FRANCHISE DISCLOSURE DOCUMENT
FOR PROSPECTIVE FRANCHISEES

DUNN BROS COFFEE FRANCHISING, INC.
2335 West Highway 36, Suite 201
Roseville, MN 55113
Telephone Number (612) 334-9746
www.dunnbrothers.com
franchiseinfo@dunnbros.com

The franchise offered is for the operation of a DUNN BROTHERS COFFEE® shop at an authorized location. A DUNN BROTHERS COFFEE shop is a retail outlet in which you will use state of the art, micro-roasting techniques to allow you to produce daily, fresh-roasted, high-quality coffee and sell this coffee at the peak of its aromatic freshness. DUNN BROTHERS COFFEE shops also offer on-site baking and feature fresh bakery items such as breads and pastries, breakfast and lunch sandwiches, salads, wraps, desserts, and other food offerings as we designate.

The total investment necessary to begin operation of a DUNN BROTHERS COFFEE shop is from $421,020 to $700,932. This includes $37,500 that must be paid to us for your first franchise or $32,500 that must be paid to us if you already operate a DUNN BROTHERS COFFEE shop.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Franchise Development at 2335 West Highway 36, Suite 201, Roseville, Minnesota 55113, (612) 334-9746.

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

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer's Guide to Buying a Franchise," which can help you understand how to use this disclosure document, is available from the Federal Trade Commission. You can contact the FTC at 1-877-FTC-HELP or by writing to the FTC at 600 Pennsylvania Avenue, NW, Washington, 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: September 7, 2021

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 Exhibits C and D.
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 E 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 Dunn Brothers Coffee 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 Dunn Brothers Coffee franchisee?	Item 20 or Exhibits C and D 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 Franchise *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 delegates. These items may be more expensive than similar items you could buy or 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 the 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 risks be highlighted:

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

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.

NOTICE REQUIRED
BY
STATE OF MICHIGAN

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

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

(a) A prohibition on the right of a franchisee to join an association of franchisees.

(b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

(c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

(d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) the term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

(e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

(f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.

THIS MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.

(g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:

(i) The failure of the proposed transferee to meet the franchisor's then-current reasonable qualifications or standards.

(ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

The fact that there is a notice of this offering on file with the attorney general does not constitute approval, recommendation, or endorsement by the attorney general.

Any questions regarding this notice should be directed to the Department of Attorney General, State of Michigan, 670 Law Building, Lansing, Michigan 48913, telephone (517) 373-7117.

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Item 1

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

To simplify the language in this disclosure document, "Dunn Brothers" or "we" means Dunn Bros Coffee Franchising, Inc., the franchisor. "You" means the person who buys the franchise. If the franchisee is a corporation, limited liability company, partnership or other entity, "you" may also mean its owners. Certain provisions of the franchise agreement will apply specifically to your owners and will be noted in this disclosure document.

Dunn Brothers is a Minnesota corporation incorporated on November 20, 1998 as Ceefay Franchising, Inc. We changed our name to Dunn Bros Coffee Franchising, Inc. in 2001. Our principal business address is 2335 West Highway 36, Suite 201, Roseville, Minnesota 55113; telephone: (612) 334-9746. We do business under our corporate name and Dunn Brothers Coffee.

We are affiliated with CEEFAY Leasing, LLC ("CEEFAY Leasing"). CEEFAY Leasing has owned DUNN BROTHERS COFFEE shops as noted below in Item 1 and Item 20, since 1994. CEEFAY Leasing has never offered franchises in any line of business. CEEFAY Leasing's principal business address is the same as our principal business address.

We are also affiliated with Dunn Brothers Alternate Channels, LLC ("DBAC"), a wholly-owned subsidiary of CEEFAY Leasing, which sells DUNN BROTHERS COFFEE branded single serve coffee, portion packaged coffee, bulk whole bean coffee, tea and other related products at wholesale to grocery stores, offices, hospitality venues and other retail channels including the internet. DBAC sells these products directly or through designated distributors for purchase by DUNN BROTHERS COFFEE franchisees for sale in their Shops or for their wholesale accounts. DBAC has never offered franchises in any line of business. DBAC's principal business address is the same as our principal business address.

Our agents for service of process are identified in Exhibit G.

We grant franchises (individually, a "Franchise" and collectively, the "Franchises") to qualified persons for the right to own and operate a DUNN BROTHERS COFFEE® shop (the "Coffee Shop" or "Shop"). We have offered DUNN BROTHERS COFFEE franchises directly or (as stated below) through a license agreement since April 1999. We also are in the business of administering our franchise system. We, CEEFAY Leasing or DBAC may sell at wholesale some of the Products (as defined below) periodically to franchisees and other businesses which may compete with you. We have not previously offered franchises in any other line of business.

We purchased the DUNN BROS COFFEE name and other trademarks (the "Trademarks") from our predecessor Roaster's Edge, Inc., a Minnesota corporation ("Roaster's Edge"), on April 4, 2001. Before April 4, 2001, we offered DUNN BROS COFFEE franchises under a license agreement with Roaster's Edge dated November 20, 1998. That license agreement was terminated as of April 4, 2001, when we purchased the Trademarks. Before the termination of the license agreement in 2001, we did issue sublicenses to a few entities, and the one remaining sublicense, DBC, Inc. ("DBC"), is different than the franchise described in this disclosure document. In April 2014, we changed the name of the franchises being offered to "DUNN BROTHERS COFFEE."

Other than as described above, we have no predecessors, parents or affiliates required to be disclosed.

As of December 31, 2020, we had 59 franchised Shops, and CEEFAY Leasing had 4 company-owned Shops. CEEFAY Leasing also operates a fast-casual dining café within a medical center under the mark "Eatery" by Dunn Brothers.

The Franchise granted to you is the right to own and operate a DUNN BROTHERS COFFEE Shop (the "Business") at an authorized location under the Trademarks and pursuant to our standards and specifications (the "System"). You will have to sign the standard DUNN BROTHERS COFFEE Franchise Agreement (the "Franchise Agreement") which is included in this disclosure document as Exhibit A. We issue DUNN BROTHERS COFFEE Franchises for locations in store fronts and malls, office buildings, stand alone drive thru buildings and or other similar locations. You will operate your Business under the name DUNN BROTHERS COFFEE and will use the DUNN BROTHERS COFFEE trademark and other trademarks for which we hold licensing rights.

We also offer a DUNN BROTHERS COFFEE Development Agreement (the "Development Agreement"). Under the Development Agreement, we generally offer the right to open 2 Shops (if you are an existing DUNN BROTHERS COFFEE franchisee) or 3 Shops (if you are a new DUNN BROTHERS COFFEE franchisee) over a defined period of time in a defined area, as we determine. The term of your Development Agreement generally will be 2 to 3 years and will require you to open your first Shop within 12 months from the date of your Development Agreement, open your second Shop within 24 months from the date of your Development Agreement and open your third Shop (if applicable) within 36 months from the date of your Development Agreement. Occasionally, we may allow franchisees that meet certain criteria (including financial criteria) the right to open more than 3 Shops over a longer period of time. A copy of the Development Agreement is included in this disclosure document as Exhibit B.

In certain cases, we may grant franchises for non-roasting locations such as i) malls or skyways which are high traffic areas with equipment space limitations, or ii) multi-unit franchisees where a franchisee can roast coffee at one location for all of its locations. These non-roasting locations will not include an on-site roaster. If you acquire a franchise to operate a Non-Roasting DUNN BROTHERS COFFEE Shop, you will sign the Franchise Agreement and a Non-Roasting DUNN BROTHERS COFFEE Addendum in the form attached to the Franchise Agreement. Except as stated otherwise, the information disclosed in this disclosure document applies to both types of locations.

DUNN BROTHERS COFFEE Shops use state of the art roasting techniques which allow you to produce daily, fresh roasted, high quality coffee and sell this coffee at the peak of its aromatic freshness. These roasting techniques are what sets DUNN BROTHERS COFFEE Shops apart from the competition. You must use in-store roasting to produce all coffee and coffee beans offered for sale, unless you operate a Non-Roasting DUNN BROTHERS COFFEE Shop as described in the previous paragraph. The Shops feature the sale of fresh roasted coffee beans, brewed coffee, espresso, beverages, fresh bakery items such as breads and pastries, breakfast and lunch sandwiches, salads, wraps, desserts, and other food offerings, as well as accessories, gifts and other products and services as authorized and approved by us (collectively, the "Products"). Certain existing franchisees or franchisees in non-traditional locations may offer more limited Products.

You will sell the Products from your Shop to the general public for personal use and consumption. In addition, subject to certain restrictions, you may sell Products at wholesale or through approved catering activities. You will compete with other businesses offering similar products, including other national and regional chains and franchises, gourmet food departments of national and regional department stores, grocery stores, bulk food stores and with individual, independently owned gourmet food stores, specialty coffee stores, delicatessens, fast food operations, mail order operations and restaurants offering coffee "to go." The market for these establishments is highly competitive. Some competitors may have stores or outlets in the same mall or market as your Shop. An investment in a Shop, like any other business, involves business risks and the success of your DUNN BROTHERS COFFEE Shop is primarily dependent on your business abilities and efforts. For example, you should recognize that the fluctuating price of coffee affects you, us and our affiliates and all competing businesses.

In addition to laws and regulations that apply to businesses generally, DUNN BROTHERS COFFEE Shops are subject to various federal, state and local government regulations, including those relating to site location and building construction; storage, preparation and sale of food products; nutritional labeling requirements, liquor licenses, and health, sanitation and safety regulations. We strongly encourage you to investigate these regulations and other laws that may be applicable to your business before you purchase the franchise.

Item 2

BUSINESS EXPERIENCE

Chief Coffee Officer, Founder and Director: Marshall T. ("Skip") Fay

Skip Fay has been a Co-Founder and Director of Dunn Brothers since incorporation in November 1998. He has been the Chief Coffee Officer since March 2017. Skip was the Co-Chief Executive Officer from December 2011 to December 2014 and the Vice-President of Dunn Brothers from November 1998 until April 2009. Skip also has been the Co-Founder and Director of CEEFAY Leasing since 1994. Since March 2017, Skip has been the Chief Executive Officer of DBAC. Prior to that, Skip was the Co-Chief Executive Officer of DBAC since its inception in January 2015. Since 1994, he has operated DUNN BROTHERS COFFEE shops in the Minneapolis, Minnesota, area.

Director, Chief Executive Officer and President: Kim H. Plahn

Kim has been the Chief Executive Officer of Dunn Brothers since March 2020, the President since April 2009 and a Director since January 2010. She was Chief Financial Officer of Dunn Brothers from January 2007 until January 2019. Kim has also been the Chief Executive Officer of CEEFAY Leasing since March 2020 and the President of since April 2009. She was also the Chief Financial Officer of CEEFAY Leasing from January 2007 to January 2019. From January 2015 to January 2019, Kim was the Treasurer of DBAC.

Executive Director of Marketing: Jim Macchitelli

Jim has been the Executive Director of Marketing of Dunn Brothers since January 2019. From September 2015 to January 2019, Jim was the Managing Partner for Celts Craft House, an authentic Irish Pub in Apple Valley, Minnesota. From August 2016 to February 2017, Jim was the Vice President of Marketing for Granite City Food & Brewery in Bloomington, Minnesota. From February 2015 to August 2016, Jim was the Director of Digital Marketing for CSM Corporation in Minneapolis, Minnesota.

Director of Operations and The Guest Experience: Gregg Rosenburg

Gregg has been the Director of Operations and Guest Experience of Dunn Brothers since May 2021. From April 2015 to May 2021, Gregg was s Senior Field Consultant for Dunn Brothers.

Director: Shale A. Nyberg

Shale has been a Director and shareholder of Dunn Brothers since June 1999. Shale has been employed with Wells Fargo Securities, LLC, in Minneapolis, Minnesota, since January 1987 and is currently a Director of Fixed Income Sales.

Item 3

LITIGATION

No litigation is required to be disclosed in this Item.

Item 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

Item 5

INITIAL FEES

You must pay to us "Initial Franchise Fees" of $37,500 for the first Franchise Agreement you sign for a DUNN BROTHERS COFFEE Shop. These Initial Franchise Fees for your first Shop include $5,000 for the franchise rights, $25,000 for training and support from us to open your Shop and $7,500 for grand opening marketing. The Initial Franchise Fees for franchisees who have at least one DUNN BROTHERS COFFEE Shop in operation are $32,500 and include $5,000 for franchise rights, $20,000 for training and support from us to open your Shop and $7,500 for grand opening marketing. The Initial Franchise Fees are payable when you sign the Franchise Agreement.

If you cannot find a location acceptable to us (you must receive our written consent to any proposed location) within 6 months after you sign the Franchise Agreement, you can, on or before the 6 month anniversary of the date you sign the Franchise Agreement: (i) request a refund of the Initial Franchise Fees, less $10,000; or (ii) request an additional period of 3 months within which to find a location and obtain our consent to that location. If you request an extension as described above and do not find a location and obtain our consent within the additional 3-month period, we will not refund any portion of your Initial Franchise Fees. Any amounts that we refund, as described in this paragraph, will be refunded within 60 days after your request. In addition, after successful completion of any portion of the training portion of the initial training program, the Initial Franchise Fees are not refundable. However, we will refund the Initial Franchise Fees, less $15,000, for our expenses incurred in providing services to you (including expenses incurred for processing the application, travel expenses, attorneys' fees and other related costs), if you do not successfully complete our training program. Except as described above, none of the Initial Franchise Fees are refundable in whole or in part under any circumstances.

We currently provide two programs which allow for the payment of discounted Initial Franchise Fees to franchisees willing to commit to open 2 or 3 Shops. The first program is for a new DUNN BROTHERS COFFEE franchisee to open 3 Shops for a total Initial Franchise Fees of $77,500. (These fees include $15,000 for franchise rights, $45,000 for training and support from us to open your Shops and $17,500 for grand opening marketing.) The second program is for existing DUNN BROTHERS COFFEE franchisees looking to expand and open 2 additional shops for total discounted Initial Franchise Fees of $40,000. (These fees include $10,000 for franchise rights, $20,000 for training and support from us to open your Shops and $10,000 for grand opening marketing.)

The Initial Franchise Fees are payable in full at the time you sign the Development Agreement. You will sign a separate Franchise Agreement for each Shop. Your second Shop is not required to be open until 12 months after the opening of your first Shop and your third Shop (if applicable) is not required to be open until 12 months after the opening of your second Shop. If you should enter into a Development Agreement in order to receive discounted multiple Shop Initial Franchise Fees, the Initial Franchise Fees are not refundable under any circumstances.

In addition, we may discount the Initial Franchise Fees for Shops located in Captive Market Locations (as defined in Item 12).

Item 6

OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Continuing License Fee	5% of your "Gross Sales"	On or before the 5th business day of the month following the month for which the fee is due.	See Notes 1, 2, 4 and 5
National Marketing Fund Contributions	3% of your Gross Sales. May be raised up to 4% with 90 days written notice	On or before the 5th business day of the month following the month for which the fee is due	See Notes 1, 2, 3, 4, 5 and 6

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Local Marketing	1% of your Gross Sales. May be raised up to 2% with 90 days written notice	Minimum amount must be spent during each calendar year	See Notes 2 and 6
Co-op Advertising Fee	Will vary under circumstances	When incurred	The combined amount of the National Marketing Fund Contributions, local marketing expenditures and Co-op Advertising Fees will not exceed 5% of your Gross Sales. See Note 2 and 6
Franchise Renewal Fee	25% of the then-current total Initial Franchise Fees for new DUNN BROTHERS COFFEE franchisees (which includes $5,000 for the franchise rights)	At time of renewal	If you do not sign applicable renewal documents (including our then-current franchise agreement) and pay the renewal fee before expiration of your Franchise Agreement, the renewal fee will increase by $5,000.
Transfer Fee	50% of the then-current Initial Franchise Fees for new DUNN BROTHERS COFFEE franchisees (which includes $5,000 for the franchise rights)	At time of transfer	See Note 7
Additional Training	Will vary under the circumstances	When incurred	See Note 8
Audit and Recordkeeping Costs	Will vary under circumstances	After inspection or audit	See Note 9
Interest Expenses	18% per year or the maximum rate permitted under applicable law	When due	Due on all past due fees and any other amounts owed to us or our affiliates under the Franchise Agreement
Late Fee	$50 per month	When incurred	Due on all past due fees and any other amounts owed to us or our affiliates under the Franchise Agreement

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Repair and Maintenance Expenses	Will vary under circumstances	When incurred	See Note 10
Re-imaging and Modernization Expenses	Will vary under circumstances	When incurred	See Note 11
Insurance	$2,800-$6,700 or more for annual commercial general liability and property premiums, umbrella/excess liability premiums and workers compensation / employee liability premiums which will vary under the circumstances	When premiums are due	See Item 8
POS System and Online Ordering Fees	Currently $310-$440 per month	Monthly	Payable to us, includes the point-of-sale hardware and software, KDS equipment, online ordering platform and API interface. Amount will vary based on number of terminals. See Note 12 and 13
Indemnification	Will vary under circumstances	When incurred	See Note 14
Loyalty Platform	Currently $100 monthly		Payable to us. See Note 15
Franchise Conference Fee	Currently, $100 per meeting	When incurred	If you fail to attend the Franchise Conference, we will still charge this fee
Relocation Fee	$2,000	Due when you submit a proposed new location	If you relocate your Shop, you must obtain our prior written approval and pay us the Relocation Fee. You pay all costs of relocating. Additional training costs may be required. See Note 8

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Non-Compliance Fee	Up to $500 per occurrence per day, plus $1,000 for legal costs associated with the default, if applicable.	When due	In addition to our right to terminate the Franchise Agreement, if you fail to comply with the terms of the Franchise Agreement or any standards and specifications required pursuant to the Operations Manual, you must pay us a fee in the amount assessed by us, up to a maximum of $500 per occurrence per day plus $1,000 for legal costs associated with the default, if applicable, in order to offset our costs incurred to address the default.

