CA	93449	(805) 773-6420
Bambuza OC Ventures, LLC	18601 Airport Way, Terminal C, Gate 16	Santa Ana	CA	92707	
Bambuza OC Ventures, LLC	18601 Airport Way, Terminal A, Gate 5	Santa Ana	CA	92707	
Bambuza OC Ventures, LLC	18601 Airport Way, Terminal B, Baggage Claim	Santa Ana	CA	92707	
First Class Concessions	500 James Fowler Road	Santa Barbara	CA	93117	(805) 770-2382
Pacific Park	Santa Monica Pier 380 Santa Monica Pier	Santa Monica	CA	90401	(310) 260-8744
Bon Appetit	Lew R Wasserman, 1280 Main Street	Studio City	CA	91604	
Salton City Petroleum, Inc.	2084 South Marina Drive	Thermal	CA	92274	(760) 394-1024

LIST OF FRANCHISEES AND DEVELOPERS
AS OF DECEMBER 31, 2023

Franchise Name	Address	City	State	Postal Code	Phone Number
Paradies	9100 Pena Blvd, Concourse C	Denver	CO	80249	
Hilton DC	1919 Connecticut Avenue NW	Washington	DC	20009	(202) 483-3000
DNC	6000 N. Terminal Parkway, Concourse D	Atlanta	GA	30337	
DNC	6000 N. Terminal Parkway, Concourse T	Atlanta	GA	30337	
HOJEIJ Branded Foods	8700 Spine Road	Atlanta	GA	30320	
Coffee Pacific	91-1401 Fort Weaver Road	Ewa Beach	HI	96706	(808) 685-1031
Coffee Pacific	59-720 Kameharneha Hwy	Haleiwa	HI	96712	
Coffee Pacific	2754 Woodlawn Drive Unit 7-106	Honolulu	HI	96822	(808) 988-6134
Coffee Pacific	1450 Ala Moana Blvd.	Honolulu	HI	96814	(808) 949-4514
Coffee Pacific	3206 Monsarrat Avenue	Honolulu	HI	96816	(808) 734-1160
Coffee Pacific	2939 Harding Avenue	Honolulu	HI	96816	(808) 737-9900
Coffee Pacific	999 Bishop Street	Honolulu	HI	96813	(808) 536-8866
Coffee Pacific	1450 Ala Moana Blvd., #8000	Honolulu	HI	96814	(808) 949-8744
Coffee Pacific	1170 Auahi Street	Honolulu	HI	96814	(808) 597-1011
Coffee Pacific	4210 Waialae Avenue	Honolulu	HI	96816	(808) 732-8990
Coffee Pacific	108 Hekili Street	Kailua	HI	96734	(808) 262-7220
Coffee Pacific	92-585 Makakilo Drive	Kapolei	HI	96707	(808) 672-8819
Coffee Pacific	4850 Kapolei Parkway, Bldg A	Kapolei	HI	69707	(808) 674-1332
Coffee Pacific	91-5431 Kapolei Parkway, Unit 417	Kapolei	HI	96707	(808) 670-2622
Coffee Pacific	16-586 Old Volcando Rd, Suite P206	Keaau	HI	96749	(808) 966-5861
Coffee Pacific	878 Front Street, Suite 6B	Lahaina	HI	96761	(808) 661-0949
Coffee Pacific	1089 Waimano Home Road	Pearl City	HI	96782	(808) 891-2045
Coffee Pacific	5-4280 Kuhio Hwy, Suite G-10	Princeville	HI	96722	(808) 826-4229
Coffee Pacific	344 Kehalani Village Dr	Wailuku	HI	96793	(808) 244-4460
Hilton Baltimore	401 West Pratt Street	Baltimore	MD	21201	(443) 573-8710
DNC	1 Detroit Metro Airport	Detroit	MI	48242	(734) 247-6887
LVCI	2220 Village Walk Drive #140	Henderson	NV	89052	(702) 260-3075
Aramark	4505 S. Maryland Pkwy.	Las Vegas	NV	89154	
LVCI	7291 W. Lake Mead Dr. #110	Las Vegas	NV	89128	(702) 944-0030
LVCI	4321 W. Flamingo Rd.	Las Vegas	NV	89103	(702) 944-5018
LVCI	3377 Las Vegas Blvd, Ste 2164A	Las Vegas	NV	89109	(702) 792-4520
LVCI	3663 Las Vegas Blvd. Suite 45	Las Vegas	NV	89101	(702) 696-0564
LVCI	10834 W. Charleston Blvd.	Las Vegas	NV	89135	(702) 838-5661
LVCI	3645 S. Town Center Drive	Las Vegas	NV	89135	(702) 785-0419
LVCI	9091 W. Sahara Avenue	Las Vegas	NV	98117	(702) 998-0216
LVCI	3200 Las Vegas Blvd. South	Las Vegas	NV	89109	

LIST OF FRANCHISEES AND DEVELOPERS
AS OF DECEMBER 31, 2023

Franchise Name	Address	City	State	Postal Code	Phone Number
LVCI	3355 S Las Vegas Blvd.	Las Vegas	NV	89109	
LVCI	4165 Grand Canyon Drive, Suite 106	Las Vegas	NV	89147	(702) 749-9206
LVCI	6599 Las Vegas Blvd. South, Bldg. P, Suite 8149	Las Vegas	NV	89119	(702) 270-6163
LVCI	6115 S Rainbow Blvd #101	Las Vegas	NV	89118	(702) 220-6820
SB Specialty	5757 Wayne Newton Blvd., Terminal 1, C-gates, near gate 4	Las Vegas	NV	89119	(702) 261-6044
SB Specialty	5757 Wayne Newton Blvd., Concourse C, Gate 25	Las Vegas	NV	89119	(702) 261-6044
SB Specialty	5757 Wayne Newton Blvd., Terminal 3	Las Vegas	NV	89119	(702) 261-6044
GenVee Ventures, LLC	1175 McVey Ave.	Lake Oswego	OR	97034	(503) 744-4173
Market Basket	Pentagon	Arlington	VA		