Notes:

(1) Except where otherwise indicated in the notes, all fees are payable to us or one of our affiliates and are not refundable. Except for certain Shops with unique characteristics (*e.g.*, airports or Shops with other unique features), all fees are uniformly imposed.

(2) "Gross Sales" means the total actual receipts for all products and services sold by the Shop, whether or not identified by the Trademarks, whether at wholesale or retail, for cash or credit or in any other way, but excluding federal, state, municipal or other sales, value added or retailer's excise taxes collected from customers and paid to the appropriate taxing authority and customer refunds and adjustments. In addition, we reserve the right to include in Gross Sales all ancillary charges or fees, including delivery service fees, that a customer pays to us or any third party in connection with the purchase of any products or services sold in connection with the Shop.

(3) DUNN BROTHERS COFFEE Shops operated by us or CEEFAY Leasing will contribute to the National Marketing Fund on the same basis you do. See Item 11 of this disclosure document for more information on marketing.

(4) You generally must sign an ACH authorization form for your business bank account. A copy of the ACH authorization is attached as an appendix to the Franchise Agreement. The authorization permits us or our affiliates to draw from your account amounts payable to us or our affiliates for products or services, including Continuing License Fees and Marketing Fees. If you do not submit to us all required reports, we reserve the right to estimate amounts payable to us or our affiliates and withdraw such amount from your business bank account. If your ACH authorization is returned by the bank for insufficient funds, we may charge you the late fee described in the chart above.

(5) Although we currently collect ongoing fees on a monthly basis, in the future, we may collect ongoing fees on a weekly basis.

(6) If a local marketing cooperative is formed in your designated market area or a part of your designated market area, you will be required to spend an amount we determine on cooperative marketing programs although the total amount you contribute to the National Marketing Fund, your local marketing expenditures and your local cooperative will not exceed 5% of your Gross Sales. See Item 11 of this disclosure document for more information on marketing.

(7) If you transfer your DUNN BROTHERS COFFEE franchise you must pay us a transfer fee equal to 50% of the then-current Initial Franchise Fees for a new DUNN BROTHERS COFFEE franchisee which includes franchise rights. See Item 17 for more information on transfers.

(8) If you desire additional training beyond our standard training program (see Item 11 of this disclosure document), you must pay us a per diem rate (currently $500 per day for one trainer) plus all room, board and travel expenses. This additional training will likely be done at your Shop. You or your manager may be required to re-attend the training program upon renewal of the Franchise Agreement. You will pay the then-current per diem training fee upon renewal, which will be due and payable at the time of the training. Additional training may also be required if a new manager is appointed for the Shop, upon transfer of the franchise, upon relocation of the franchise, if a new product or service is introduced, or if we otherwise determine that such training is necessary. You must pay all travel and living expenses of your training program attendees and those charges will be paid directly to third parties.

(9) We may at any time during business hours and without notice to you inspect and audit the records of your Business. The audits and inspections will be at our expense. However, if an audit is performed because you fail to furnish any reports, records, financial statements, tax returns or schedules required by us, or if any audit or inspection reveals that you have understated or underreported Gross Sales by an amount greater than 2%, in addition to the amounts owed to us, you must reimburse us upon demand for the cost of the inspection or audit. The cost includes the charges of any independent accountant and the travel expenses, room and board and compensation of us or the accountants. Further, if you have understated or underreported such amounts by greater than 2%, we may conduct further periodic audits and/or evaluations of your books and records as we reasonably deem necessary for up to 2 years thereafter, and you will pay all costs and expenses.

(10) You must, at your expense, maintain the premises, equipment and signage used in the operation of your Shop in accordance with Franchisor's requirements or upon Franchisor's request, including replacing worn out or obsolete fixtures, equipment, furniture, or signs, repair of the interior and exterior of your Shop, and periodic cleaning, painting and decorating. If you fail to maintain the Shop, we may enter the premises of the Shop and make the repairs for you and you must pay the entire costs to us on demand. Payments for repairs and maintenance will be made to third parties except for any equipment or supplies purchased from us or our affiliates.

(11) In addition to your requirements to maintain the condition and appearance of the Shop as described in footnote 10 above, you must, at your expense, re-image and modernize the condition and appearance of the Shop, and refurbish and modify the Shop's layout, décor and general theme (including replacements, reconstructions, additions or modifications to the site interior or exterior décor or image, equipment or signage), as we may require to maintain the condition, appearance, efficient operation, ambience and overall image of DUNN BROTHERS COFFEE shops. Payments for re-imaging and modernization will be made to third parties except for any equipment or supplies purchased from us or our affiliates.

(12) You must pay us or our designated supplier all initial and ongoing fees related to the point-of-sale system and computer system. Currently, you must pay us a fee equal to $310 to $440 per terminal per month to lease the point-of-sale system, and you must pay our third party supplier fee equal to $99 per month per Shop for firewall protection, WiFi and network support. In addition, you may be required to pay for software licensing fees, updates, supplements and modifications to the system in the future as further described in Item 11. Although not currently required, in the future we also may impose a monthly fee to cover our costs in developing, maintaining and hosting the website, our data warehouse, our online communications system or other expenses related to technology.

(13) As of the issuance date of this disclosure document, we require you utilize our online ordering platform. The fees for this service are included in the point-of-sale system fee in Note 12 for the next three years beginning on April 15, 2020. After this period ends, you may be required to pay us or our designated supplier fees for our online ordering platform. As of the issuance date of this document, we have entered into a master service agreement with two delivery service providers. All franchisees must participate in the delivery service programs.

(14) You must reimburse us, and our directors, employees, shareholders, and agents, for all losses, costs, and expenses we or they incur as a result of any claims arising directly or indirectly from your operation of the Shop, as well as costs, including attorneys' fees, of defending against them.

(15) You must pay us or our designated supplier all initial and ongoing fees related to the loyalty program and digital platform. Currently, you must pay us a fee equal to $100 per month to cover half of the loyalty monthly expense and the National Marketing Fund currently pays the other half, or $100 a month per location utilizing the loyalty platform. We may modify the fees at any time.

Item 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT FOR A DUNN BROTHERS COFFEE SHOP

Type of Expenditure	Amount (See Note 1)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Initial Franchise Fees, including training and support fees and grand opening marketing	$32,500 to $37,500 See Notes 2 and 3	Lump sum	Payable when you sign the Franchise Agreement	Dunn Brothers
Architecture Design, Approval and Permit Fees	$3,000 to $25,700 See Note 4	As incurred	Before opening	Third-party suppliers
Leasehold Improvements	$150,000 to $256,500 See Note 5	As incurred	Before opening	Landlord, third-party suppliers and contractors
Sewer and Water Access Charge	$0 to $10,000 See Note 6	Lump Sum	Before opening	Local Municipality
Prepaid Rent, Security Deposit, Utility Deposits, Business Licenses and Attorney Fees	$0 to $16,000 See Note 7	Lump sum	Before opening	Landlord
Furniture, Fixtures and Equipment	$209,220 to $241,532 See Note 8	Lump sum or financed	Usually upon placement of order	Dunn Brothers or our affiliates and third-party suppliers
Roaster and Associated Leasehold Improvements for Venting	$0 to $25,600 See Note 8	Lump sum or financed	Usually upon placement of order	Dunn Brothers or our affiliates, landlord and third-party suppliers
Drive Thru Leasehold Improvements and Equipment	$0 to $15,000 See Note 8	Lump sum or financed	Before opening	Dunn Brothers or our affiliates, landlord and third-party suppliers
Travel Expenses While Training	$0 to $4,400 See Note 9	As incurred	As incurred	Third-parties
Opening Inventory	$9,000 to $12,000 See Note 10	Lump sum	Before opening	Third-party suppliers
Insurance Premiums	$2,800 to $6,700 See Note 11	Lump sum	Before opening	Insurance companies

Type of Expenditure	Amount (See Note 1)	Method Of Payment	When Due	To Whom Payment Is To Be Made
Additional Funds - 3 Months	$14,500 to $50,000 See Note 12	As incurred	Before opening and as incurred	Dunn Brothers, our affiliates, employees, third-party suppliers
Total DUNN BROTHERS COFFEE Shop See Note 13	$421,020 to $700,932			

Notes:

(1) Except where otherwise noted, all fees that you pay to us or our affiliates are nonrefundable. Third-party lessors, contractors, and suppliers will decide if payments to them are refundable.

(2) The Initial Franchise Fees have three components. (i) $5,000 fee for franchise rights, (ii) $7,500 fee for grand opening marketing expenses (note 3) and (iii) $25,000 for training and support for a new Dunn Brothers franchisee or $32,500 for a franchisee who already owns and operates a Shop as described in Item 11.

The Initial Franchise Fees are only refundable as described in Item 5. We also offer a discounted Initial Franchise Fees for franchisees committing to open 2 to 3 Shops. See Item 5 for more information on the Initial Franchise Fees.

(3) During a 120-day period beginning 2 weeks before your Shop opens, you must spend a minimum amount of $7,500 on approved grand opening marketing. These funds will be collected upon signing of the Franchise Agreement. Franchisor will reimburse these required fees upon submission of actual costs incurred. See Item 5 for more information on discounted grand opening marketing fees for multiple store franchisees. See Item 11 for more information on advertising.

(4) We encourage you to use our designated architect for your blueprints and site plans. If you do not use our designated architect, you must pay our designated architect to review and consent to your blueprints and site plans. The current fee for the review of your blueprints and site plans is $3,000.

(5) The DUNN BROTHERS COFFEE Shop ordinarily will be leased rather than owned. We estimate that an average DUNN BROTHERS COFFEE Shop will have approximately 1,500 to 1,900 square feet. Current estimates for an average build out cost approximately $135 to $155 per square foot with the potential for landlord construction credits ranging from $20 to $35 per square foot. The exact cost will depend on several factors, including the condition of the premises, whether you elect to do more than the minimum required renovations, the landlord's agreement to reimburse you for certain improvements, the size and location of the premises for your Shop, local market conditions and other economic factors. A space previously occupied by a coffee shop or a similar use likely will result in

lower leasehold improvement costs. We must approve the leasehold improvements before you begin construction. You may incur fewer leasehold improvement expenses if you open a Non-Roasting DUNN BROTHERS COFFEE Shop.

(6) This amount estimates the connection fees for water and sewer access, assessed by the local municipality and is based on many factors include the use, rates, Shop size and seating capacity. The low end assumes these fees are paid by your landlord.

(7) You usually must pay one-month base rent as a security deposit to the landlord. We estimate that for a Shop having 1,500 to 1,900 square feet the base rent obligations will be approximately $15 to $35 per square foot, although in certain locations in major metropolitan markets the monthly base rent may be higher. In addition, landlords may require you to pay a percentage of gross sales, to which a credit in the amount of base rent is applied. Leases are usually "triple net" and therefore impose an obligation toward common area maintenance costs, insurance charges, real estate taxes and special assessments, HVAC charges, utility charges, water and sewer charges, security charges, trash removal charges, mall charges, promotional and marketing charges, food court charges, and charges for membership in a merchants association.

This amount also includes utility and security deposits, business licenses and attorneys' fees related to your purchase of the Franchise and purchase or lease of your Shop. Deposits are generally refundable, but license fees are not. Consult your legal advisor regarding his or her fees.

(8) To insure uniform quality of products and services throughout the DUNN BROTHERS COFFEE system, you must purchase or lease equipment that we have approved. The estimated initial investment assumes the franchisee purchases all equipment. You and the equipment suppliers will determine the precise amount of any initial or periodic equipment payments at the time of the transaction. The payments ordinarily are not refundable. Investment obligations beyond the initial cash outlay requirements will be necessary and you may finance at your discretion. Market forces will determine loan repayment totals and interest on borrowings will be determined by market forces at the time of any financing transaction. If you open a Non-Roasting DUNN BROTHERS COFFEE Shop, you will not have to purchase a roaster or incur costs for venting. All shops that operate out of traditional locations will have a drive thru. If you operate a Shop at a non-traditional site (such as convention centers, libraries or colleges), you will likely not have a drive thru.

(9) You must pay travel and living expenses of any person you send to training. In addition, you also may have to pay compensation to any attendee during the training program. See Items 6 and 11 for additional information on training.

(10) You must purchase your opening inventory of coffee, coffee beans, beverage-related products, food items and paper products from approved suppliers. Payments will usually be due to these suppliers when the order is placed. In the future, we or one of our affiliates may be an approved supplier of these products.

(11) Insurance estimates for annual commercial general liability and property premiums, umbrella/excess liability premiums and workers compensation/employer's liability premiums. See Item 8 for additional information on insurance.

(12) This amount estimates your initial start-up expenses not otherwise mentioned in the Table, including payroll costs, rent, advertising, taxes, small wares, paper and cleaning supplies, and telephone hook-up. It does not include product inventory costs beyond the opening inventory costs identified in the Table. The amounts are estimates, and we cannot guarantee that you will not have additional expenses starting the business. Your costs will depend on factors such as how much you follow our System, your management skills and experience, your efforts, your business acumen, local economic conditions, the local market for DUNN BROTHERS COFFEE products, the prevailing wage rate, competition, and the sales level reached during the initial period. This amount may be lower if you open a Non-Roasting DUNN BROTHERS COFFEE Shop.

(13) This total is an estimate of your initial investment and is based upon our estimate of average costs and market conditions prevailing as of the date of this disclosure document and our experience in the business. You should review these amounts carefully with a business advisor before making any decision to purchase the franchise. You are cautioned to allow for inflation, discretionary expenditures, fluctuating interest rates and other costs of financing, and local market conditions, which can be highly variable and can result in substantial, rapid and unpredictable increases in costs. Current DUNN BROTHERS COFFEE Shops may elect to have additional equipment or leasehold enhancements such as a community room, fireplace(s), patios with furniture, walk-in refrigerators and/or freezers or upgraded esthetics that are not included in our recommended shop design. You must bear any deviation or escalation in costs from the estimates in this Item 7 or estimates that we give during any phase of the development process.

If you develop a Shop under a Development Agreement, you likely will incur costs similar to those described above with the exception of a lower Initial Franchise Fee.

Item 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and uniform quality of products and services in all DUNN BROTHERS COFFEE shops, you must maintain and comply with our quality standards. Although you are not required to purchase or lease real estate from us, we must consent to the location of your Shop (see Item 11). You must follow our then current approved specifications in constructing and equipping your Shop. You also must use in your Shop equipment, hardware and software for a computerized record-keeping system, signage, fixtures, furnishings, products, supplies and advertising and sales promotion materials which meet our specifications and/or standards. Specifications and standards are described in detail in the DUNN BROTHERS COFFEE Operations Manual and other documents which we may provide to you.

Required Products. We will provide you with lists identifying "required and approved" products, ingredients, equipment, build and remodel design finishes and signage for use in a DUNN

BROTHERS COFFEE Shop (collectively sometimes referred to as "approved products"). You must purchase or acquire "required" items for use in the operation of the Shop. We reserve the right to periodically update and alter such lists and to add to or delete from such lists. In addition, you may only use recipes we approve. Sysco Corporation currently is our designated supplier for coffee beans, branded products, and other required products in most markets although we or our affiliates may supply coffee beans, branded products and other required products in the future. We will also furnish you with a list of recommended suppliers for approved products. You may obtain approved products from any source of supply indicated on the suppliers list. We or our affiliates may be a recommended supplier of certain approved products.

In addition to purchasing approved products, you must obtain and use the point-of-sale system at your Shop, as we designate. Currently, the approved point-of-sale system is a Qu Touch Dynamics Workstation running Qu POS Client SaaS Base software (collectively the "Qu POS System") and you must lease and license the Qu POS System from Qu POS, Inc. ("Qu POS") (see Item 11) and pay us monthly POS System license fees. In addition, World Pay, Inc. ("World Pay") currently is our designated supplier for credit card processing and you must purchase EMV readers from World Pay. You must comply with the Payment Card Industry Security Council regarding payment card security. You will license the Qu POS System from Qu POS, but you will pay us for all ongoing fees including lease payments which currently will be submitted in full to Qu POS.

<u>Approved Products, Supplies and Suppliers</u>. Coffee beans, branded products and other required products must be purchased from Sysco Corporation (or another supplier we designate), unless we have approved an additional product or supplier. We will consider the requests from franchisees of new suppliers unless we determine that the additional supplier would result in an inordinate number of suppliers for the approved product or unless we have negotiated with an approved supplier to offer more favorable or discounted prices, or superior product to DUNN BROTHERS COFFEE franchisees. If we consider the request, at a minimum, the vendor/supplier must meet the following requirements: its product must comply with the applicable specifications we establish; the vendor/supplier's facilities must be adequate to meet the needs of franchisees; and the vendor/supplier and its facilities must be accessible to our periodic evaluation. We may charge the cost of evaluating a proposed new vendor/supplier and/or its product to you or the vendor/supplier. We generally review any request for an additional supplier within 60 days.

We may revoke our appointment if the vendor/supplier is in violation of any of the terms of any applicable supplier agreement or if we determine in our good faith but exclusive judgment that the vendor/supplier is not meeting the standards and specifications that we have established, including: maintaining required insurance coverage, execution of a holds harmless agreement, implementation of product recall and traceability processes, and maintaining appropriate governmental agency documents such as health department and nutritional information.

We, our affiliates or our designees may sell and lease to franchisees certain products used in the franchised business, including equipment, printed paper items, uniforms and coffee accessories with DUNN BROTHERS COFFEE trademarks. You must purchase all signage for your Shop from our designated suppliers, currently Landmark Architecture Signs, Inc. and Business Impact Group (BIG). In addition, we and/or our affiliates may be the only supplier of other products because of a lack of demand for the purchase of the products from or through other sources or because of other reasons beyond our control. We may derive revenue from your purchase of products from us by charging you more than our purchase price.

You may use our authorized national preferred vendor(s) for the architectural services needed to develop your Shop. You are not required to contract with our authorized vendor(s) for architectural services. If you do not use our authorized national preferred vendor(s), however, you must pay our authorized vendor(s) a fee to review your blueprints and site plans (see Item 7 for more information on the architectural review fee).

If you operate a Shop that does not roast coffee on-site, you will need to purchase roasted coffee beans from us, our affiliates or other DUNN BROTHERS COFFEE franchisees as we direct. You cannot purchase roasted coffee beans from any other source, and we, our affiliates and other DUNN BROTHERS COFFEE franchisees will derive revenue from your purchase of roasted coffee beans by charging you more than our purchase price.

Certain officers own an interest in us and our affiliates. Otherwise, as of the date of this disclosure document, none of our officers own a material interest in a supplier.

Insurance. The Franchise Agreement requires you to purchase and maintain liability insurance in an aggregate amount that we designate periodically. In addition, the policies must name Dunn Bros Coffee Franchising, Inc. and its Affiliates as an "ADDITIONAL INSURED – Grantor of Franchise." You must provide that we will be given 30 days' prior written notice of material amendment, termination, expiration or cancellation of any policy and submit to us a copy of the certificate or other evidence we require of the issuance, renewal or extension of each insurance policy before beginning operations for the Shop and each subsequent year. Premiums are payable to your insurers in amounts and at times as your insurers require.

The insurance coverage you are required to purchase includes:

- Commercial General Liability and Property Insurance: Minimum limits of $2,000,000 each occurrence / $4,000,000 general aggregate.

- Umbrella/Excess Liability: Minimum limits of $1,000,000 each occurrence / $1,000,000 general aggregate.

- All liability insurance policies will include product liability coverage, food contamination, and other kinds of coverage that we designate, including motor vehicle liability insurance, if a motor vehicle is used in the operation of your Business and payment security insurance if deemed appropriate.

- Workers Compensation/Employers Liability: Minimum of $500,000 each accident/$500,000 policy aggregate/$500,000 each employee or minimum amount required by law.

- In the future, we reserve the right to require cyber liability insurance, Data Breach Liability and Data Breach Response Expense insurance.

We may reasonably increase the minimum liability protection requirement and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in liability litigation or other relevant changes in circumstances.

Advertising. You may use only advertising and promotional materials which we have approved for designated time periods (see Items 6 and 11 for more information on advertising).

Payments Received For Goods And Services. We will receive fees or payments from some suppliers, which amounts may or may not be reasonably related to services we or our affiliates perform.

We also may occasionally negotiate with third party suppliers so that the suppliers may offer their goods or services to franchisees at favorable or discount prices. The fees or payments we receive from suppliers may be in the form of lump sum payments or a percentage of the supplier's sales to our franchisees ranging from up to 5% to 10% or more.

During our last fiscal year ending December 31, 2020, we derived revenues of $339,004 from the sale of products to franchisees and corporate shops, or 6.6% of our total revenues of $5,108,317 based on our audited consolidated financial statements for the year ended December 31, 2020. During the fiscal year ended December 31, 2020, CEEFAY Leasing and its Affiliates received $3,502 as a result of franchisees' purchases of single serve coffee products. The revenues reflect purchases by DUNN BROTHERS COFFEE franchisees and our affiliate-owned Shops.

We estimate that your purchase of coffee, coffee beans, coffee products, food, equipment, leasehold improvements and other items which meet our standards and specifications will represent approximately 75% to 90% of the cost to establish the franchised business and 25% to 35% of the cost to operate the franchised business on an ongoing basis.

We are not aware of any purchasing or distribution cooperatives in the DUNN BROTHERS COFFEE System that offer to you certain products used in the franchised business.

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	Disclosure Document Item
a.	Site selection and acquisition/lease	Sections 3, 7A of Franchise Agreement Section 4 of Development Agreement	Items 7, 11 and 12
b.	Pre-opening purchases/lease	Sections 3, 8A-B of Franchise Agreement	Items 5, 7, and 8
c.	Site development and other pre-opening requirements	Sections 2, 3, 7, 8, 9B, 12B of Franchise Agreement Section 4 of Development Agreement	Items 7 and 11
d.	Initial and ongoing training	Section 9 of Franchise Agreement	Items 6 and 11
e.	Opening	Sections 2, 3, 7A of Franchise Agreement	Items 5 and 11
f.	Fees	Sections 6B, 10, 11, 12A, 17D of Franchise Agreement Sections 2 of Development Agreement	Items 5, 6 and 7
g.	Compliance with standards and policies/Operating Manual	Sections 2, 5, 7, 8, 9D of Franchise Agreement Section 3 of Development Agreement	Items 11 and 16
h.	Trademarks and proprietary information	Sections 5, 8B, 8G, 11 of Franchise Agreement	Items 13 and 14
i.	Restrictions on products/services offered	Sections 2, 4, 8A-G of Franchise Agreement	Items 8, 11 and 16
j.	Warranty and customer service requirements	Section 9D of Franchise Agreement Section 4 of Development Agreement	Item 16
k.	Territory development and sales quotas	None in Franchise Agreement Sections 1, 5 of Development Agreement	None
l.	Ongoing product/service purchases	Section 8 of Franchise Agreement	Items 8 and 11
m.	Maintenance, appearance and remodeling requirements	Section 7 of Franchise Agreement	Items 6 and 11
n.	Insurance	Section 12B of Franchise Agreement	Items 6 and 8
o.	Advertising	Section 11 of Franchise Agreement	Items 6, 7 and 11
p.	Indemnification	Section 12B of Franchise Agreement	None
q.	Owner's participation/ management/staffing	Section 9 of Franchise Agreement	Items 11 and 15
r.	Records/reports	Section 10 of Franchise Agreement	Item 6
s.	Inspections/audits	Section 10 of Franchise Agreement	Item 6
t.	Transfer	Sections 16, 17 of Franchise Agreement Section 8 of Development Agreement	Items 6 and 17
u.	Renewal	Section 6 of Franchise Agreement	Items 6 and 17
v.	Post-termination obligations	Section 14 of Franchise Agreement	Item 17
w.	Non-competition covenants	Section 12C of Franchise Agreement	Item 17

Obligation		Section in Agreement	Disclosure Document Item
x.	Dispute resolution	Section 15 of Franchise Agreement Section 9 of Development Agreement	Item 17

Item 10

FINANCING

We do not offer direct or indirect financing. We do not guarantee your loans, lease, or other obligations. We do not receive payments or other consideration for the placement of financing.

Item 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING

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

Pre-opening Assistance. Before you open your Shop, we will

(1) Grant to you a license to operate a DUNN BROTHERS COFFEE Shop at an authorized location (Section 2 of the Franchise Agreement).

(2) Provide training and opening assistance (as described below in this Item 11) (Section 9A of the Franchise Agreement).

(3) Provide assistance and review of grand opening marketing plan (Section 11(D) of the Franchise Agreement).

(4) Furnish to you a list of "required and approved" ingredients, recipes, products and required and approved fixtures, equipment, exteriors, supplies and signs for the Shop and list of approved suppliers of those items (Sections 8A-B of the Franchise Agreement).

(5) Provide you access to the DUNN BROTHERS COFFEE Operations Manual, which may consist of one or more manuals (referred to as the "Operations Manual"), for the Business containing specifications, standards, approved recipes and operating procedures for the Business (Section 8G of the Franchise Agreement).

(6) Provide you with (i) reasonable, limited assistance in the selection of a site for your Shop, if necessary, and (ii) our building design standards (Sections 3 and 7A of the Franchise Agreement). We must approve the site. We do not guarantee or warrant the financial success of a DUNN BROTHERS COFFEE Shop opened on the site we approve.

(7) Identify a designated territory for you, the size of which will vary from location to location. (Franchise Agreement Section 4; Development Agreement Section 1.)

Other than the obligations stated above, we do not offer any supervision, assistance or services to you before the commencement of your franchise Business.

Ongoing Assistance. During the operation of your Shop, we will

(1) Provide you with access to updated and revised material for our confidential Operations Manual (Section 8G of Franchise Agreement).

(2) Notify you if, in our judgment, the general state of repair, appearance or cleanliness of the Shop or its fixtures, equipment or signs do not meet our standards, and specify the action you must take to correct any deficiencies (Section 7C of the Franchise Agreement).

(3) Notify you of repair and maintenance requirements, and re-imaging and modernization requirements (Sections 7(D) and 7(E) of the Franchise Agreement).

(4) Establish and conduct various marketing and sales promotion programs (Sections 11A-B of Franchise Agreement).

Marketing and Sales Promotion Programs. We establish and conduct various advertising and sales promotion programs as follows.

National Marketing Fund: You must contribute to the National Marketing Fund, as described in Item 6, for the support of national marketing and promotion programs to promote the DUNN BROTHERS COFFEE System and products. We administer the National Marketing Fund. Currently, we require franchisees to contribute 3% of Gross Sales to the National Marketing Fund, although we may increase that amount to any level up to 4% with 90 days' written notice. DUNN BROTHERS COFFEE Shops operated by CEEFAY Leasing, LLC also will contribute to the National Marketing Fund on the same basis as franchisees. The National Marketing Fund is not a trust or escrow account. A limited number of DUNN BROTHERS COFFEE Shops operating under certain franchise agreements may pay more or less to the National Marketing Fund and spend more or less on local advertising, depending on the provisions of their agreement.

We have the right to use the National Marketing Fund to develop and conduct marketing strategy, programming and tools for the System that involve the following: market research, marketing programs, advertising, public relations, marketing-related customer service training programs, customer loyalty programs, merchandising programs, gift card programs and mobile loyalty and payment platforms including development costs and service fees, as well as hire professional outside resources to conduct other related promotional activities in a form and media we determine in our judgment to be appropriate. We reserve the right to reimburse ourselves for such reasonable administrative costs and overhead we incur for activities reasonably related to the administration and direction of the National Marketing Fund, including the proportionate compensation of our employees and our affiliates, who devote time and provide service in the conduct, formulation, development and production of these advertising and promotion programs or the administration of the National Marketing Fund.

We are not obligated to spend any amount on advertising in the area or territory where you are located. We also have no fiduciary obligations regarding the National Marketing Fund. For

National Marketing Fund contributions not spent in any fiscal year, the excess will be carried over for future use, unless we, in our judgment, elect to refund such amounts, pro rata, to the franchisees. Upon request, we will provide you with an unaudited financial report showing receipts and disbursements of the National Marketing Fund. The National Marketing Fund program will not be used for advertising principally directed at the sale of franchises.

During our 2020 fiscal year, 28% of the National Marketing Fund was spent on administration and support; 23% was spent on branding and design; 20% was spent on digital marketing; 20% was spent on our loyalty program; 4.5% was spent on printing costs; and 5% was spent on miscellaneous expenses.

In addition to the National Marketing Fund described above, you must spend 1% of your Gross Sales on an approved local marketing plan each calendar year, which we may request to review periodically. We reserve the right to periodically increase your required local marketing expenditures upon 90 days' notice; provided that your required local marketing expenditures will not exceed 2% of Gross Sales. Your local marketing expenditures may include contributions to marketing cooperatives as described below. If you do not spend the minimum amount required for local marketing, you must pay us the amount of the difference between what you spent on approved local marketing during the year and what you were required to spend for deposit into the National Marketing Fund.

In addition, you must conduct a grand opening marketing campaign during a 120-day period beginning 2 weeks before the Shop opens, and you must spend a minimum of $7,500 ($5,000 for subsequent Shops under a Development Agreement). We will collect the minimum amount of grand opening marketing expenses when you sign the Franchise Agreement as part of the Initial Franchise Fees. We will reimburse you for up to the minimum amount when you submit proof of actual expenses or the funds will be forfeited. All expense requests must be submitted within 150 days after the Shop opens to be eligible for reimbursement and must be expenses for approved grand opening marketing activities. You must submit a plan of grand opening marketing activities 4 weeks prior to the Shop opening for approval. Amounts spent on the grand opening campaign will not count toward your annual local marketing obligation.

We reserve the right to form local marketing cooperatives and determine the required advertising cooperative rate. We also have the right to change, dissolve or merge any cooperative and designate the bylaws and rules that govern the operation of the group, and require local marketing cooperatives to use and pay for administrative, media planning and other services that we or our designated third party vendor may provide. Each DUNN BROTHERS COFFEE Shop, including Shops that we or our affiliates own and operate, will have one vote on all matters requiring a vote. If you are operating a DUNN BROTHERS COFFEE Shop in an area where there is a local marketing cooperative, you must contribute to the cooperative marketing programs at the determined rate, but your total contribution to the National Marketing Fund, your required local marketing expenditures and contributions to any local cooperative will not exceed 5% of your Gross Sales. The local marketing cooperative must provide to any cooperative member a copy of the bylaws and rules upon request and prepare an annual unaudited statement of receipts and disbursements for cooperative members to review.

We currently prepare promotion materials to be used at the Shop for the promotion of DUNN BROTHERS COFFEE products. The sales promotion materials are designed to build consumer awareness for DUNN BROTHERS COFFEE Shops and products, encourage product trial and increase customer visit frequency. The materials may consist of required monthly promotions and events which allow the DUNN BROTHERS COFFEE System, on a market by market basis, to portray a uniform marketing message.

You may use only the sales promotion program or other marketing materials that we furnish or make available to you or as we otherwise approve. You should use the materials to build your local store marketing programs. We will not unreasonably withhold approval of any sales promotion materials that you propose to use, if your materials are factually current, conform to the highest standards of ethical advertising, and are in good condition and accurately depict the DUNN BROTHERS COFFEE trademarks and current brand positioning.

As of the issuance date of this disclosure document, we have established a Franchise Advisory Committee ("FAC") which advises us on system strategies, which may include marketing strategies and programs. Members of the FAC may nominate themselves or be nominated by another franchisee for election to the FAC. Franchisees annually vote on the nominees. The FAC typically has four meetings a year and serves in an advisory capacity only. We reserve the right to form, change or dissolve the FAC at any time.

POS System. You must lease, install and maintain a point-of-sale system at your Shop, as we designate. If you are opening a new DUNN BROTHERS COFFEE Shop, you must lease the Qu POS System from Qu POS, Inc. or from another source or sources we designate.