LIST OF COMPANY AND AFFILIATE-OWNED LOCATIONS
AS OF DECEMBER 31, 2023

Address	City	State	Postal Code	Phone Number
2560 West Chandler Blvd., #1	Chandler	AZ	85224	(480) 899-2005
7407 W. Bell Road, #2	Peoria	AZ	85382	(623) 776-9680
5025 E. Chandler Blvd.	Phoenix	AZ	85048	(602) 661-2183
16420 N. Scottsdale Rd.	Scottsdale	AZ	85254	(480) 877-1544
8877 N. Scottsdale Blvd., #502	Scottsdale	AZ	85253	(480) 315-9335
1801 S. Harbor Blvd Suite 101	Anaheim	CA	92780	(714) 758-3865
400 S. Baldwin Avenue, Space 9010	Arcadia	CA	91007	(626) 254-9400
13916 Garvey Ave. Suite 101	Baldwin Park	CA	91706	(626) 873-1381
160 E. Lambert Rd.	Brea	CA	92821	(657) 246-2009
2500 E. Imperial Hwy, #182	Brea	CA	92821	(714) 257-9322
340 N. San Fernando Blvd.	Burbank	CA	91504	(818) 842-2394
23635 Calabasas Road	Calabasas	CA	91302	(818) 225-1887
824 Arneil Road	Camarillo	CA	93010	(805) 383-7767
2508 El Camino Real Suite F	Carlsbad	CA	92008	(760) 720-1381
3626 Grand Ave., Suite I	Chino Hills	CA	91709	(909) 590-3774
10250 Santa Monica Blvd. Space 9022	Century City	CA	90067	(310) 557-8435
101 N. Indian Hill, # 105	Claremont	CA	91711	(909) 624-2147
6320 E. Washington Blvd	Commerce	CA	90040	(323) 890-2904
1835 Newport Blvd. # B122	Costa Mesa	CA	92628	(949) 722-9673
235 S Diamond Bar Blvd, Suite A	Diamond Bar	CA	91765	(909) 655-0778
8550 Firestone Blvd.	Downey	CA	90241	(562) 904-7016
9516 Lakewood Blvd.	Downey	CA	90240	(562) 287-4070
909 N. Sepulveda Bvd., Suite 135	El Segundo	CA	90245	(310) 535-5596
17301-1 Ventura Blvd.	Encino	CA	91316	(818) 906-9551
16101 Ventura Blvd. Suite 180	Encino	CA	91316	(818) 386-0935
16215 Sierra Lakes Parkway	Fontana	CA	92336	(909) 349-0811
205 Orangefair Ave., Space 11A	Fullerton	CA	92832	(714) 447-4160
763 Americana Way	Glendale	CA	91210	(818) 242-6123
300A North Glendale Ave.	Glendale	CA	91206	(818) 242-4074
101 E. Glenoaks Blvd	Glendale	CA	91207	(323) 412-9550
649 S. Grand Avenue	Glendora	CA	91740	(626) 210-0788
5745 Calle Real	Goleta	CA	93117	(805) 696-6845
6922 Hollywood Blvd., #103	Hollywood	CA	90028	(323) 467-7785
19800 Beach Blvd	Huntington Beach	CA	92648	(714) 963-7297
5653 Alton Parkway	Irvine	CA	92604	(949) 651-9903
5510 La Palma Ave	La Palma	CA	90623	(714) 236-9872
79-024 Highway 111, Suite 101	La Quinta	CA	92253	(760) 771-8012
24380 Moulton Parkway	Laguna Woods	CA	92637	(424) 326-3007
22441 El Toro Road	Lake Forest	CA	92630	(949) 317-1689
1212 Bellflower Blvd	Long Beach	CA	90815	(562) 985-3477
4105 S. Atlantic Ave.., Suite A	Long Beach	CA	90807	(562) 492-9020
1996 Ximeno Ave. Space 101	Long Beach	CA	90814	(562) 494-3514
5865 E. Spring Street	Long Beach	CA	90808	(562) 353-4295
11698 San Vicente Blvd	Los Angeles	CA	90049	(310) 442-1019
2081 Hillhurst Ave.	Los Angeles	CA	90027	(323) 913-3457
3470 S. Sepulveda Blvd.	Los Angeles	CA	90034	(310) 313-0259
6333 West 3rd Street, E-11	Los Angeles	CA	90036	(323) 857-0461
1845 S La Cienega Blvd.	Los Angeles	CA	90034	(310) 815-1255
9541 W. Pico Blvd.	Los Angeles	CA	90035	(310) 282-9907
5979 W. Third Street	Los Angeles	CA	90036	(323) 934-7277
209 South Mednik Avenue	Los Angeles	CA	90022	(323) 263-9317
11913 W. Olympic Blvd.	Los Angeles	CA	90064	(310) 914-9564
9829 Venice Blvd	Los Angeles	CA	90034	(310) 836-8132
2616 N. Sepulveda Blvd	Manhattan Beach	CA	90266	(310) 546-3359
13420 Maxella, Suite C20	Marina Del Rey	CA	90292	(310) 823-0858
29857 Antelope Road, Suite 100	Menifee	CA	92584	(951) 430-3381
702 E. Huntington Dr.	Monrovia	CA	91016	(626) 357-1404
3701 Ocean View	Montrose	CA	91020	(818) 249-7848
12950 Day Street, Suite 101	Moreno Valley	CA	92553	(951) 363-3979
18705 Devonshire Street	Northridge	CA	91324	(818) 360-8299
2180 N. Rose Avenue	Oxnard	CA	93030	(805) 485-8112
3966 Tradewind Drive, Suite 101	Oxnard	CA	93035	(805) 984-7162
73400 El Paseo Drive #9	Palm Desert	CA	92260	(760) 674-9056
39605 10th Street West, Unit D	Palmdale	CA	93551	(661) 273-7441
415 S. Lake Ave., Suite 108	Pasadena	CA	91101	(626) 744-9370
3770 E. Foothill Blvd.	Pasadena	CA	91107	(626) 657-6321
1188 E. Yorba Linda Blvd.	Placentia	CA	92870	(657) 216-5920
13020 Pacific Promenade, Suite 9	Playa Vista	CA	90094	(310) 862-5725
12314 Poway Road	Poway	CA	92064	(858) 668-0708
8140 Haven Ave., Suite 100	Rancho Cucamonga	CA	91730	(909) 483-2544
12556 S. Main Street #1760	Rancho Cucamonga	CA	91739	(909) 463-2232
6417 Haven Avenue, Suite 150	Rancho Cucamonga	CA	91737	(909) 493-7131
528 Orange Street	Redlands	CA	92374	(909) 798-0454
2521 Artesia Blvd	Redondo Beach	CA	90278	(424) 327-8700
1877 N. Riverside Avenue	Rialto	CA	92376	(909) 566-0363
3712 Mission Inn Ave., Suite N-4	Riverside	CA	92501	(951) 684-3803
3545 Central Avenue	Riverside	CA	92506	(951) 342-0265
900 University Ave.	Riverside	CA	92521	(951) 827-7261
925 C Camino De La Reina	San Diego	CA	92108	(619) 299-5072
12070 Caramel Mountain Rd., Ste 296	San Diego	CA	92128	(858) 592-7348
9343 Clairemont Mesa Blvd.	San Diego	CA	92123	(858) 505-9909
3939 Governor Dr	San Diego	CA	92122	(858) 784-0286
4463 Camino De La Plaza Ste 111	San Diego	CA	92173	(619) 690-9748
2264 17th Street	Santa Ana	CA	92705	(714) 542-5307
2783 N. Main Street	Santa Ana	CA	92705	(714) 667-7840
1312 Third Street Promenade	Santa Monica	CA	90401	(310) 394-9737
347 Main Street, Suite A	Seal Beach	CA	90740	(562) 596-4006
2944-G Tapo Canyon Road	Simi Valley	CA	93065	(805) 582-0566
700 South Fair Oaks, #A	South Pasadena	CA	91030	(626) 403-2141

LIST OF COMPANY AND AFFILIATE-OWNED LOCATIONS
AS OF DECEMBER 31, 2023

Address	City	State	Postal Code	Phone Number
12501 West Ventura Blvd.	Studio City	CA	91604	(818) 763-7271
18505 Ventura Blvd.	Tarzana	CA	91356	(818) 776-1178
31938 Temecula Parkway, Suite D	Temecula	CA	92592	(951) 694-0723
1772-A East Avenida De Los Arboles	Thousand Oaks	CA	91362	(805) 241-2499
10121 Riverside Drive	Toluca Lake	CA	91602	(818) 763-4815
4444 Lankershim Blvd. #114	Toluca Lake	CA	91602	(818) 763-3387
21300 B Hawthorne Blvd.	Torrance	CA	90503	(310) 792-8630
18201 Crenshaw Boulevard	Torrance	CA	90504	(310) 532-0951
1307 Sepulveda Blvd.	Torrance	CA	90501	(310) 257-4903
23600 Hawthorne Blvd. Suite A	Torrance	CA	90505	(424) 241-1097
28291 Newhall Ranch Road	Valencia	CA	91355	(661) 702-1760
27634 The Old Road	Valencia	CA	91355	(661) 505-9383
1780 S. Victoria Ave. Suite A	Ventura	CA	93003	(805) 639-0795
4360 East Main Street, Suite E	Ventura	CA	93003	(805) 644-6000
6401 Platt Avenue	West Hills	CA	91367	(818) 704-5867
8789 Sunset Blvd.	West Hollywood	CA	90069	(310) 659-1890
968 So. Westlake Blvd., Suite 6	Westlake Village	CA	91361	(805) 497-1256
7201 Greenleaf	Whittier	CA	90602	(562) 696-8452
21851 Ventura Blvd.	Woodland Hills	CA	91364	(818) 716-7981
6316 Topanga Canyon Blvd. Suite 1100	Woodland Hills	CA	91367	(818) 593-4203

LIST OF FORMER DOMESTIC FRANCHISEES AS OF DECEMBER 31, 2023

SDS - Ontario International Airport Terminal 4
Delaware North Companies
Lori Forsyth
909-437-6375
1923 East Avion Dr, Ontario, CA 91761

SDS - Santa Barbara Airport Post-Security
First Class Concessions, Inc
Tasneen Vakharia
858-472-2489
500 James Fowler Road, Santa Barbara, CA 93117

TRAD - 5700 Wilshire
Gnarlygrinds, Inc
Katie Song & Jason Park
213-272-7022
5700 Wilshire Blvd, Suite 120, Los Angeles, CA 90036

SDS – Washington DC Hilton
Hilton DC
Stephane Hainaut
202-797-5808
919 Connecticut Avenue NW, Washington, DC 20009

SDS - Detroit Domestic Arrival Baggage Claim
Delaware North Companies
Valerie Hoults
(734) 247-6887
1 Detroit Metro Airport, Detroit, MI 48242

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

Exhibit "G"
List of State Regulatory Agencies and Administrators and Agents for Service of Process

STATE ADMINISTRATORS

Commissioner of Department of Financial Protection and Innovation
320 West 4th Street, Suite 750
Los Angeles, California 90013-2344
(213) 576-7500
(866) 275-2677 Toll Free
Ask.DFPI@dfpi.ca.gov

Hawaii Commissioner of Securities
Department of Commerce & Consumer Affairs
335 Merchant Street, Room 205
Honolulu, Hawaii 96813
(808) 586-2744

Chief
Franchise Bureau
Office of Attorney General
500 South Second Street
Springfield, Illinois 62701
(217) 782-1090

Franchise Section
Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

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

Franchise Administrator
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Dept. of Attorney General
670 Law Building
525 W. Ottawa Street
Lansing, Michigan 48913
(517) 373-7117

Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
Saint Paul, Minnesota 55101
(651) 539-1600