The Qu POS System is an electronic cash and credit management system that we began using in January 2019. Its principal functions are to: 1) collect information about the nature of sales transactions in your Shop, 2) manage that data in offsite data centers, and 3) provide a permanent financial record of those transactions. The types of information and reporting that it will collect and generate are sales by product, category and item; daily cash receipt and credit data; maintenance of product pricing information; and various other financial information to prepare management reports.

The current approved minimum components for the Qu POS system are a Qu Touch Dynamics Workstation and licensed Qu POS Client SaaS Base software, including integrated credit and gift card processing functionality.

The hardware and software is sourced from and supported through Qu POS and they currently are the only designated supplier. Currently, you must pay us a fee equal to $310 to $440 per month, dependent on the number of terminals in your Shop, for access to the Qu POS System, which we will submit in full to Qu POS. This fee may change. We have the right in the future to designate suppliers of the point-of-sale system in place of or in addition to Qu POS System. In addition, we have the right at all times to designate a single supplier of the point-of-sale system.

We have not approved compatible equivalent hardware components to the Qu POS System at this time but have the right to do so in the future.

Qu POS is contractually required to provide a certain level of ongoing maintenance, repairs, upgrades or updates. You are contractually required to make periodic upgrades and updates to the point-of-sale software that we or our designee makes available for your Shop.

As part of the integrated credit and gift card processing, you will need to purchase and maintain a monthly subscription for high-speed internet services from a provider that has the capability to work with the Qu POS System.

You also purchase EMV readers from World Pay.

In addition, you must install and maintain a hardware based firewall security system. The cost to implement and maintain the firewall system will be your responsibility. Currently, the firewall is sourced and supported through AVIT, LLC. ("AVIT") and they are currently the only designated supplier of the firewall, although we may designate another supplier in the future. Currently, you must pay AVIT $99 per month (excluding taxes) per Shop for the firewall and network support that AVIT provides. We have the right in the future to designate suppliers of the firewall system in place of or in addition to AVIT.

For the three year period beginning on April 15, 2020, our online ordering fee is included with the price you would pay to access the Qu POS System. After this period ends, you may be required to pay us or our designated supplier additional fees for our online ordering platform.

You also must insure that your point-of-sale system is continuously operational. We have the right to electronically and manually access the information generated by your point-of-sale system and other required computer systems, and you must cooperate with us to allow such access. There are no contractual limitations on our right to access the information generated by your point-of-sale system, although we may choose not to pool information from all shops.

<u>Loyalty Program</u>. You must participate in the system loyalty platform which is currently Punchh. Currently, the monthly fees for the platform are $200 of which you will pay $100 monthly to us as a pass through to the supplier, and the other $100 a month will be paid for by the National Advertising Fund. Each terminal in your Shop must be equipped with a scanner to support the loyalty program. The scanners must be from the approved list to ensure compatibility with the POS system. You are responsible for the purchase of the scanners.

<u>Computer Systems</u>. In addition to the point-of-sale system, we may require that you install computer systems, including both back office hardware and software, Internet access and firewall protection, or other existing or future communication or data storage systems ("Computer Systems"), meeting our standards, as modified periodically in response to business, operations and marketing conditions. The Computer Systems may include hardware and software components, and require you to attend training, purchase on-going support and perform periodic upgrades. The Computer Systems will be used to assist you in the operation of your DUNN BROTHERS COFFEE Shop and may allow you to perform such functions as preparing reports, organizing inventory, communicating via e-mail, e-training and accessing the Internet. You will be responsible for all costs associated with any Computer Systems we require you to install, including those relating to software licenses, training, on-going support and upgrades. You must have, at all times, high-speed wireless internet service available to all Shop customers through an established service

provider and maintain an active store-specific e-mail account. You must keep us informed of any changes to this e-mail account.

We estimate that the initial cost to install the Qu POS System and the Computer System will be approximately $1,500, and is paid to Qu POS. The cost of the EMV reader is $375 per reader and paid to World Pay. We estimate that the annual cost of the Qu POS System, including any required or optional maintenance, updating, upgrading and support, will range from $3,720 to $5,280. This range is dependent upon the number of terminals in your Shop.

You must use the email address that we provide. At the time of this disclosure document, there is no charge for this service, although we reserve the right to charge a reasonable fee to cover our costs in providing and maintaining the email accounts. We will provide you with access to a shared computer network infrastructure, including a hosted network, email, extranet, and other resources. We own all the data on the shared computer network. Users of the shared computer network must comply with our policies regarding data ownership and conduct. We may audit the shared computer network to ensure compliance with our policies. You must comply with our then-current social media policy.

Site Selection. If you already have a potential site for a DUNN BROTHERS COFFEE Shop, you may propose the location to us. We may consent to the site after we have independently evaluated it. It is solely your responsibility to locate and obtain a site which meets our standards and criteria and that is acceptable to us. If you are unable to identify a site that we approve and open your Shop within 12 months following the signing of the Franchise Agreement, we may terminate the Franchise Agreement.

The general site selection and evaluation criteria which you should consider in looking at potential sites include residential and daytime population, complimentary retail businesses and other traffic drivers, zoning, local competition, physical attractiveness of the facility, site access and visibility, traffic counts, area per capita income, parking and public transportation proximity, availability of employees, size of property, drive-thru capability in permissible trade areas, signage allowances, and similar factors. You must obtain our approval of the site and based upon that approval, you must obtain our approval of the building plans before commencing construction of the Shop. Our identification of, consent to, or acceptance of a site for a DUNN BROTHERS COFFEE Shop does not represent a guarantee, recommendation, assurance or endorsement as to the success of the site or your Shop.

You must submit a proposed location in writing for your DUNN BROTHERS COFFEE Shop to us within 6 months following the signing of the Franchise Agreement. You may request a single 3-month extension. We may terminate the Franchise Agreement if you do not do so. We will respond in writing to your request for consent of a proposed location within 30 days following the date we receive all necessary information regarding the proposed location. You must open your Shop within 12 months following the signing of the Franchise Agreement or we may terminate the Franchise Agreement.

If you enter into a Development Agreement, we and you will have agreed to a development schedule which identifies the time frame and the area in which the Shops will be developed. We will evaluate a proposed site for a Shop and deliver a Franchise Agreement for an additional Shop if, at the time of your request: (1) you receive our consent to the proposed Shop site; (2) you meet the minimum financial standards described in the Development Agreement; (3) you fully comply with all obligations and are in good standing under each existing DUNN BROTHERS COFFEE Franchise Agreement between you and us for individual Shops; and (4) you are not in default under the Development Agreement.

Development Time. The typical length of time between signing the Franchise Agreement or paying consideration for the franchise and the opening of your business will vary between 4 months and 18 months. Factors affecting this length of time usually include obtaining a satisfactory site, financing arrangements, purchase and installation of equipment, fixtures and signs, and the arrival of the opening inventory of products. This length of time is also affected by the efforts you put into opening your Shop for business.

Training. You must participate in our initial training programs before you open your Shop for business. The training program consists of operations training for additional 10-15 days. We utilize instructional materials, demonstrations and on-the-job training during the training program. The first 10 days of the operations training program will take place primarily in our corporate support center, preferred vendor training facilities, a Shop we operate and potentially a franchisee-owned Shop. The second part, New Shop Opening Support, will occur in your Shop or another DUNN BROTHERS COFFEE Shop as we determine. You and/or your manager, if any, must attend each day of training, complete the training course to our satisfaction, and successfully complete any tests we administer respecting the training program. We provide initial training for two people, provided both individuals attend training at the same time. We offer the initial training program as often as needed during the year.

You are responsible for the compensation of the trainees as well as the trainees' travel, lodging and personal expenses. We will not compensate you or your manager while in training. The initial training program is mandatory for you and/or your manager. Additional training may be required beyond the initial training program as further stated in Item 6.

Any training provided by us to any of your employees will be limited to training or guiding the employees regarding the delivery of approved services to customers in a manner that reflects the customer and client service standards of the System. You are, and will remain, the sole employer of your employees during all training programs, and you are solely responsible for all employment decisions and actions related to your employees. You must ensure that your employees receive adequate training.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of "On-the-Job" Training	Location(1)
Operations Training:			
Seed to Cup Education	5 hours	2 hours	Minneapolis, Minnesota, or a location we specify
Roasting	3 hours	24 hours	Minneapolis, Minnesota, or a location we specify

Subject	Hours of Classroom Training	Hours of "On-the-Job" Training	Location(1)
Barista and Food Training	17 hours	22 hours	Minneapolis, Minnesota, or a location we specify
Guest Service and Sales	4.5 hours		Minneapolis, Minnesota, or a location we specify
Product Procurement and Marketing	2.5 hours		Minneapolis, Minnesota, or via Internet
Qu POS System, Back Office Computer and Financial Management (3)	3 hours		Minneapolis, Minnesota, or a location we specify
Store Pre-Opening Preparation Store Build Timeline	20 hours		via phone and / or internet
New Shop Opening Support: (4)			
Roasting		8 hours	Your Shop
Barista and Food Training		46 hours	Your Shop
Friends and Family Training Event		4 hours	Your Shop
Guest Service and Sales		4 hours	Your Shop
Qu POS System, Back Office Computer and Financial Management		10 Hours	Your Shop
Live Opening Support		44 hours	Your Shop
Post Opening Support		18 hours	Over the Phone and at your Shop
Totals	**55 hours**	**218 hours**	

(1) The instructional materials for each subject consist of the Operations Manual, lecture, instructional materials, hands-on demonstration and practice in a Shop we operate or a franchisee-owned Shop and your Shop. Some of the classroom training may be conducted online.

(2) Gregg Rosenburg is responsible for coordinating all training program activities. Gregg has been our Director of Operations and Guest Experiences since May 2021. Gregg has been in the family dining and food service businesses since 2003. Any other individual involved in training will have at least one year of experience in the subject that the individual teaches.

(3) We may determine that you need training from a third party in areas such as computer operations or accounting. In such case, you must attend a course or courses approved by us and you shall bear all costs in connection with those courses.

(4) We will send a minimum of 3 representatives to your Shop to assist you in opening your Shop. Typically, our representatives will be at your Shop during a 7- to 8-day period during the opening of your Shop.

(5) You are solely responsible for training all individuals employed by you.

Operations Manual. We will provide you access to our DUNN BROTHERS COFFEE Operations Manual after you sign the Franchise Agreement. The Operations Manual contains proprietary information and you must keep such information confidential as stated in Item 14 of this disclosure document. A copy of the Table of Contents as of the issuance date of this disclosure document is included as Exhibit F to this disclosure document.

Item 12

TERRITORY

Franchise Agreement. We grant you the right to operate a DUNN BROTHERS COFFEE Shop at an authorized location only. You may receive a designated territory, the size of which will vary depending on the location of your Shop and the trade area dynamics. In high population density areas with urban characteristics you generally will receive a designated territory of at least one city block. In other areas with less population density, you generally will receive a designated territory of at least one city block or larger from the approved location that approximates the area of primary sales opportunity determined by our working knowledge of the trade area, roadways and/or a third party site assessment tool such as a drive-time map.

Your designated territory will be determined after you have selected the exact location of your Shop and we have approved of that location in writing. Your designated territory does not include any Captive Market Locations. In addition, if your Shop is located in a Captive Market Location, you may not receive a designated territory. The term "Captive Market Locations" includes regional, enclosed or similarly situated shopping centers or malls, airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores and other locations that do not have direct street access.

Your designated territory may be defined by identifiable boundaries. The boundaries of the designated territory may be shaped, at our sole discretion, to match the population criteria, street or walk by traffic patterns and natural geographic features, such as bodies of water, interstate highways and other features that normally define guest trip patterns.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. So long as you are not in default under the Franchise Agreement, however, neither we nor our affiliates will operate or franchise a DUNN BROTHERS COFFEE Shop in your designated territory (if any). We make no commitment that we will not establish new DUNN BROTHERS COFFEE Shops in proximity to the boundaries of any territory granted to you. We reserve the right to issue franchises or have competing company-operated businesses under the DUNN BROTHERS COFFEE trademarks or different trademarks or trade names in any Captive Market Location within or outside your designated territory or at locations near the boundaries of any territory granted to you. We and our affiliates also reserve the right to issue competing franchises or operate competing businesses in your designated territory only if the business is operated under different trademarks or trade names. In addition, we and our affiliates have the right to distribute products identified by the DUNN BROTHERS COFFEE trademarks, or any other trademarks, service marks, trade names and commercial symbols, through any distribution channels or methods within or outside your designated territory without compensation to you, including the Internet (or any other existing or future form of electronic commerce), direct mail or any other type of mass marketing, which periodically may be established or licensed by us or our affiliates. DBAC currently distributes single serve coffee, portion packaged coffee, bulk whole bean coffee, tea and other related products under DUNN BROTHERS COFFEE trademarks at wholesale to grocery stores, offices, hospitality venues and other retail channels including the Internet.

We may require you to participate in online ordering, and provide catering and delivery services through us or our designated supplier.

If damage to or condemnation or sale of the franchise premises or other cause requires you to relocate your Coffee Shop, you may with our prior written consent, relocate within your designated territory, if you satisfy the other relocation standards contained in the Franchise Agreement and any applicable lease. There is a $2,000 Relocation Fee that you must pay us. You must comply with any restrictions we impose on wholesale and catering activities.

You do not have any options, rights of first refusal or similar rights to acquire additional franchises within any particular territory and you do not need to meet a minimum sales quota to retain your designated territory.

Development Agreement. If you enter into a Development Agreement, you will receive the right to develop more than one Shop within a designated geographic area (the "Development Area") to be described in Exhibit A to the Development Agreement. The size of the Development Area will vary, depending on the number Shops you intend to open, the population density, and the demographics in the area in which you desire to operate. The Development Area may be one or more counties in rural areas, and may be a portion of a metropolitan statistical area in heavily-populated major cities. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. We may establish another franchised or company-owned DUNN BROTHERS COFFEE Shop in the Development Area during the term of the Development Agreement. If you meet the minimum development schedule, meet the financial standards, comply with all other provisions described in the Development Agreement, and comply with the provisions of each related Franchise Agreement, we will offer you the right to develop the next Shop under a Franchise Agreement. In addition, we have certain rights under the Development Agreement and each Franchise Agreement to sell products and services using the Trademarks or other marks using similar or dissimilar channels of distribution in the Development Area. If you do not comply with the development schedule, we may terminate the Development Agreement.

Item 13

TRADEMARKS

The Franchise Agreement licenses you to use the DUNN BROTHERS COFFEE trademark, as well as other trademarks, service marks, trade names and commercial symbols (collectively, the "Trademarks"). We also claim common law trademark rights for all of the trademarks. We have filed or intend to file all required affidavits and renewals for the principal Trademarks listed below.

Trademark, Service Mark Or Design	U.S. Reg. or Serial No.	Register	Date of Filing or Registration
DUNN BROTHERS COFFEE	Reg. No. 4,986,396	Principal	June 28, 2016
DUNN BROS COFFEE	Reg. No. 2,874,629	Principal	August 3, 2004 Renewed August 7, 2014
DUNN BROS COFFEE (STYLIZED)	Reg. No. 2,869,470	Principal	August 3, 2004 Renewed August 7, 2014
DUNN BROTHERS COFFEE AND DESIGN	Reg. No. 1,923,915	Principal	October 3, 1995 Renewed March 3, 2006 and November 16, 2015
INFINITE BLACK	Reg. No. 5,077,029	Principal	November 8, 2016
ROASTED FRESH DAILY AND DESIGN	Reg. No. 2,893,986	Principal	October 12, 2004 Renewed Apri1 27, 2014
DUNN GOOD	Reg. No. 4,961,603	Principal	May 17, 2016

We may modify the Trademarks periodically. Your use of the Trademarks and any goodwill is to our exclusive benefit and you retain no rights in the Trademarks. You also retain no rights in the Trademarks upon termination of the Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Trademarks unless we direct in writing.

There are no currently effective determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court, or any pending infringement, opposition or cancellation proceeding, or any pending material litigation, involving the Trademarks. There are currently no agreements in effect that significantly limit our rights to use or license the use of any Trademarks in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Trademarks.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of the Trademarks, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to the Trademarks and we have the sole right to decide to pursue or settle any infringement actions related to the Trademarks. You must notify us promptly of any infringement or unauthorized use of the Trademarks of which you become aware. If we determine that a trademark infringement action requires changes or substitutions to the Trademarks, you must make such changes or substitutions, although we will reimburse you for the tangible costs of compliance.

Item 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

There are no patents or copyrights currently registered which are material to the Franchise, although we do claim copyright ownership and protection for the Franchise Agreement, Operations Manual, web site and for various training, sales, promotional and other materials published periodically.

There are no currently effective determinations of the Copyright Office (Library of Congress), United States Patent and Trademark Office, Board of Patent Appeals and Interferences, or any court, or any pending infringement, opposition or cancellation proceeding or any pending material litigation involving any patents or copyrights. There are currently no agreements in effect that significantly limit our rights to use or license the use of any patents or copyrights in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the patents or copyrights.

We are not obligated to protect you against infringement or unfair competition claims arising out of your use of any patents or copyrights, or to participate in your defense or indemnify you. We reserve the right to control any litigation related to any patents and copyrights and we have the sole right to decide to pursue or settle any infringement actions related to the patents or copyrights. You must notify us promptly of any infringement or unauthorized use of the Trademarks of which you become aware.

You must keep confidential during and after the term of the Franchise Agreement all proprietary information, including the Operations Manual. Upon termination of your Franchise Agreement, you must return to us all proprietary information, including the Operations Manual and all other material copyrighted by us. You must notify us immediately if you learn about an unauthorized use of proprietary information. We are not obligated to take action, and will be the sole judge as to the appropriate response to any information regarding the unauthorized use of proprietary information.

You must comply with all changes to the Operations Manual at your cost.

Item 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must designate an individual (which may be yourself) to serve as manager and devote full time to the Shop. Any manager whose full-time job is the management of the Shop must complete our training program. The manager need not have an ownership interest in the franchisee entity; however, the manager may be required to sign a written agreement maintaining confidentiality of proprietary information.

Each individual who owns an interest in the franchisee entity must sign the personal undertaking and guaranty attached to the Franchise Agreement. These people agree to jointly and severally discharge all obligations of the franchisee under the Franchise Agreement and are bound by all its terms and conditions, including maintaining confidentiality of proprietary information and abiding by the noncompete covenants described in Item 17.

Item 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

We require you to offer and sell only those brands and types of products that we have approved and only use the recipes we approve at your cost (see Item 8). There are no limits on our right to make modifications to the approved products and services periodically as described in the Operations Manual, or otherwise in writing. Any failure to do so or to meet product quality standards may result in termination of your Franchise Agreement (see Item 17). In addition, you may only sell coffee beverages and coffee beans which have been roasted in compliance with our current standards.

You must carry the required menu items that we periodically designate in the Operations Manual, or otherwise in writing for your trade area at your cost. We have the right to determine the menu for your Shop, based upon our evaluation of various factors, including customs or circumstances of a particular site or location, density of population, population of trade area, existing business practices, lease restrictions and any other condition that we deem to be of importance to the operation of your business. We periodically may modify the required and approved menus.

You may not advertise, offer for sale or sell any damaged or deteriorated products. You must honor reasonable customer complaints by replacement without charge or by refund in full of the purchase price. You are not limited in the customers to whom you may sell approved products.

Item 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision		Section in Franchise or Other Agreement(1)	Summary
a.	Length of the franchise term	Section 6 D.A.: Section 6	10 years from the date the Shop opens. D.A.: 2 to 3 years from the date you sign the Development Agreement
b.	Renewal or extension of the term	Section 6	If you satisfy renewal requirements, execute the then-current Franchise Agreement and pay the renewal fee, you may renew for term of 10 years or the term of the renewed lease, whichever period is shorter.
c.	Requirements for you to renew or extend	Section 6	Your lease has been renewed, you give us notice, modernize your Shop if we require, be in good standing, have not received any default notices from us, written proof of ability to stay in possession of the Shop premises, complete any training for renewal franchisees, sign then current franchise agreement (which may contain materially different terms and conditions than your original Franchise Agreement), pay renewal fee.

Provision		Section in Franchise or Other Agreement(1)	Summary
d.	Termination by you	Section 13C D.A.: Section 7	Subject to certain conditions, you may terminate the Franchise Agreement only for good cause with 60 days' notice to us and thirty 30 days' opportunity to cure. D.A.: You may terminate the agreement with or without cause with written notice
e.	Termination by us without cause	Not Applicable	
f.	Termination by us with cause	Sections 13A-B D.A.: Section 7	We can terminate only if you default.
g.	"Cause" defined – curable defaults	Sections 13A-B D.A.: Section 7	You have 10 days to cure non-submission of reports and non-payment of amounts due and owing, and 30 days for any other default not listed in Section 13(B)(2) or (3) (subject to state law). D.A.: You have 30 days to cure unless your default in not curable under 7(A) or 7(B)
h.	"Cause" defined – non-curable defaults	Section 13B(2) D.A.: Section 7	Non-curable defaults: abandonment, failure to secure a Shop location, insolvency, conviction of offense directly related to the Business, intentionally understating or underreporting sales or fees, repeated audit which reveals underreporting, repeated defaults within 12-month period even if cured, and failure to cure within 24 hours' notice of default which materially impairs the goodwill associated with us trademarks (subject to state law). D.A.: Non-curable defaults include insolvency, violating a law relating to the operation of the Shop, any attempt to subfranchise, repeated failure to comply with one or more material requirements and the nature of breach makes it incurable
i.	Your obligations on termination/non-renewal	Section 14	Obligations include complete de-identification, payment of amounts due, return of Operations Manual and proprietary information, and may have to assign lease to us.
j.	Assignment of contract by us	Section 17A	No restriction on our right to assign. Assignee must fulfill our obligations under the Franchise Agreement.
k.	"Transfer" by you - defined	Sections 17B-C D.A.: Section 8	Includes any transfer of your interest in the Franchise Agreement or business or change in equity ownership.
l.	Our approval of transfer by franchisee	Sections 17B-D D.A.: Section 8	We have the right to approve all transfers but will not unreasonably withhold approval.

Provision		Section in Franchise or Other Agreement(1)	Summary
m.	Conditions for our approval of transfer	Sections 17B-D D.A.: Section 8	New franchisee qualifies, transfer fee paid, all amounts owed by prior franchisee paid, required modernization completed, training arranged, non-compete agreements signed, guarantees and/or new franchise agreements signed. D.A.: Franchisee is in compliance with Agreement, proposed transferee approved by Franchisor, proposed transferee has competed training program, interest in individual franchise agreements located in the development area and transfer fee paid.
n.	Our right of first refusal to acquire your business	Section 16	We can match any offer for your Business.
o.	Our option to purchase your business	Section 14B	Upon termination, we have option to purchase the premises, saleable inventory, equipment, fixtures, signage, furnishing or supplies. Book value will determine price.
p.	Your death or disability	Section 17E	Franchise can transfer to third party approved by us within 6 months of death or disability. Transfer conditions apply (see (m), above).
q.	Non-competition covenants during the term of the franchise	Section 12C	No direct or indirect involvement in the operation of business which is competitive with franchised business.
r.	Non-competition covenants after the franchise is terminated or expires	Section 14C	No involvement in a business that: (1) obtains 25% or more of its revenue from the sale of coffee for on- and off-site consumption: (2) obtains 40% or more of its revenue from morning sales; or (3) obtains 50% or more of its revenue from the sale of items that are substantially similar to those items offered for sale at a DUNN BROTHERS COFFEE Shop for 2 years within 5 miles of the prior authorized location or any other DUNN BROTHERS COFFEE Shop.
s.	Modification of the agreement	Section 18B	No modifications generally, but we may change Operations Manual, list of trademarks and menu.
t.	Integration/ merger clause	Section 18B	Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). Any representations or promises outside of the disclosure document and franchise agreement may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 15A D.A.: Section 9	Except for certain claims, all disputes must be arbitrated in Minneapolis, Minnesota (subject to state law). Before arbitration or litigation, either party may submit dispute to non-binding mediation.
v.	Choice of forum	Section 18I D.A.: Section 9	Litigation must be brought in the Federal District Court for the District of Minnesota or in Hennepin County District Court, Fourth Judicial District, Minneapolis, Minnesota (subject to state law).

Provision		Section in Franchise or Other Agreement(1)	Summary
w.	Choice of law	Section 18H-I D.A.: Section 9	Applicable law of the state where authorized location is located.

(1) D.A. means Development Agreement.

Item 18

PUBLIC FIGURES

We do not use any public figure to promote the franchise. No public figure is involved in the actual management or control of us.

Item 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

Key Item 19 Terms Defined

Defined Term	Definition
Gross Revenues	Total actual receipts for all products and services sold by the Shop, whether or not identified by the Trademarks, whether at wholesale or retail, for cash or credit or in any other way, but excluding federal, state, municipal or other sales, value added or retailer's excise taxes collected from customers and paid to the appropriate taxing authority and before any sales discounts. We collected Gross Revenues data from the Shops' POS Systems and 3rd party delivery providers and have not independently verified the information.

Defined Term	Definition
Gross Margin	Gross Revenues less the cost of goods sold, including amounts for coffee beans, dairy, food items, syrups, tea, cups, lids, paper products, freight and other direct products associated with serving food and beverage products. We obtained the cost of goods sold data from the financial statements the Shops submitted to us and we have not independently verified the information.
Gross Margin Percentage	Gross Margin divided by Gross Revenues
Labor Costs	Includes wages for in-store employees including payroll taxes. Some franchised Shops include a manager's salary as part of Labor Costs while other franchised Shops do not include a manager's salary because the franchisee acts as the manager and does not take a salary. We obtained the Labor Costs data from the financial statements for the Shops and have not independently verified the information.
Labor Costs Percentage	Labor Costs divided by Gross Revenues

2020 and 2021 (Jan- August) Annual Average Gross Revenue for shops with the Full Food Menu

There are currently 59 Shops operating under five formats: (1) Full food menu with a drive thru - 19 shops, (2) full food menu no drive thru - 8 shops, (3) am food menu with drive thru - 11 shops and (4) am food menu with no drive thru - 10 shops, and (5) 11 shops in Captive Market and nontraditional venues which are often run through concessionaires. We are currently offering only the full food menu as an offering to franchisees with a heavy emphasis on the drive thru format. As a result, the information below only includes data from the 27 Shops that currently offer the full food menu ("Qualifying Shops").

The Charts below provide the average and median annual Unit Sales information for shops that offer our full menu of food. Chart 1 provides information for 18 of the Qualifying Stores with a drive-thru for the 2020 calendar year and Chart 2 provides information for 18 of the Qualifying Shops with a drive thru for the 8-month periods from January 1, 2020 to August 31, 2020 and January 1, 2021 to August 31, 2021. Charts 1 and 2 do not include one Store that was voluntarily closed for more than 30 days related to Covid or Qualifying Shops that do not have a drive-thru.

Chart 3 below, provides information for 7 Qualifying Shops that offer the full food menu without a drive-thru for the 2020 calendar year and Chart 4 provides information for 7 Qualifying Shops that offer the full food menu without a drive-thru for the 8-month periods from January 1, 2020 to August 31, 2020 and January 1, 2021 to August 31, 2021. Charts 3 and 4 do not include one Store that was voluntarily closed for more than 30 days related to Covid or Qualifying Shops that do have a drive-thru.

Chart 1 – Annual Sales with Full Food Menu & Drive Thru for 2020 Calendar Year

January 1, 2020 to December 31, 2020						
	Number of Shops	Average Unit Gross Sales	Number Above Average	Median Unit	Highest Unit	Lowest Unit
Top 50%	9	$673,561	4	$678,933	$759,473	$578,471
Bottom 50%	9	$396,878	4	$412,076	$476,683	$259,225
System Wide	18	$535,219	9	$527,576	$759,473	$259,225

Chart 2 - Sales January 1st – August 31st (Eight Months) 2020 and 2021- with Full Food Menu & Drive Thru

January 1 to August 31, 2021						
	Number of Shops	Average Unit Gross Sales 2021	Number Above Average	Median Unit	Highest Unit	Lowest Unit
Top 50% - 2021	9	$529,059	6	$542,813	$620,236	$450,374
Bottom 50% - 2021	9	$315,354	4	$309,245	$435,170	$204,274
System Wide - 2021	18	$422,206	10	$442,772	$620,236	$204,274
January 1 to August 31, 2020						
	Number of Shops	Average Unit Gross Sales 2021	Number Above Average	Median Unit	Highest Unit	Lowest Unit
System Wide - 2020	18	$337,169	9	$343,917	$467,168	$166,474

Chart 3 - Annual Sales for Full Food Menu with no Drive Thru for 2020 Calendar Year

January 1, 2020 to December 31, 2020						
	Number of Shops	Average Unit Gross Sales	Number Above Average	Median Unit	Highest Unit	Lowest Unit
Top 50%	4	$505,654	2	$524,837	$539,010	$433,931
Bottom 50%	3	$341,444	1	$354,043	$372,763	$297,527
System Wide	7	$435,278	3	$433,931	$539,010	$297,527

Chart 4 - Sales January 1 – August 31st (Eight Months) 2020 and 2021 for Full Food Menu with no Drive Thru

January 1 to August 31, 2021						
	Number of Shops	Average Unit Gross Sales 2021	Number Above Average	Median Unit	Highest Unit	Lowest Unit
Top 50% - 2021	4	$379,445	2	$315,684	$434,880	$372,213
Bottom 50% - 2021	3	$251,570	1	$244,161	$266,791	$243,760
All Shops 2021	7	$324,641	4	$315,685	$434,880	$243,760
January 1 to August 31, 2020						
	Number of Shops	Average Unit Gross Sales 2021	Number Above Average	Median Unit	Highest Unit	Lowest Unit
All Shops 2020	7	$276,789	4	$290,098	$335,108	$219,556

2020 Gross Margin and Labor Costs

The table below presents Gross Margin as a percentage of Gross Revenue and Labor Costs as a percentage of Gross Revenue for 19 of the 27 franchised Qualifying Shops that submitted financial statements for the year ended December 31, 2020. The remaining 8 franchised Qualifying Shops were not included because they failed to submit financial statements to us by September 1, 2021.

Full Food	**Franchised Qualifying Shops**	
	Gross Margin %	**Labor Costs%**
Average	73%	28%
Median	74%	29%
Number of Shops Included in Average	18	18
Number and Percentage of Shops that Met or Exceeded the Average (1)(2)	12 (66%)	8 (44%)
High for Category	77%	45%
Low for Category	63%	20%

(1) Gross margin is a profitability measurement; therefore, the data presents the number of stores that met or exceeded the average percentage indicated.

(2) Labor costs is an expense measurement; therefore, the data presents the number of stores that met or were below the average percentage indicated.

The cost information included in this Item 19 for Franchised Shops is based on the financial statements we have received from the operators for each Qualifying Shop. The figures have not been audited. Each of the Qualifying Shops included in this Item 19 feature our full menu of Products, including fresh-roasted coffee beans, brewed coffee, breakfast sandwiches, lunch sandwiches, other food items and other products offered for sale, which are substantially similar to the franchise business described in this disclosure document.

The information included in this Item 19 relates to 2020 and 2021 performance results for the specific Qualifying Shops included in this Item 19. Many factors, including location, management capabilities, local market conditions, and other factors are unique to each Shop and may significantly impact the financial performance of your Shop.

You are responsible for developing your own business plan, including capital budgets, financial statements, projections and other elements appropriate to your particular circumstances. We encourage you to consult with your own accounting, business, and legal advisors to assist you to identify the expenses you likely will incur in connection with your Shop, to prepare your budgets, and to assess the likely or potential financial performance of your Shop. We also encourage you to contact existing DUNN BROTHERS COFFEE Shop operators to discuss the business.