NYS Department of Law
Investor Protection Bureau
28 Liberty St., 21st Floor
New York, New York 10005
(212) 416-8000

Franchise Examiner
North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510
(701) 328-2929

Director of the Rhode Island
Department of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920
(401) 462-9500

South Dakota Department of Labor & Regulation
Division of Insurance, Securities Regulation
124 S. Euclid Second Floor
Pierre South Dakota 57501
(605) 773-3563

State Corporation Commission
Division of Securities and Retail Franchising
1300 E. Main Street, Ninth Floor
Richmond, Virginia 23219
(804) 371-9051

Administrator
Department of Financial Institutions
Securities Division
150 Israel Rd. SW
Tumwater, Washington 98501
(360) 902-8760

Franchise Administrator
Securities and Franchise Registration
Wisconsin Securities Commission
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 261-9555

AGENTS FOR SERVICE OF PROCESS

Commissioner of the Department of
Financial Protection and Innovation
2101 Arena Blvd.
Sacramento, CA 95834

Hawaii Commissioner of Securities
Business Registration Division
335 Merchant Street, Room 205
Honolulu, Hawaii 96813

Illinois Attorney General Office
500 South Second Street
Springfield, Illinois 62701

Indiana Securities Division
302 West Washington Street
Room E-111
Indianapolis, Indiana 46204

Maryland Securities Commissioner
200 Saint Paul Place
Baltimore, Maryland 21202-2020

Commissioner of Commerce
State of Minnesota
Department of Commerce
Registration Division
85 Seventh Place East
St. Paul, Minnesota 55101

New York Secretary of State
New York Department of State
One Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231-0001

North Dakota Securities Department
600 East Boulevard Avenue
State Capitol, Fifth Floor, Dept. 414
Bismarck, North Dakota 58505-0510

Director of Business Regulation
1511 Pontiac Avenue
Cranston, Rhode Island 02920

South Dakota Department of Labor &
Regulation
Division of Insurance, Securities Regulation
124 S. Euclid Second Floor
Pierre South Dakota 57501
(605) 773-3563

Clerk, State Corporation Commission
1300 East Main Street, First Floor
Richmond, Virginia 23219

Administrator of Securities
Department of Financial Institutions
150 Israel Rd. SW,
Tumwater, WA 98501

Commissioner of Securities
Office of the Commissioner of Securities
4822 Madison Yards Way, North Tower
Madison, Wisconsin 53705
(608) 261-9555

For All States Not Listed Above:

Peter Vavra

550 S. Hope St, Suite 2100

Los Angeles, California 90071

Exhibit “H”
State Addenda

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF CALIFORNIA

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following:

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning transfer, termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE SECTION 31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE SECTIONS 31000 THROUGH 31505). BUSINESS AND PROFESSIONS CODE SECTION 20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE SECTIONS 20000 THROUGH 20043).

Neither SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED, nor any person in Item 2 of the disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in this association or exchange.

SECTION 31125 OF THE FRANCHISE INVESTMENT LAW REQUIRES US TO GIVE TO YOU A DISCLOSURE DOCUMENT APPROVED BY THE COMMISSIONER OF DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION BEFORE WE ASK YOU TO CONSIDER A MATERIAL MODIFICATION OF YOUR FRANCHISE AGREEMENT.

OUR WEB SITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEB SITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until Super Magnificent Coffee Company Ireland Limited has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your business opens to the public.

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

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT
(State of California)

THIS ADDENDUM is entered into as of _____, 20____ between Super Magnificent Coffee Company Ireland Limited, a corporation organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into an Super Magnificent Coffee Company Ireland Limited Franchise Agreement dated as of _____, 20____, (the "Franchise Agreement").

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree that to amend the Franchise Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 5.1 thereof, Franchisee shall pay the Initial Franchise Fee to Company when Company has fulfilled its initial obligations to Franchisee and Franchisee's "The Coffee Bean & Tea Leaf" business opens to the public.

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

"**Company**"
Super Magnificent Coffee Company Ireland Limited

_____ _____
Date of Execution Name:_____
Its:_____

"**Franchisee**"

_____ _____,
Date of Execution [ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

_____
Name:_____
Its: _____, and individually

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF HAWAII

1. The following paragraphs shall be added to the state cover page:

THESE FRANCHISES HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.

THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE DISCLOSURE DOCUMENT, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.

THIS DISCLOSURE DOCUMENT CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.

The name and address of the Franchisor's agent in this state authorized to receive service of process is the Hawaii Commissioner of Securities, 335 Merchant Street, Honolulu, Hawaii 96813.

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until Super Magnificent Coffee Company Ireland Limited has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your business opens to the public.

2. Each provision of this Addendum to the Disclosure document is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law, Hawaii Rev. Stat. §§ 482E-1, et seq., are met independently without reference to this Addendum to the Disclosure document, and only to the extent such provision is a then valid requirement of the statute.

3. No statement, questionnaire or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller,

or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT
(State of Hawaii)

THIS ADDENDUM is entered into as of _____, 20____ between Super Magnificent Coffee Company Ireland Limited, a company organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into an Super Magnificent Coffee Company Ireland Limited Franchise Agreement dated as of _____, 20____, (the "Franchise Agreement").

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree that to amend the Franchise Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 5.1 thereof, Franchisee shall pay the Initial Franchise Fee to Company when Company has fulfilled its initial obligations to Franchisee and Franchisee's "The Coffee Bean & Tea Leaf" business opens to the public.

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

"**Company**"
Super Magnificent Coffee Company Ireland Limited

_____
Date of Execution

_____
Name:_____
Its:_____

"**Franchisee**"

_____
Date of Execution

_____,
[ ] an individual;
[ ] a _____ general partnership;
[ ] a _____ limited partnership;
[ ] a _____ limited liability company;
[ ] a _____ corporation

_____
Name:_____
Its: _____, and individually

ADDENDUM TO
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED AREA DEVELOPMENT AGREEMENT
(State of Hawaii)

THIS ADDENDUM is entered into as of _____, 20____ between Super Magnificent Coffee Company Ireland Limited, a company organized under Irish law ("Company"), and _____, a _____ ("Developer"), with reference to the following:

1. Company and Developer entered into an Super Magnificent Coffee Company Ireland Limited Area Development Agreement dated as of _____, 20____, (the "Development Agreement").