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

Written substantiation of this information is available to you 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 Kim Plahn, Dunn Bros Coffee Franchising, Inc., 2335 West Highway 36, Suite 201, Roseville, MN, 55113, (612) 877-3608, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20

OUTLETS AND FRANCHISEE INFORMATION

TABLE NUMBER 1
System wide Shop Summary
For Years 2018 to 2020

Shop Type	Year	Shops at the Start of the Year	Shops at the End of the Year	Net Change
Franchised	2018	72	74	+2
	2019	74	67	-7
	2020	67	59	-8
Company-Owned	2018	5	4	-1
	2019	4	6	+2
	2020	6	4	-2
Total Shops	2018	77	78	+1
	2019	78	73	-5
	2020	73	63	-10

TABLE NUMBER 2
Transfers of Shops from Franchisees to New Owners (Other than the Franchisor)
For Years 2018 to 2020

State	Year	Number of Transfers
Minnesota	2018	4
	2019	0
	2020	0

State	Year	Number of Transfers
North Dakota	2018	0
	2019	0
	2020	1
Iowa	2018	0
	2019	1
	2020	0
TOTAL	2018	4
	2019	1
	2020	1

TABLE NUMBER 3
Status of Franchised Shops
For Years 2018 to 2020

State	Year	Shops at the Start of the Year	Shops Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Shops at the End of the Year
Iowa	2018	3	2	0	0	0	0	5
	2019	5	1	0	0	0	0	6
	2020	6	0	0	0	0	1	5
Minnesota	2018	56	2	1	3	0	0	54
	2019	54	0	1	0	2	4	47
	2020	47	1	0	1	0	5	42
Missouri	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	1	0	0	1
North Dakota	2018	4	1	0	0	0	0	5
	2019	5	0	0	1	0	0	4
	2020	4	0	0	0	0	0	4
South Dakota	2018	2	0	0	0	0	0	2
	2019	2	0	0	0	0	0	2
	2020	2	0	0	0	0	0	2
Tennessee	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	1	0
Texas	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1

State	Year	Shops at the Start of the Year	Shops Opened	Termina-tions	Non-Renewals	Reacquired by Franchisor	Ceased Operations / Other Reasons	Shops at the End of the Year
Wisconsin	2018	3	1	0	0	0	0	4
	2019	4	0	0	0	0	0	4
	2020	4	0	0	0	0	0	4
TOTAL	2018	72	6	1	3	0	0	74
	2019	74	1	1	1	2	4	67
	2020	67	1	0	2	0	7	59

TABLE NUMBER 4
Status of Company-Owned Shops (1)
For Years 2018 to 2020

State	Year	Shops at the Start of the Year	Shops Opened	Shops Reacquired From Franchisees	Shops Closed	Shops Sold to Franchisees	Shops at the End of the Year
Minnesota	2018	4	0	0	1	0	3
	2019	3	0	2	0	0	5
	2020	5	0	0	2	0	3
Texas	2018	1	0	0	0	0	1
	2019	1	0	0	0	0	1
	2020	1	0	0	0	0	1
TOTAL	2018	5	0	0	1	0	4
	2019	4	0	2	0	0	6
	2020	6	0	0	2	0	4

(1) These Shops are owned and operated by our affiliate, CEEFAY Leasing.

TABLE NUMBER 5
Projected Openings
As of December 31, 2020

State	Franchise Agreements Signed But Shop Not Opened	Projected New Franchised Shops in the Next Fiscal Year	Projected New Company-Owned Shops in the Next Fiscal Year
Iowa	1	1	0
Minnesota	1	0	0
Texas	1	1	0
Wisconsin	1	0	0
TOTAL	4	2	0

Included in this disclosure document as Exhibit C is a list of all operational DUNN BROTHERS COFFEE franchises and company-owned shops operated by our affiliates as of December 31, 2020.

Included in this disclosure document as Exhibit D is the name, city, state and business telephone number (or if unknown, the last known home telephone number) of any franchisee who has had a franchise terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under its Franchise Agreement during our 2020 fiscal year. or who has not communicated with us since August 2021.

If you buy a DUNN BROTHERS COFFEE franchise, your contact information may be disclosed to other buyers when you leave the franchise System.

During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise System.

We established a franchise advisory committee. The franchise advisory committee does not have its own address, telephone number, email address or web address.

Item 21

FINANCIAL STATEMENTS

The audited consolidated financial statements for Dunn Bros Coffee Franchising, Inc. and Affiliate for the years ended December 31, 2020, 2019, and 2018, are included in this disclosure document as Exhibit E. In addition, the unaudited consolidated financial statements for Dunn Bros Coffee Franchising, Inc. for the period ending July 31, 2021, are included in Exhibit E.

Item 22

CONTRACTS

This disclosure document includes a sample of the following contracts:

DUNN BROTHERS COFFEE Franchise Agreement with Appendices – Exhibit A
Development Agreement – Exhibit B
State Addenda – Exhibit H
Release of Claims Form – Exhibit I
Acknowledgement Addendum – Exhibit J

As a prospective franchisee, you should obtain such independent legal and financial advice concerning the DUNN BROTHERS COFFEE Franchise offering as you deem appropriate before making any commitment.

Item 23

RECEIPTS

Exhibit K of this disclosure document contains a detachable acknowledgment of receipt.

EXHIBIT A

FRANCHISE AGREEMENT

DUNN BROTHERS COFFEE®

FRANCHISE AGREEMENT

BETWEEN

DUNN BROS COFFEE FRANCHISING, INC.
2335 West Highway 36, Suite 201
Roseville, MN 55113
Telephone Number (612) 334-9746

AND

____

____

____
Name(s) of Franchisee

____
Street

____
City State Zip

____
Area Code Telephone

DUNN BROTHERS COFFEE®

FRANCHISE AGREEMENT

INDEX

DUNN BROTHERS COFFEE®

FRANCHISE AGREEMENT

This Franchise Agreement (the "Agreement") is made this _____ day of ______________, _____ (the "Effective Date") between DUNN BROS COFFEE FRANCHISING, INC. ("Franchisor"), and ___________________________________, a(n) ______________________________ ("Franchisee").

BACKGROUND

A. Franchisor is engaged in the business of developing, licensing, and franchising a distinctive style of coffee shop in which Franchisee will use on-site micro-roasting techniques to allow Franchisee to produce daily fresh-roasted, high-quality coffee and coffee beans, and offer on-site baking and feature fresh bakery items such as breads and pastries, breakfast and lunch sandwiches, salads, wraps, desserts, other food offerings, beverages and related products to the public under the name DUNN BROTHERS COFFEE® (individually, a "Shop" and collectively, "Shops"); and

B. Franchisee recognizes the benefits to be derived from being identified with and licensed by Franchisor and being able to utilize the System (as such term is defined in Section 1(H) hereof), the Trademarks (as such term is defined in Section 1(J) hereof), and the other information and properties which Franchisor makes available to its franchisees; and

C. Franchisee desires to obtain the right to operate a single DUNN BROTHERS COFFEE Shop in accordance with and subject to the terms and conditions set forth or described herein, which terms and conditions are necessary to maintain Franchisor's uniform high standards of quality and service and to protect the goodwill and enhance the public image of the System and the Trademarks; and

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

E. Franchisor desires to grant Franchisee a franchise upon the terms and subject to the conditions hereof.

NOW, THEREFORE, in consideration of the foregoing and the covenants and consideration herein set forth, it is agreed by and between Franchisor and Franchisee as follows:

DEFINITIONS

1. For purposes of this Agreement, the terms set forth below shall have the following definitions:

A. "Authorized Location" shall mean the location of Franchisee's Shop as identified on Appendix A.

B "Business" shall mean Franchisee's DUNN BROTHERS COFFEE Business developed and operated pursuant to this Agreement.

C. "Confidential Information" means the methods, techniques, formats, marketing and promotional techniques and procedures, specifications, information, systems and knowledge of and experience in the operation and franchising of DUNN BROTHERS COFFEE shops that Franchisor communicates to Franchisee or that Franchisee otherwise acquires in operating the Shop under the System. Confidential Information does not include information, processes or techniques that are generally known to the public, other than through disclosure (whether deliberate or inadvertent) by Franchisee.

D. "Gross Sales" shall mean the total actual receipts for all products and services sold by Franchisee's Shop or Business, whether or not identified by the Trademarks, whether at wholesale or retail, for cash or credit or in any other way, but excluding federal, state, municipal or other sales, value added or retailer's excise taxes collected from customers and paid to the appropriate taxing authority and customer refunds and adjustments. Franchisor reserves the right to include in Gross Sales all ancillary charges or fees, including delivery service fees, that a customer pays to Franchisor or any third party in connection with the purchase of any products or services sold on behalf of the Shop or Business.

E. "Menu" shall mean the food and beverage items that Franchisor designates for sale to customers in Franchisee's Shop as Franchisor may describe and periodically modify in the Operations Manual or otherwise in writing.

F. "Operations Manual" has the meaning described in Section 8(G) below.

G. "Products" shall mean the coffee, coffee beans (including beans sold in-store and at wholesale), bakery items (such as breads and pastries), breakfast and lunch sandwiches, salads, wraps, desserts, other food offerings, beverages, coffee makers and accessories, gifts and other accessories, items, and products that Franchisor may (i) identify on the Menu, as it may from time to time be modified and changed by Franchisor, or (ii) otherwise approve for sale in the Shop.

H. "Shop" shall mean Franchisee's DUNN BROTHERS COFFEE Shop developed and operated pursuant to this Agreement.

I. "System" shall mean the DUNN BROTHERS COFFEE business system which consists of the establishment, development and operation of DUNN BROTHERS COFFEE shops featuring state of the art, micro-roasting of coffee beans designed to produce daily, fresh-roasted, high quality coffee and coffee beans, fresh bakery items, using distinctive products and services under the Trademarks, and utilizing certain distinctive types of methods, formats, procedures, standards, specifications, procedures, designs, display materials and marketing programs, as the same may be modified and improved from time to time by Franchisor.

J. "Territory" shall mean the designated territory in which Franchisee will physically locate and operate its Business, as established in the sole judgment of Franchisor pursuant to Section 4.

K. "Trademarks" shall mean the DUNN BROTHERS COFFEE® trademark, and other trademarks, service marks, and trade names Franchisor may designate and periodically modify in the Operations Manual or otherwise in writing.

GRANT OF LICENSE

2. Franchisor hereby grants to Franchisee, subject to the terms and conditions of this Agreement, the right and license to establish and operate a retail Shop using the System, identified by the DUNN BROTHERS COFFEE Trademarks and known as a DUNN BROTHERS COFFEE Shop, said retail Shop to be located at the Authorized Location. Franchisee hereby accepts said license and undertakes the obligation to operate the Shop using the System and in compliance with Franchisor's standards. Franchisee shall not open or commence operations of the Shop until Franchisor has approved the date of opening. Franchisee must be open within twelve (12) months following the Effective Date or Franchisor may terminate this Agreement. Franchisor shall not be liable for damages arising out of Franchisee's failure to open the Shop by a particular date. Franchisee shall maintain and operate the Shop at the Authorized Location under Franchisee's active and continuous supervision and upon the standards and requirements hereinafter provided. The grant given herein is limited to the right to operate one Shop only at the Authorized Location. Franchisee may not offer or sell any other goods or provide any other services except those specifically identified herein. Franchisee has no rights to sublicense pursuant to this Agreement.

Franchisee may supplement its retail sales from the Shop by (i) catering beverages and food, so long as the beverages and food catered is prepared at the Authorized Location; and (ii) selling certain Franchisor-designated coffee and coffee bean Products, at wholesale, to certain types of customers; however, both the catering and wholesale activities are subject to Franchisor's then current written guidelines for each activity and in accordance with the terms and conditions of this Agreement. Upon sixty (60) days' written notice from Franchisor, Franchisee must offer off-site catering consistent with Franchisor's then-current written guidelines. Further, any wholesale sales may be made only to approved retail accounts and not, under any circumstances, to resellers, distributors or any other parties that do not make sales to end-use consumers. Franchisee acknowledges and agrees that any and all elements of any proposed off-site catering or wholesale sales activity shall be submitted to Franchisor for written approval in advance of such an undertaking, including, but not limited to, the identity and location of the proposed purchasers, and all branding elements involved in such sales. Except as otherwise provided below, no catering or wholesale sales shall be made within the designated territory of another DUNN BROTHERS COFFEE shop. Before making any catering or wholesale sales *outside* the Territory, Franchisee must first notify Franchisor so Franchisor may ensure that Franchisee's sales do not infringe upon any other person's or entity's rights. Franchisee must include such off-site beverages and food catering and wholesale sales as a separate line item to its Gross Sales and pay Continuing License Fees thereon. If Franchisor subsequently awards franchise rights to a franchisee whose territory includes an area or customers where Franchisee previously has conducted off-site or wholesale sales activity, Franchisor may, upon written notice to Franchisee, require Franchisee to discontinue such activities within such area (which will be limited to areas outside the Territory) without compensation to Franchisee. At Franchisor's option, Franchisee: (1) may continue to conduct catering and wholesale sales in the identified territory to customers existing as of the date Franchisee receives such notice; (2) as of the notice date, cannot establish any new catering or wholesale sales activities or accounts in the identified territory; and (3) in any event may be required to discontinue all catering and wholesale sales activities at any time upon Franchisor's written notice.

LOCATION

3. If Franchisee has proposed and obtained Franchisor's approval of a location for the Shop prior to execution of this Agreement, that Authorized Location is stated on Appendix A. If Franchisee has not proposed and obtained Franchisor's approval of a location prior to the execution of this Agreement, then the following shall apply:

A. Submission of Location. Within six (6) months following the execution of this Agreement, Franchisee shall find a location and submit such location in writing to Franchisor for approval. Franchisee shall submit any information regarding the location to Franchisor that Franchisor reasonably requests. Franchisee understands that Franchisor will evaluate several factors, including the following, in determining whether the location is acceptable: residential and daytime population, complimentary retail businesses and other traffic drivers, zoning, local competition, physical attractiveness of the facility, site access and visibility, traffic counts, area per capita income, parking and public transportation proximity, availability of employees, size of property, drive-thru capability in permissible trade areas, signage allowances and similar factors.

B. NO WARRANTY. FRANCHISOR'S APPROVAL OF A LOCATION DOES NOT GUARANTY OR WARRANT THE FINANCIAL SUCCESS OF THE SHOP AT THE AUTHORIZED LOCATION AND FRANCHISEE ASSUMES ALL RISK ASSOCIATED WITH THE PROFITABILITY OF THE SHOP.

C. Failure to Identify a Location. Unless Franchisor grants an extension under this Agreement, failure of Franchisee to find a location and submit such location in writing for Franchisor's approval within six (6) months following the execution of this Agreement shall constitute a material and incurable breach of this Agreement under Section 13(B)(2).

D. Leases. If Franchisee enters into a lease for the Shop premises, Franchisee must provide a copy of the proposed lease to Franchisor before Franchisee signs it. Franchisor reserves the right to reject the proposed lease if the Shop lease does not contain the following provisions: (1) so long as this Agreement remains in effect, the premises will be used only for a DUNN BROTHERS COFFEE shop; (2) Franchisor will be granted the right (but not the duty) to take possession of the Shop premises and assume the lease in the event of a termination of this Agreement or a threatened termination of the lease as a result of a breach by Franchisee; (3) the landlord will provide Franchisor written notice of any default or right to cure by Franchisee; and (4) upon vacating the Shop premises or termination of this Agreement or the lease for the Shop premises, Franchisee must remove all signs and materials bearing the name "DUNN BROTHERS COFFEE" and other Trademarks; and (5) a comprehensive use clause for all current and future Products. Franchisee must provide Franchisor with a copy of the any signed lease for the Shop premises.

TERRITORY

4. As used herein, "Territory" means that geographic area within which Franchisee's Authorized Location will be located. If Franchisee has identified and Franchisor has approved an Authorized Location prior to the execution of this Agreement, the Territory shall be set forth on Appendix A hereto. If Franchisee has not obtained Franchisor's approval of a location prior to the execution of this Agreement, then the Territory shall be established by Franchisor in writing following the approval of the Authorized Location. Franchisee understands and agrees that the size and location of the Territory shall be determined solely by Franchisor and Franchisee's Territory may be smaller or larger than the territory of other franchisees. Franchisee also understands and agrees that the Territory does not include any regional, enclosed or similarly situated shopping centers or malls, airports or other transportation terminals, sports facilities, parks and recreation areas, medical campuses, college and university campuses, corporate campuses, a department within an existing retail store, hotels, grocery stores, or other similar types of locations that have a restricted trade area ("Captive Market Locations") located within the geographic boundaries of the Territory.

A. Restrictions. The license granted in this Agreement is limited only to the right to operate one (1) Shop at the Authorized Location in the Territory, and does not include (i) any right to sell products and menu items identified by the Trademarks at any location other than the Authorized Location or, unless approved by Franchisor under Section 2, through any other channels or methods of distribution, including the Internet (or any other existing or future form of electronic commerce), direct mail or any other type of mass marketing, or (ii) any right to exclude, control or impose conditions on the location or development of future shops at any time. So long as Franchisee is not in default under this Agreement, neither Franchisor nor its affiliates will own, operate, license or franchise a DUNN BROTHERS COFFEE shop physically located in the Territory.

B. Reservation of Rights. Franchisor and its affiliates have the right to issue competing franchises or operate competing businesses (i) in any Captive Market Location anywhere in the United States regardless if the business is operated under the Trademarks or different trademarks or trade names; (ii) for or at locations anywhere outside Franchisee's Territory regardless if the business is operated under the Trademarks or different trademarks or trade names or (iii) in Franchisee's Territory only if the business is operated under trademarks or trade names other than the Trademarks. In addition, Franchisor and its affiliates have the right to distribute products identified by the Trademarks or any other trademarks, service marks, trade names and commercial symbols, through any distribution channels or methods within or outside the Territory, including the Internet (or any other existing or future form of electronic commerce), wholesale, direct mail or any other type of mass marketing, which Franchisor or its affiliates periodically may establish or license.