2. The parties wish to modify the Development Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree that to amend the Development Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Development Agreement, and in particular Section 4.1 thereof, Developer shall pay the Initial Development Fee to Company when Company has fulfilled its initial obligations to Developer and Developer's first "The Coffee Bean & Tea Leaf" business opens to the public.

2. Section 16.9 "Entire Agreement", shall be deleted in its entirety and replaced with the following:

> 16.9 Entire Agreement. This Agreement, the Manuals, and the Exhibits incorporated herein contain all of the terms and conditions agreed upon by the parties hereto concerning the subject matter hereof. No other agreements concerning the subject matter hereof, written or oral, shall be deemed to exist or to bind any of the parties hereto and all prior agreements, understandings and representations, are merged herein and superseded hereby. Developer represents that there are no contemporaneous agreements or understandings between the parties relating to the subject matter of this Area Development Agreement that are not contained herein. Only the terms of this Agreement are binding (subject to state law). Any representation or promises outside of the disclosure document and this Agreement may not be enforceable. This Agreement cannot be amended, modified or changed except by written instrument signed by all of the parties hereto.

Except as set forth herein, the Area Development Agreement shall be valid and enforceable between the parties in accordance with its terms.

"**Company**"

Super Magnificent Coffee Company Ireland Limited

_____ _____

Date of Execution Name:_____

Its:_____

"**Developer**"

_____ _____,

Date of Execution [ ] an individual;

[ ] a _____ general partnership;

[ ] a _____ limited partnership;

[ ] a _____ limited liability company;

[ ] a _____ corporation

_____

Name:_____

Its: _____, and individually

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF ILLINOIS

Payment of all initial fees payable under the Franchise Agreement and/or Area Development Agreement is deferred until Super Magnificent Coffee Company Ireland Limited has satisfied its pre-opening obligations to you under the Franchise Agreement and/or Area Development Agreement and your business opens to the public.

Illinois law shall apply to and govern the Franchise Agreement.

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Franchisees' right upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

In conformance with section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

You must ensure that your Gross Revenues from the sale of coffee, espresso drinks or premium teas is not less than 80% of your total Gross Revenue from the sale of all food and drinks or your Franchise Agreement can be terminated.

You may be required to provide an irrevocable, unconditional standby Letter of Credit for $20,000 for each Franchise Agreement you sign. Your Franchise Agreement can be terminated if you fail to obtain and maintain your Letter of Credit.

You may be required to maintain a certain net worth, and, at all times during the term of the Franchise Agreement, your debt-to-equity ratio may not exceed 1:1.

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

ADDENDUM TO
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT
(State of Illinois)

THIS ADDENDUM is entered into as of _____, 20____ between Super Magnificent Coffee Company Ireland Limited, a company organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into an Super Magnificent Coffee Company Ireland Limited Franchise Agreement dated as of _____, 20____, (the "Franchise Agreement").

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree that to amend the Franchise Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 5.1 thereof, Franchisee shall pay the Initial Franchise Fee to Company when Company has fulfilled its initial obligations to Franchisee and Franchisee's "The Coffee Bean & Tea Leaf" business opens to the public. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. The following shall be deemed added to Section 6.17:

Franchisee must ensure that its Gross Revenues from the sale of coffee, espresso drinks or premium teas is not less than 80% of its total Gross Revenue from the sale of all food and drinks or the Franchise Agreement can be terminated.

Franchisee may be required to provide an irrevocable, unconditional standby Letter of Credit for $20,000 for each Franchise Agreement signed. The Franchise Agreement can be terminated if Franchisee fails to obtain and maintain the Letter of Credit.

Franchisee may be required to maintain a certain net worth, and, at all times during the term of the Franchise Agreement, Franchisee's debt-to-equity ratio may not exceed 1:1.

3. The following shall be deemed added to Section 15.9:

"With respect to franchises governed by Illinois law, Company will comply with Section 41 of the Illinois Franchise Disclosure Act, which provides that:

"Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or

executing a general release regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code."

4. The following shall be deemed added to Section 15.10:

"Illinois law, as amended, shall apply to any franchise offered or sold in Illinois, notwithstanding anything to the contrary contained in this Agreement."

5. The following shall be deemed added to Section 15.11:

"However, any provision in the Franchise Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void under section 4 of the current Illinois Franchise Disclosure Act, although the Franchise Agreement may provide for arbitration in a forum outside of the State of Illinois."

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

"**Company**"

Super Magnificent Coffee Company Ireland Limited

_____ _____

Date of Execution Name:_____

Its:_____

"**Franchisee**"

_____ _____,

Date of Execution [ ] an individual;

[ ] a _____ general partnership;

[ ] a _____ limited partnership;

[ ] a _____ limited liability company;

[ ] a _____ corporation

_____

Name:_____

Its: _____, and individually

ADDENDUM TO
SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED AREA DEVELOPMENT AGREEMENT
(State of Illinois)

THIS ADDENDUM is entered into as of _____, 20____ between Super Magnificent Coffee Company Ireland Limited, a company organized under Irish law ("Company"), and _____, a _____ ("Developer"), with reference to the following:

1. Company and Franchisee have entered into an Super Magnificent Coffee Company Ireland Limited Area Development Agreement dated as of _____, 20____, (the "Development Agreement").

2. The parties wish to modify the Development Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree that to amend the Development Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Development Agreement, and in particular Section 5.1 thereof, Developer shall pay the Initial Development Fee to Company when Company has fulfilled its initial obligations to Developer and Developer's first "The Coffee Bean & Tea Leaf" business opens to the public. The Illinois Attorney General's Office imposed this deferral requirement due to Franchisor's financial condition.