TRADEMARK STANDARDS AND REQUIREMENTS

5. Franchisee hereby acknowledges and agrees that the Trademarks are the exclusive property of Franchisor and that Franchisee's right to use the Trademarks is specifically conditioned upon the following terms and conditions:

A. Trademark Ownership. The Trademarks are valuable property owned by Franchisor. Franchisor is the exclusive owner of all right, title and interest in and to the Trademarks and all past, present or future goodwill of the Business which is associated with or attributable to the Trademarks. Franchisee shall not, during or after the term of this Agreement, engage in any conduct, directly or indirectly, which would infringe upon, harm or contest the rights of Franchisor in any of the Trademarks or the goodwill associated with the Trademarks. Franchisee's use of the Trademarks shall benefit Franchisor. Franchisee understands and agrees that it may not represent that it has acquired any ownership or equitable rights in any of the Trademarks by virtue of the limited license granted hereunder. Franchisee agrees not to apply for or obtain any trademark or service mark registration for any of the Trademarks. Franchisee agrees that it will not do or permit any act or thing to be done in derogation of any of the rights of Franchisor in connection with the Trademarks, either during the term of this Agreement or thereafter. Franchisee agrees that it will not, during or after the term of this Agreement, in any way dispute the validity of the Trademarks or the rights of Franchisor thereto.

B. Trademark Use. Franchisee shall not use, or permit the use of, any trademarks, trade names or service marks in connection with the Business, except the Trademarks or except as otherwise directed in writing by Franchisor. Franchisee shall use the Trademarks only in connection with such products and services as may be specified by Franchisor in the Operations Manual, the Menu or otherwise and only in the form and manner prescribed by Franchisor in writing. Franchisee shall comply with all trademark, trade name and service mark notice marking requirements.

C. Shop Identification. Franchisee shall not use the words DUNN BROTHERS COFFEE or anything similar thereto or any of the other Trademarks as part of the name of its legal entity and shall use the DUNN BROTHERS COFFEE trade name and Trademark, and no other mark or words whatsoever, as the trade name of the Shop, unless Franchisor otherwise directs. The use of any additional words with the Trademarks must have the prior written consent of Franchisor. Franchisee shall conspicuously post a sign at the Shop identifying itself as an independent business entity and a licensed franchisee of Franchisor. If local laws require that Franchisee file an affidavit or other registration of conducting business under an assumed name or trade name, Franchisee shall state in such filing or affidavit that the same is made by a franchisee of Dunn Bros Coffee Franchising, Inc. and that the name of the Business is DUNN BROTHERS COFFEE. Franchisee agrees to cease using such name upon termination or expiration of this Agreement and discontinue such filing at such time. In addition, Franchisee shall clearly indicate on its business checks, stationery, purchase orders, receipts, and other written materials that Franchisee is the owner of the Business.

D. Restrictions On Internet And Website Use. Franchisor retains the sole right to advertise the System on the Internet and to create, operate, maintain and modify, or discontinue the use of, a website using the Trademarks. Franchisee has the right to access Franchisor's website, as described in Section 8(H) below. Except as Franchisor may authorize in writing, however, Franchisee will not: (1) link or frame Franchisor's website; (2) conduct any business or offer to sell or advertise any products or services on the Internet (or any other existing or future form of electronic communication); (3) create or register any Internet domain name in any connection with Franchisee's franchise; (4) use any e-mail address which Franchisor has not authorized for use in operating the Shop; and (5) conduct any activity on "social media" or related social networking websites other than as Franchisor has expressly authorized in writing. Franchisee will not register, as Internet domain names, any of the Trademarks now or hereafter owned by Franchisor or any abbreviation, acronym or variation of the Trademarks, or any other name that could be deemed confusingly similar. Franchisee may not market, advertise or promote Franchisee's Shop or conduct any business on the Internet, including using social and professional networking sites to promote Franchisee's Shop, except as provided in Franchisor's written social media policy (if any) or with Franchisor's prior written approval.

E. No Goodwill. Franchisee understands and agrees that, following the expiration or termination of this Agreement, no monetary amount shall be deemed attributable goodwill associated with Franchisee's use of the Trademarks or in connection with Franchisee's operation of the Shop.

F. Litigation. In the event any person or entity improperly uses, infringes or imitates the Trademarks or makes a claim related to Franchisor's or Franchisee's use of the Trademarks, Franchisor shall have the right to determine whether suit shall be instituted, prosecuted, defended or settled, and to approve the terms of any settlement, and to determine whether any other action (legal or otherwise) shall be taken. Franchisee shall promptly notify Franchisor of any such use or infringement of which Franchisee is aware. Franchisee shall promptly inform Franchisor of any claim arising out of

Franchisee's use of any Trademark and shall cooperate with any action undertaken by Franchisor in respect thereof.

G. Substitutions. If there is a claim by any party that its rights to use any of the Trademarks are superior and Franchisor determines that such claim is legally meritorious, then upon receiving written notice from Franchisor, Franchisee will, at its expense, immediately make such changes and use such substitutions to the Trademarks as may be required by Franchisor. Franchisee will not make any changes or substitutions whatsoever in or to the use of the Trademarks unless directed by Franchisor in writing.

TERM OF FRANCHISE; FRANCHISEE'S RIGHT TO RENEW

6. Subject to earlier termination as provided herein, the term of this Agreement commences on the date this Agreement is executed by Franchisor and will continue for a period of ten (10) years following the date Franchisee opens or commences operations of the Shop. Franchisee and Franchisor agree to identify the expiration date of this Agreement on Appendix D attached hereto in order to identify the expiration date of the term of this Agreement.

A. Month-to-Month. If applicable law requires Franchisor to give notice of expiration of this Agreement to Franchisee at a specified time prior to the expiration of this Agreement or any term hereof, and Franchisor has not done so, then the term of this Agreement shall be deemed to be extended on a month-to-month basis until Franchisor has given to Franchisee that notice of expiration required by applicable law and the applicable period required to pass before the expiration of the Agreement becomes effective shall have expired.

B. Renewal. If the Shop's lease has been renewed or Franchisee has otherwise obtained the right to continue to occupy the Authorized Location, Franchisee may renew its Franchise for one additional term of ten (10) years; provided that the following conditions have been met:

(1) Franchisee has given Franchisor written notice of its decision to renew at least six (6) months but not more than one (1) year prior to the end of the initial term;

(2) Franchisee is in good standing, including, without limitation, Franchisee is not in default of this Agreement or any other agreement pertaining to the Business and has satisfied all monetary obligations on a timely basis;

(3) Franchisee and its equity holders meet all Franchisor's managerial, financial and business standards for new and renewing franchisees;

(4) Franchisee has substantially complied with this Agreement throughout the term of this Agreement;

(5) Franchisee has not received from Franchisor more than five (5) default notices regarding Franchisee's obligations under this Agreement or more than two (2) such notices in a single twelve (12) month period;

(6) if leasing the Shop premises, Franchisee has written proof of its ability to remain in possession of the premises throughout the renewal period;

(7) Franchisee has satisfied any additional training requirements;

(8) Franchisee pays to Franchisor a renewal fee in an amount equal to twenty-five percent (25%) of the then-current Franchise Fee for new DUNN BROTHERS COFFEE franchisees, which includes $5,000 for franchise rights. The Franchise Rights Fee and Initial Franchise Fees, as of the Effective Date, are described on Appendix A.

(9) Franchisee must complete all modernization and reimaging of the Shop premises that Franchisor requires within ninety (90) days following the date the Franchise is renewed.

(10) Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain terms and conditions materially different than those set forth herein. If Franchisee does not sign all applicable renewal documents (including Franchisor's then-current form of franchise agreement) and pay the renewal fee before expiration of this Agreement, the renewal fee will increase by Five Thousand Dollars ($5,000); and

(11) Franchisee executes a general release of claims in a form Franchisor prescribes.

FACILITY STANDARDS AND MAINTENANCE

7. Franchisee acknowledges and agrees that Franchisor may mandate, from time to time, quality standards regarding the business operations of DUNN BROTHERS COFFEE shops so as to protect the distinction, goodwill and uniformity symbolized by the Trademarks and the System. Accordingly, Franchisee agrees to maintain and comply with Franchisor's quality standards and agrees to the following terms and conditions:

A. Shop Facility.

1. Franchisee shall construct and equip the Shop in accordance with Franchisor's current approved specifications and standards pertaining to equipment, inventory, signage, fixtures, accessory features and design and layout of the Shop. Franchisee shall be furnished with Franchisor's building design standards and lists of approved suppliers of equipment, signage, fixtures and furnishings. Franchisee shall not commence construction of the Shop, until Franchisee has received Franchisor's written consent to Franchisee's building and design plans. Franchisor's review of the plans will focus primarily on whether the plans conform to the then-current design, layout, signage and interior and exterior décor and image of DUNN BROTHERS COFFEE shops. Franchisee may be required to pay Franchisor, or a supplier designated by Franchisor, a fee to review Franchisee's building and design plans. Franchisee is solely responsible for obtaining all necessary permits, licenses and/or architectural seals and in all other respects complying with applicable legal requirements relating to the Shop site, build-out, signs and equipment. The Shop shall be constructed in accordance with all applicable laws, regulations and ordinances.

2. Franchisee shall not use the Shop premises or Authorized Location for any purpose other than the operation of a DUNN BROTHERS COFFEE Shop during the term of this Agreement. Subsequent to expiration or termination of this Agreement, Franchisee shall not use the Shop premises or Authorized Location in violation of Section 12(C) of this Agreement. Franchisee shall

obtain, at Franchisee's expense, all necessary permits or approvals for the use and sale of all Products, supplies and ingredients in and from the Shop.

B. Signs. All signs to be used in connection with the Shop, both exterior and interior, must conform to any requirements imposed by Franchisor and must be purchased from Franchisor, its affiliate or a supplier designated by Franchisor. All exterior signs shall be affixed in such a way that the DUNN BROTHERS COFFEE name shall be prominently visible.

C. Future Alteration. Any replacement, reconstruction, addition or modification in the site interior or exterior decor or image, equipment or signage of the Shop to be made after Franchisor's consent is granted for initial plans, at the request and expense of Franchisee, shall be made in accordance with specifications which have received the prior consent of Franchisor, which consent shall not be unreasonably withheld.

D. Repair and Maintenance. Franchisee must, at its expense, maintain the premises, equipment and signage used in the operation of Franchisee's Shop in accordance with Franchisor's requirements or upon Franchisor's request, including replacing worn out or obsolete fixtures, equipment, furniture, or signs, repair of the interior and exterior of your Shop, and periodic cleaning, painting, and decorating. If Franchisee fails to maintain the Shop, Franchisor has the right, but not the obligation, to enter the premises for the Shop and make the necessary repairs, maintenance or replacements on Franchisee's behalf and Franchisee must pay all costs therefor to Franchisor upon demand.

E. Re-imaging and Modernization. In addition the requirements described in Sections 7(C), 7(D), and 8(C) of this Agreement, Franchisee, at its expense, must update, re-image and modernize the condition and appearance of the Shop, and refurbish and modify the Shop's layout, décor and general theme (including replacements, reconstructions, additions or modifications to the site interior or exterior décor or image, equipment or signage), as Franchisor may require to maintain the condition, appearance, efficient operation, ambience and overall image of DUNN BROTHERS COFFEE shops (as Franchisor may modify periodically). Franchisee acknowledges and agrees that the requirements of this Section 7(E) are both reasonable and necessary to ensure continued public acceptance and patronage of DUNN BROTHERS COFFEE shops and to avoid deterioration or obsolescence in connection with the operation of the Business.

F. Relocation. Should it become necessary, on account of condemnation, sale or other cause, including expiration or cancellation of Franchisee's lease, to relocate the Shop, Franchisor shall grant Franchisee authority to do so at a site acceptable to Franchisor that is within the same Territory as the Authorized Location and does not infringe on the rights of any other DUNN BROTHERS COFFEE shop; provided that the new Shop is under construction prior to or immediately after Franchisee's discontinuing operation of the Shop at the Authorized Location and open and operating within ninety (90) days after construction commences, all in accordance with the current standards of Franchisor at that time. In addition, Franchisee must pay Franchisor a fee of Two Thousand Dollars ($2,000) for services Franchisor will provide in connection with the relocation of the Shop before Franchisor will review a proposed new site for the Shop.

G. Destruction of Shop. In the event Franchisee's Shop is destroyed or damaged and Franchisee repairs the Shop at the Authorized Location (rather than relocate the Shop), Franchisee shall repair and reopen the destroyed or damaged Shop at the Authorized Location consistent with Franchisor's then-current standards within one hundred eighty (180) days of the date of occurrence of such destruction or damage.

PRODUCTS AND OPERATIONS STANDARDS AND REQUIREMENTS

8. The following provisions shall control with respect to products and operations:

A. Authorized Product Line. Franchisee's Business operated hereunder shall be confined to the preparation and sale of only such Products as from time to time are required, recommended or approved by Franchisor for sale by Franchisee. Franchisee shall offer for sale from the Shop all Products listed on the Menu. Franchisee also must participate in any online ordering and/or catering programs that Franchisor requires pursuant to the specification described in the Operations Manual. Franchisee agrees to use in-store, roasting to produce all coffee and coffee beans offered for sale and on-site baking for most bakery items except as otherwise directed or consented to by Franchisor. Franchisor may make modifications to the Menu from time to time, and Franchisee agrees to comply with any such modifications at Franchisee's expense.

B. Authorized Ingredients, Supplies and Equipment. Franchisee agrees to use in the operation of the Business only such Products, ingredients, recipes, formulas, supplies and equipment which Franchisor has approved as being suitable for use and meeting the standards of quality and uniformity for the System and are purchased from suppliers approved by Franchisor (which may include Franchisor and/or its affiliates). Franchisor periodically may modify the lists of approved brands and suppliers. If Franchisee proposes to offer for sale or use in the Operation of the Business any products, ingredients, supplies and equipment which Franchisor has not approved, Franchisee must first notify Franchisor in writing and provide sufficient information, specifications and samples concerning the brand and/or supplier to permit Franchisor to determine whether the brand complies with Franchisor's specifications and standards and/or the supplier meets Franchisor's approved supplier criteria. Franchisor will notify Franchisee within a reasonable time whether the proposed brand and/or supplier is approved. Franchisor may develop procedures for the submission of request for approved brands or suppliers and obligations that approved suppliers must assume (which may be incorporated in a written agreement to be signed by approved suppliers). Franchisor may impose limits on the number of suppliers and/or brands for any Products, ingredients, supplies or equipment sold or used in the Shop, and Franchisor may require that Franchisee use only one supplier for any Products, ingredients, supplies or equipment. Franchisee agrees that certain products, materials, and other items and supplies may only be available from one source, and Franchisor or its affiliates may be that source. ALTHOUGH APPROVED BY FRANCHISOR, FRANCHISOR MAKES NO WARRANTY AND EXPRESSLY DISCLAIMS ALL WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY AND FITNESS FOR ANY PARTICULAR PURPOSE, WITH RESPECT TO PRODUCTS, EQUIPMENT, SUPPLIES, FIXTURES, FURNISHINGS OR OTHER APPROVED ITEMS OBTAINED FROM SUCH APPROVED SUPPLIERS.

C. System Modifications. Franchisee acknowledges and agrees that Franchisor has the right to modify, add to or rescind any requirement, standard or specification prescribed by Franchisor under this Agreement as Franchisor determines is necessary to adapt the System to changing conditions and competitive circumstances, at Franchisee's expense.

D. Health and Sanitation. Franchisee's Shop shall be operated and maintained at all times in compliance with any and all applicable health and sanitary standards prescribed by governmental authority. Franchisee also shall comply with any higher standards that Franchisor prescribes. In addition to complying with such standards, if the Shop shall be subject to any sanitary or health inspection by any governmental authorities under which it may be rated in one or more than one classification, it shall be maintained and operated so as to be rated in the highest available health and sanitary classification with respect to each governmental agency inspecting the same. In the event Franchisee fails to be rated in the highest classification or receives any notice that it is not in compliance with all applicable health and sanitary standards, it shall immediately notify Franchisor of such failure or noncompliance.

E. Evaluations. Franchisor or its authorized representative has the right to enter Franchisee's Shop at all reasonable times during the business day for the purpose of making periodic evaluations and to ascertain if the provisions of this Agreement are being observed by Franchisee, to inspect and evaluate Franchisee's Shop, premises and equipment, and to test, sample, inspect and evaluate Franchisee's supplies, ingredients and Products, as well as the storage, preparation and formulation thereof and the conditions of sanitation and cleanliness in the storage, production, handling and serving thereof.