2. The following shall be deemed added to Section 13.2:

Developer must ensure that its Gross Revenues from the sale of coffee, espresso drinks or premium teas is not less than 80% of its total Gross Revenue from the sale of all food and drinks or the Development Agreement can be terminated.

Developer may be required to provide an irrevocable, unconditional standby Letter of Credit for $20,000 for each Franchise Agreement Developer signs. The Franchise Agreements or Development Agreement can be terminated if Developer fails to obtain and maintain the Letter of Credit.

3. The following shall be deemed added to Section 16.8:

"Illinois law, as amended, shall apply to any franchise offered or sold in Illinois, notwithstanding anything to the contrary contained in this Agreement."

4. The following shall be deemed added to Section 15.1:

"However, the waiver in this paragraph shall not apply to the extent prohibited by Section 705/41 of the Illinois Franchise Disclosure Act of 1987 which provides that "Any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of this Act or any other law of this State is void. This Section shall not prevent any person from entering into a settlement agreement or executing a general release

regarding a potential or actual lawsuit filed under any of the provisions of this Act, nor shall it prevent the arbitration of any claim pursuant to the provisions of Title 9 of the United States Code" or Illinois Regulations at Section 200.609."

"However, any provision in the Development Agreement that designates jurisdiction or venue in a forum outside of the State of Illinois is void under section 4 of the current Illinois Franchise Disclosure Act, although the Development Agreement may provide for arbitration in a forum outside of the State of Illinois."

Except as set forth herein, the Development Agreement shall be valid and enforceable between the parties in accordance with its terms.

"**Company**"

Super Magnificent Coffee Company Ireland Limited

_____ _____

Date of Execution Name:_____

Its:_____

"**Franchisee**"

_____ _____,

Date of Execution [ ] an individual;

[ ] a _____ general partnership;

[ ] a _____ limited partnership;

[ ] a _____ limited liability company;

[ ] a _____ corporation

_____

Name:_____

Its: _____, and individually

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF MARYLAND

The following information applies to franchises and franchisees subject to Maryland statutes and regulations. Item numbers correspond to those in the main body of the disclosure document:

1. Item 17.

The Franchise Agreement provides for termination if you are insolvent under any applicable state or federal law. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Section 101 et seq.).

2. Item 17.

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

4. Item 17.

The general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

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

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT
(State of Maryland)

This Addendum relates to franchises sold in Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Franchise Agreement, SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED and Franchisee agree to amend the Franchise Agreement as follows:

1. Release. Sections 3.4.5, 13.2 and 13.4 of the Franchise Agreement are amended to provide that any release required as a condition of assignment or renewal will not apply to liability under the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law").

2. Consent to Jurisdiction. Section 14 of the Franchise Agreement is amended to provide that, under the Maryland Franchise Law, any litigation involving claims arising under the Maryland Franchise Law that are not subject to arbitration may be brought in Federal District Court in Maryland.

3. Statute of Limitations. Any limitation on the period of the time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing claims arising under the Maryland Franchise Law.

4. Acknowledgments. Article 22 of the Franchise Agreement is amended by the addition of the following at the end of such Section: "The representations made herein are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

5. Construction. In all other respects, the Franchise Agreement will be construed and enforced in accordance with its terms.

"Company"

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

By: _____
Name: _____
Its: _____
Date of signing: _____

"Franchisee"

_____,
[ ] an individual
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation;
By: _____
Name: _____
Its: _____
Date of signing: _____

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED AREA DEVELOPMENT AGREEMENT
(State of Maryland)

This Addendum relates to franchises sold in Maryland and is intended to comply with Maryland statutes and regulations. In consideration of the execution of the Area Development Agreement, SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED and Franchisee agree to amend the Area Development Agreement as follows:

1. Release. Sections 4.4.5, 6.3.4 and 7.2.2(j) of the Area Development Agreement are amended to provide that any release required as a condition of assignment or renewal will not apply to liability under the Maryland Franchise Registration and Disclosure Law (the "Maryland Franchise Law").

2. Consent to Jurisdiction. Sections 8.3.2, 11.8, and 13.3 of the Area Development Agreement are amended to provide that, under the Maryland Franchise Law, any litigation involving claims arising under the Maryland Franchise Law that are not subject to arbitration may be brought in Federal District Court in Maryland.

3. Statute of Limitations. Any limitation on the period of the time mediation and/or litigation claims must be brought shall not act to reduce the 3 year statute of limitations afforded a franchisee for bringing claims arising under the Maryland Franchise Law.

4. Acknowledgments. Article 14 of the Area Development Agreement is amended by the addition of the following at the end of such Section: "The representations made herein are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

5. Construction. In all other respects, the Area Development Agreement will be construed and enforced in accordance with its terms.

"Company"

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED

By: _____
Name: _____
Its: _____
Date of signing: _____

"Franchisee"

_____,
[ ] an individual
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation;
By: _____
Name: _____
Its: _____
Date of signing: _____

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF MINNESOTA

The following information applies to franchises and franchisees subject to Minnesota statutes and regulations.

NSF checks and related interest and attorneys' fees are governed by Minnesota Statute §604.113, which puts a cap of $30 on initial service charges and requires notice and opportunity to cure prior to assessing interest and attorneys' fees.

Minnesota Stat. § 80C.21 and Minnesota Rules 2860.4400(J) prohibit the franchisor from: (i) requiring litigation to be conducted outside Minnesota; (ii) requiring waiver of a jury trial; and (iii) requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. Nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce (i) any of the franchisee's rights as provided for in Minnesota Franchise Act or (ii) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, the franchisor will comply with Minn. Stat. § 80C.14, subd. 3-5, which require good cause and except in certain specified cases (i) that a franchisee be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the franchise agreement and (ii) that consent to the transfer of the franchise will not be unreasonably withheld.

Minnesota Rules 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a release that would relieve any person from liability imposed by Minnesota Statutes, Chapter 80C.

The franchisee cannot be required to consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400(J). Also, a court will determine if a bond is required.

The Limitations of Claims section must comply with Minnesota Stat. § 80C.17, subd. 5.

Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

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

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT FOR THE STATE OF MINNESOTA

THIS ADDENDUM is entered into as of _____, 20____ between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into a SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED Franchise Agreement dated as of _____, 20____, (the "Franchise Agreement").

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

1. Minnesota Statutes, Section 80C.21 and Minnesota Rule 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See Minn. Rules 2860.4400J. Also, a court will determine if a bond is required.

2. With respect to franchises governed by Minnesota law, Company will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the Franchise Agreement.

3. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Sections 2.3(c), 6.12(g), 8.2 and 10.2 thereof, any general release the Franchisee is required to assent to shall not apply to any liability Company may have under the Minnesota Franchise Act.

4. Minnesota Rule 2860.4400J prohibits us from requiring you to waive your rights to a jury trial. The provision in Section 15.13 of the Franchise Agreement waiving your rights to a jury trial is hereby deleted and shall have no force or effect.

5. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particularly Section 8.7 thereof, Company will indemnify Franchisee for all costs and expenses it incurs in any action or proceeding brought against Franchisee by any third party as a result of Franchisee's authorized use of Company's trademarks.

6. The Limitations of Claims section must comply with Minnesota Stat. § 80C.17, subd. 5.

7. Minnesota Rules 2860.4400(G) prohibits a franchisor from imposing on a franchisee by contract or rule, whether written or oral, any standard of conduct that is unreasonable.

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

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

"Company"	"Franchisee"
Super Magnificent Coffee Company Ireland Limited, a corporation organized under Irish law	_____,
	[ ] an individual
	[ ] a general partnership;
	[ ] a limited partnership;
	[ ] a limited liability company;
By: _____	[ ] a corporation;
Name: _____	By: _____
Its: _____	Name: _____
Date of signing:_____	Its: _____
	Date of signing:_____

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF NEW YORK

1. The following information is added to the cover page of the Franchise Disclosure Document:

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NEW YORK 10005. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

2. The following is added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective

order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the "Summary" sections of Item 17(c), titled "**Requirements for franchisee to renew or extend**," and Item 17(m), entitled "**Conditions for franchisor approval of transfer**":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the "Summary" section of Item 17(d), titled "**Termination by franchisee**":

You may terminate the agreement on any grounds available by law.

8. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF NORTH DAKOTA

1. Item 17, "Renewal, Termination, Transfer and Dispute Resolution," shall be amended by the addition of the following paragraphs:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

a. Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to this statute.

b. Situs of Arbitration Proceedings: Franchise Agreements providing that the parties must agree to the arbitration of the disputes at a location that is remote from the site of the franchisee's business.

c. Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

d. Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties.

e. Applicable Laws: Franchise Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

f. Waiver of Trial by Jury: Requiring North Dakota franchisees to consent to the waiver of a trial by jury.

g. Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

h. General Release: Franchise Agreements that require the franchisee to sign a general release upon renewal of the Franchise Agreement.

i. Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

2. Item 17(r) in the table is modified by adding the following to the summary description opposite the subsection entitled "Non-competition covenants after the franchise is terminated or expires":

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT FOR THE STATE OF NORTH DAKOTA

THIS ADDENDUM is entered into as of _____, 20____ between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into a SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED Franchise Agreement dated as of _____, 20____, (the "Franchise Agreement").

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Sections 2.3 and 10.2 thereof, any general release the Franchisee is required to assent to shall not apply to any liability Company may have under the North Dakota Franchise Investment Law.

2. The following caveat is added to Section 12.4:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties

3. The following caveat is added to Section 12.4:

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

4. Notwithstanding anything to the contrary set forth in the Franchise Agreement, and in particular Section 12.2.3 and Articles 18 and 19 thereof, the Franchise Agreement and the legal relations among the parties to the Franchise Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota.

5. The following caveat is added to Articles 9 and 15 of the Franchise Agreement:

"The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

Applicable Laws: Franchise Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies."

6. Sections 15.9 of the Franchise Agreement are amended by the addition of the following language to the original language that appears therein:

"The site of the arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business."

7. Section 15.13 of the Franchise Agreement is amended by the addition of the following language to the original language that appears therein:

"This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota."

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

"Company"

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED a corporation organized under Irish law

By: _____
Name: _____
Its: _____
Date of signing: _____

"Franchisee"

_____,
[ ] an individual
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation;
By: _____
Name: _____
Its: _____
Date of signing: _____

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED AREA DEVELOPMENT AGREEMENT FOR THE STATE OF NORTH DAKOTA

THIS ADDENDUM is entered into as of _____, 20____ between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into a SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED Area Development Agreement dated as of _____, 20____, (the "Area Development Agreement").

2. The parties wish to modify the Area Development Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Area Development Agreement as follows:

1. Notwithstanding anything to the contrary set forth in the Area Development Agreement, and in particular Section 3.2.3 thereof, any general release the Franchisee is required to assent to shall not apply to any liability Company may have under the North Dakota Franchise Investment Law.

2. The following caveat is added to Section 11.4:

The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Liquidated Damages and Termination Penalties: Requiring North Dakota Franchisees to consent to liquidated damages or termination penalties

3. The following caveat is added to Article 10:

"Covenants not to compete such as those mentioned above are generally considered unenforceable in the State of North Dakota."

4. Notwithstanding anything to the contrary set forth in the Area Development Agreement, and in particular Articles 15 and 16 thereof, the Area Development Agreement and the legal relations among the parties to the Area Development Agreement shall be governed by and construed in accordance with the laws of the State of North Dakota.

5. The following caveat is added to Articles 15 and 16 of the Area Development Agreement:

"The Securities Commissioner has held the following to be unfair, unjust or inequitable to North Dakota franchisees (Section 51-19-09, N.D.C.C.):

Restriction on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

Applicable Laws: Area Development Agreements which specify that they are to be governed by the laws of a state other than North Dakota.

Waiver of Exemplary & Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

Limitation of Claims: Area Development Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies."

6. Article 15 of the Area Development Agreement are amended by the addition of the following language to the original language that appears therein:

"The site of the arbitration or mediation will be agreeable to all parties and may not be remote from the franchisee's place of business."

7. Section 16.8 of the Area Development Agreement is amended by the addition of the following language to the original language that appears therein:

"This section shall not in any way abrogate or reduce any rights of the Franchisee as provided for in the North Dakota Franchise Investment Law, including the right to a trial by jury and the right to submit matters to the jurisdiction of the Courts of North Dakota."

Except as set forth herein, the Area Development Agreement shall be valid and enforceable between the parties in accordance with its terms.

"Company"

SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED a corporation organized under Irish law

By: _____
Name: _____
Its: _____
Date of signing: _____

"Franchisee"

_____,
[ ] an individual
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation;
By: _____
Name: _____
Its: _____
Date of signing: _____

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED DISCLOSURE DOCUMENT FOR THE STATE OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for Super Magnificent Coffee Company Ireland Limited for use in the Commonwealth of Virginia shall be amended as follows:

Additional Disclosure: The following statements are added to Item 17.h:

Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED FRANCHISE AGREEMENT FOR THE STATE OF VIRGINIA

THIS ADDENDUM is entered into as of _____, 20____ between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into a SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED Franchise Agreement dated as of _____, 20____, (the "Franchise Agreement").

2. The parties wish to modify the Franchise Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Franchise Agreement as follows:

1. The following shall be deemed added to Section 11.6 of the Franchise Agreement: Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

Except as set forth herein, the Franchise Agreement shall be valid and enforceable between the parties in accordance with its terms.

"Company"	"Franchisee"
	_____,
Super Magnificent Coffee Company Ireland Limited, a corporation organized under Irish law	[ ] an individual [ ] a general partnership; [ ] a limited partnership; [ ] a limited liability company; [ ] a corporation;
By: _____	By: _____
Name: _____	Name: _____
Its: _____	Its: _____
Date of signing:_____	Date of signing:_____

ADDENDUM TO SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED AREA DEVELOPMENT AGREEMENT FOR THE STATE OF VIRGINIA

THIS ADDENDUM is entered into as of _____, 20____ between **SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED**, a corporation organized under Irish law ("Company"), and _____, a _____ ("Franchisee"), with reference to the following:

1. Company and Franchisee have entered into a SUPER MAGNIFICENT COFFEE COMPANY IRELAND LIMITED Area Development Agreement dated as of _____, 20__, (the "Development Agreement").

2. The parties wish to modify the Development Agreement, upon the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree to amend the Development Agreement as follows:

1. The following shall be deemed added to Section 11.6 of the Development Agreement: Under Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the franchise agreement does not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

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

Except as set forth herein, the Development Agreement shall be valid and enforceable between the parties in accordance with its terms.

"Company"

Super Magnificent Coffee Company Ireland Limited, a corporation organized under Irish law

By: _____
Name: _____
Its: _____
Date of signing:_____

"Franchisee"

_____,
[ ] an individual
[ ] a general partnership;
[ ] a limited partnership;
[ ] a limited liability company;
[ ] a corporation;
By: _____
Name: _____
Its: _____
Date of signing:_____

Exhibit "I"
Receipt

STATE EFFECTIVE DATES

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	Exempt
Hawaii	Pending
Illinois	Exempt
Indiana	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Exempt
North Dakota	Pending
Rhode Island	Pending
South Dakota	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

RECEIPT

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

If Super Magnificent Coffee Company Ireland Limited offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Certain states, including New York, may 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. Certain states including Michigan may require that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Super Magnificent Coffee Company Ireland Limited 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 Exhibit G.

The franchisor is Super Magnificent Coffee Company Ireland Limited, at 550 S. Hope St, Suite 2100 Los Angeles, CA 90071. Its telephone number is (310) 237-2326.

Issuance Date: June 14, 2024

The following is the name, principal business address and telephone number of each franchise seller offering this franchise [check as applicable]:

☐ Prabs Moodley, 550 S. Hope St, Suite 2100 Los Angeles, CA 90071 (310) 237-2326.
☐ Brian Bahreman, 550 S. Hope St, Suite 2100 Los Angeles, CA 90071 (310) 237-2326.
☐ Michelle Reap, 550 S. Hope St, Suite 2100 Los Angeles, CA 90071 (310) 237-2326.
☐ Britt Flores, 550 S. Hope St, Suite 2100 Los Angeles, CA 90071 (310) 237-2326.
☐ _____
☐ Additional list of franchise sellers is attached to this receipt.

I have received a disclosure document dated June 14, 2024 that included the following Exhibits:

Exhibit "A-1"	Traditional Franchise Agreement and Lease Addendum	Exhibit "F"	Lists of Franchisees and Developers
Exhibit "A-2"	SDS Franchise Agreement	Exhibit "G"	List of State Regulatory Agencies and Administrators and Agents for Service of Process
Exhibit "B"	Area Development Agreement		
Exhibit "C"	Guaranty		
Exhibit "D"	Financial Statements	Exhibit "H"	State Addenda
Exhibit "E"	Table of Contents of Operations Manual	Exhibit "I"	Receipt

Date:_____

Prospective Franchisee:
By:_____
Name:_____
Individually and on behalf of the following entity:
Company Name:_____
Title:_____

RECEIPT

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

If Super Magnificent Coffee Company Ireland Limited offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

Certain states, including New York, may 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. Certain states including Michigan may require that we give you this disclosure document at least 10 business days before execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If Super Magnificent Coffee Company Ireland Limited 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 Exhibit G.

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Exhibit "C"	Guaranty		
Exhibit "D"	Financial Statements	Exhibit "H"	State Addenda
Exhibit "E"	Table of Contents of Operations Manual	Exhibit "I"	Receipt

Date:_____

Prospective Franchisee:
By:_____
Name:_____
Individually and on behalf of the following entity:
Company Name:_____
Title:_____