F. Period of Operation. Franchisor shall approve the hours of operation for the Shop and Franchisee may not modify those hours of operation without the written consent of Franchisor. Franchisee acknowledges and agrees that if the Shop is closed for a period of five (5) consecutive days or more without the prior written consent of Franchisor, such closure shall constitute voluntary abandonment of the franchise by Franchisee and Franchisor shall have the right, in addition to other remedies provided for herein, to terminate this Agreement and the franchise operated hereunder.

G. Operations Manual; Confidentiality. Franchisor will provide on loan to Franchisee, during the term of this Agreement, electronic or hard copy access to an Operations Manual, which may include the Operations Manual, Food and Beverage Recipe Books, Required, Recommended and Approved list of suppliers, ingredients and recipes, and other handbooks, manuals and written materials (collectively, the "Operations Manual"). The Operations Manual will contain required, recommended and suggested standards, procedures, techniques and specifications that Franchisor develops for DUNN BROTHERS COFFEE shops. Franchisee shall conduct its Business in accordance with the required standards, procedures, techniques and specifications described in the Operations Manual. Any required specifications, standards and operating procedures exist to protect Franchisor's interests in the System and the Trademarks and to create a uniform customer experience, and not for the purpose of establishing any control or duty to take control over those day-to-day operational matters that are reserved to Franchisee. Franchisee acknowledges having received on loan from Franchisor for the term of this Agreement one copy of or electronic access to the Operations Manual. The Operations Manual shall at all times remain the sole property of Franchisor. Franchisor may add to or otherwise modify the Operations Manual to reflect changes in authorized products or services and, specifically, standards and operating procedures of a DUNN BROTHERS

COFFEE Shop. The master copy of the Operations Manual that Franchisor maintains at its principal office or on its website will control if there is a dispute in interpreting the content.

H. Participation in Web Site or Other Online Communication Systems. Franchisee must participate in a DUNN BROTHERS COFFEE web site or other online communication systems, which currently includes an intranet system. Franchisor has the right to determine the content and use of, and will establish the rules under which franchisees will participate in the DUNN BROTHERS COFFEE web site, the Internet and other online communication systems. Franchisor may require Franchisee to pay to Franchisor a monthly fee to cover Franchisor's costs in developing, maintaining and hosting the web site, extranet and intranet systems and any other online communication systems. Franchisor will give Franchisee ninety (90) days' written notice of the implementation of this fee. Franchisor retains all rights relating to the DUNN BROTHERS COFFEE web site and any extranet or intranet systems and may alter or terminate the web site or other online communication systems. Franchisee's general conduct on the web site or other online communication systems, specifically its use of the Trademarks, domain names or any marketing, is subject to the provisions of this Agreement. Franchisee acknowledges that certain information obtained through its participation in the web site or other online communication systems may be considered Confidential Information, including content, design, access codes and identification codes. Franchisee's right to participate in the DUNN BROTHERS COFFEE web site or other online communication systems or otherwise use the Trademarks or System on the Internet terminates when this Agreement expires or terminates.

I. Point-of-Sale System. Franchisee will obtain, install and maintain in the Shop the point-of-sale system (the "POS System") which Franchisor has developed and/or selected for the System, including all future updates, supplements and modifications. Franchisee must purchase or lease the POS System, as Franchisor designates. The POS System developed for use in Franchisee's business may include a proprietary software program owned by Franchisor or a third party. Franchisee must lease any proprietary software from the owner of such software. Franchisor reserves the right to assign its rights, title and interest in any proprietary software to a third party designated by Franchisor. Franchisor reserves the right to charge Franchisee a reasonable monthly fee for any computer software support provided by Franchisor or its designee. The computer hardware component of the POS System must conform with specifications that Franchisor develops and must be configured as a package unit. Franchisor has the right to designate a single source from whom Franchisee must obtain the POS system, any software or hardware components thereof or associated service. Franchisee will be required to utilize and, at Franchisor's discretion, pay for all future updates, supplements and modifications to the POS System, including any applications or online platforms. Franchisor also may access financial information and customer data produced by or otherwise located on Franchisee's POS System (collectively the "Customer Data"). Franchisor owns the Customer Data that is stored on the POS System and Franchisee assigns its rights in the Customer Data to Franchisor. Franchisor periodically will establish policies respecting the use of the Customer Data.

J. Internet Access and Protection. Franchisee must, at Franchisee's expense, have wireless Internet access with a high-speed connection and make available the wireless Internet access to its customers at all times. In addition, Franchisee must, at Franchisee's expense, install and maintain a hardware based firewall security system that complies with Franchisor's requirements and specifications. Franchisee will obtain such system only from Franchisor's designated firewall source of supply. If Franchisee installs an Internet kiosk, Franchisee must use a vendor Franchisor specifies. Franchisee is solely responsible for protecting itself from disruptions, Internet access failures, Internet content failures, and attacks by hackers and other unauthorized intruders and Franchisee waives any and all claims Franchisee may have against Franchisor as the direct or indirect results of such disruptions, failures or attacks.

K. Compliance With Laws And Good Business Practices. Franchisee must secure and maintain in force all required licenses, permits and certificates relating to the operation of the Shop and must operate the Shop in full compliance with all applicable laws, ordinances and regulations, including labor and employment laws. Franchisee must comply with all laws and regulations relating to privacy and data protection, and must comply with any privacy policies or data protection and breach response policies Franchisor periodically may establish. Franchisee must notify Franchisor in writing within five (5) days of the commencement of any action, suit, proceeding or investigation, and of the issuance of any order, injunction, award of decree, by any court, agency, or other governmental instrumentality that may adversely affect the operation or financial condition of Franchisee or the Shop. Franchisee must notify Franchisor immediately of any suspected data breach at or in connection with the Shop. Franchisee will not conduct any business or advertising practice which injures Franchisor's business, the System or the goodwill associated with the Trademarks and other DUNN BROTHERS COFFEE shops.

L. Confidential Information. Franchisee acknowledges and agrees that it does not acquire any interest in the Confidential Information, other than the right to use it in developing and operating the Shop pursuant to this Agreement, and that the use or duplication of the Confidential Information in any other business constitutes an unfair method of competition. Franchisee acknowledges and agrees that the Confidential Information is proprietary and is disclosed to Franchisee solely on the condition that Franchisee agrees that it: (1) will not use the Confidential Information in any other business or capacity; (2) will maintain the absolute confidentiality of the Confidential Information during and after the term of this Agreement; (3) will not make unauthorized copies of any Confidential Information disclosed in written form; (4) will adopt and implement all reasonable procedures Franchisor directs to prevent unauthorized use or disclosure of the Confidential Information, including restrictions on disclosure to Shop employees; and (5) will sign a Confidentiality Agreement and will require all Shop managers and other employees and agents with access to Confidential Information to sign such an agreement in a form Franchisor directs or approves.

The restrictions on Franchisee's disclosure and use of the Confidential Information will not apply to disclosure of Confidential Information in judicial or administrative proceedings to the extent Franchisee is legally compelled to disclose this information, if Franchisee uses its best efforts to maintain the confidential treatment of the Confidential Information, and provides Franchisor the opportunity to obtain an appropriate protective order or other assurance satisfactory to Franchisor of confidential treatment for the information required to be so disclosed.

Notwithstanding any other provision of this Agreement, there may be certain, limited circumstances where applicable law allows for the disclosure of certain Confidential Information, as specified in the Operations Manual.

M. Improvements. Franchisee must fully and promptly disclose to Franchisor, all ideas, concepts, methods, techniques, improvements, and additions relating to the development and/or operation of a DUNN BROTHERS COFFEE shop or the System, or any new trade names, service marks or other commercial symbols, or associated logos relating to the operation of the Shop, or any advertising or promotion ideas related to the Shop (collectively the "Improvements") conceived or developed by Franchisee and/or its employees during the term of this Agreement. Franchisee agrees that Franchisor has the perpetual right to use and authorize others to use the Improvements without any obligation to Franchisee for continuing service or other fees.

N. Trade Secrets. Franchisee understands and agrees that it will come into possession of certain of Franchisor's trade secrets concerning the manner in which Franchisor conducts business including: methods of doing business or business processes; strategic business plans; customer lists and information; marketing and promotional campaigns; and any other materials clearly marked or labeled as trade secrets. Franchisee agrees that the forgoing information, which may or may not be considered "trade secrets" under prevailing judicial interpretations or statutes, is private, valuable, and constitutes trade secrets belonging to Franchisor. Franchisee agrees that Franchisor derives independent economic value from the foregoing information not being generally known to, and not being readily ascertainable through proper means by another person. Franchisee agrees to take reasonable measures, as Franchisor may describe further in the Operations Manual, to keep such information secret. Upon termination of this Agreement, Franchisee will not use, sell, teach, train, or disseminate in any manner to any other person, firm, corporation, or association any trade secret pertaining to Franchisor's business and/or the manner in which it is conducted.

PERSONNEL AND TRAINING STANDARDS

9. The following provisions and conditions shall control with respect to personnel, training and supervision:

A. Staffing. Franchisee or a "Designated Manager" (as defined below) must serve as the general manager of the Business and devote his or her full time thereto. A "Designated Manager" is an individual selected by Franchisee and acceptable to Franchisor who has successfully completed Franchisor's training program. No employee of Franchisee shall be deemed to be an employee of Franchisor for any purpose whatsoever. Franchisee will be solely responsible to locate, interview, hire, schedule, supervise, compensate, discipline or fire all employees of the Business and be exclusively responsible for the terms of their employment and compensation and all other personnel decisions respecting Shop employees without any influence or advice from Franchisor. In addition, Franchisee will control and be solely responsible for the day-to-day operations of the Business. Franchisee will implement a training program for Shop employees in compliance with Franchisor's requirements. Franchisee shall have a minimum of two trained coffee roasters on staff at all times

B. Training. Before the opening of the Shop, Franchisee or the Designated Manager shall attend, and successfully complete to Franchisor's satisfaction, Franchisor's training program at place(s) designated by Franchisor. Franchisee cannot attend Franchisor's training program until it has submitted a proposed location for the Shop in writing to Franchisor for approval. Franchisee shall bear all room, board and travel expenses in connection therewith. Except as provided below or unless Franchisor waives in writing the training requirement for a person who has passed an in-store evaluation conducted by Franchisor, under no circumstances shall Franchisee permit management of the Business on a regular basis by a person who has not successfully completed Franchisor's training program. Franchisee may permit management of the business on a regular basis by a person who has not successfully completed Franchisor's training program where Franchisee has one or more existing Shops as of the Effective Date of this Agreement; provided, however, Franchisor shall have the option to approve such person, and Franchisor retains the right to require such person to successfully complete Franchisor's training program. Franchisor may determine, in its judgment, that Franchisee needs training from a third party in areas such as computer operations or accounting. In such instance, Franchisee shall be required to attend a course or courses approved by Franchisor and Franchisee shall bear all costs in connection therewith. Franchisor may require additional training, including training if a new Designated Manager is appointed for the Business, if a new product or service is introduced, upon renewal or transfer, or if Franchisor otherwise determines that such additional training is necessary. Franchisee is responsible for such training expenses including paying a per diem training rate and any room, board and travel expenses.

C. Attendance at Meetings. Franchisee or the Designated Manager must attend, at Franchisee's expense including applicable tuition, all meetings and conferences which Franchisor holds for DUNN BROTHERS COFFEE franchisees to establish or describe new methods and programs for operation, training, management, sales or marketing. If Franchisee fails to attend any required meeting Franchisor holds for DUNN BROTHERS COFFEE franchisees, in addition to Franchisor's other remedies under this Agreement, Franchisor may charge Franchisee a reasonable fee for failing to attend.

D. Customer Service. Franchisee and its employees shall at all times give prompt, courteous and efficient service to customers and must follow Franchisor's then-current customer service standards as described in the Operations Manual. Franchisee and its employees shall in all dealings with customers, suppliers and the public adhere to the highest standards of honesty, integrity, and fair dealing. All reasonable complaints by customers shall be honored by replacement without charge or by refund in full of the purchase price, per the guidelines contained in the Operations Manual. Franchisee shall not advertise, offer for sale or sell any unapproved, damaged, moldy or deteriorated products or products which are "out of date" as provided in the Operations Manual or as specified on the products. Any such item shall be immediately withdrawn from sale and removed by Franchisee from the Shop.

FEES, REPORTING AND AUDIT RIGHTS

10. Franchisee shall pay the fees described below and comply with the following provisions:

A. Initial Franchise Fee. Franchisee shall pay to Franchisor the Initial Franchise Fees described on Appendix A. If Franchisee cannot find a location acceptable to Franchisor within six (6) months after the Effective Date, Franchisee can, on or before the six (6) month anniversary of the Effective Date: (i) request a refund of the Initial Fees, less Ten Thousand Dollars ($10,000); or (ii) request an additional period of three (3) months within which to find a location and obtain our consent to that location. If Franchisee requests such an extension and does not find an acceptable location within the additional three (3) month period, Franchisor will not refund any portion of the Initial Franchise Fee. In addition, upon successful completion of any portion of the training program, the Initial Franchise Fees are not refundable. However, Franchisor will refund the Initial Franchise Fees, less Fifteen Thousand Dollars ($15,000), for Franchisor's expenses incurred in providing services to Franchisee (including expenses incurred for processing the application, travel expenses, attorneys' fees and other related costs), if Franchisee does not successfully complete our training program. Any amounts that we refund, as described in this paragraph, will be refunded within 60 days after your request. Except as described above, the Initial Franchise Fees are not refundable in whole or in part under any circumstances.

B. Continuing License Fee. In addition to the Initial Franchise Fee, at all times after the commencement of operations by Franchisee and during the full term of this Agreement, and in consideration of the rights licensed hereunder, Franchisee shall pay Franchisor as a Continuing License Fee an amount equal to five percent (5%) of Franchisee's Gross Sales.

C. Computations and Remittances. All amounts due and owing hereunder (including amounts referenced in Section 11 hereof), except the Initial Franchise Fee, shall be computed at the end of each month's operation and paid to Franchisor within five (5) business days of the end of each month. Franchisor reserves the right, upon thirty (30) days' notice to Franchisee, to collect all future amounts due and owing under this Agreement on a weekly basis. Franchisee acknowledges and agrees that direct payment of all such amounts will be made from Franchisee's bank account in accordance with the automatic draft authorization executed by Franchisee. The computation of said amounts shall be certified by Franchisee in the manner and form specified by Franchisor, and Franchisee shall supply to Franchisor such supporting or supplementary materials as Franchisor may reasonably require to verify the accuracy of such remittances. If Franchisee does not provide Franchisor with all required reports, as described in Section 10(D) below, Franchisor reserves the right to estimate amounts payable under this Agreement and withdraw such amount from Franchisee's bank account. Franchisee waives any and all existing and future claims and offsets against any amounts due hereunder, which amounts shall be paid when due. Franchisor shall be entitled to apply or cause to be applied against amounts due to Franchisor or any of its affiliates any amounts which may from time to time be held by Franchisor or its affiliates on Franchisee's behalf or owed to Franchisee by Franchisor or its affiliates.

D. Reports and Audit. Franchisee is required to file reports detailing certain information related to Franchisee's Business on a periodic basis with Franchisor. This information includes, among other things, the following: (i) sales volume (by product), sources of products sold and other information prescribed by Franchisor within five (5) business days of the end of each month; (ii) a report showing the inventory of the Shop by product category and an unaudited profit and loss statement, within thirty (30) calendar days of the end of each calendar quarter; (iii) annual profit and loss statements, source and use of funds statement, and a balance sheet prepared or reviewed by an independent certified public accountant, within ninety (90) calendar days of the end of each fiscal year; (iv) all state and federal tax (income, sales and other) returns within one hundred twenty (120) calendar days of the end of each fiscal year; and (v) at Franchisor's request, all tax returns relating to each of the Franchisee's owners. Franchisee is required to maintain and preserve the records for Franchisee's Business as described below for five (5) years. Franchisee agrees to use computerized record keeping systems in a format approved by Franchisor, and Franchisee's POS System must be set according to Franchisor's specifications, if any. Franchisee must use a POS System, which shall be designated by Franchisor and shall provide Franchisor with a complete and ongoing analysis of Franchisee's sales activities.

Franchisor has the right at any time during business hours and without prior notice to Franchisee to examine and audit, or cause to be examined or audited, or request copies of the following records of Franchisee's Business: bookkeeping and accounting records, cash register tapes, invoices, payroll records, check stubs, bank deposit receipts, financial statements, state and federal tax returns or schedules of Franchisee and its owners, other forms, and information and supporting records which the Franchisee is required to submit to Franchisor under this Agreement. Such audits and inspections will be at Franchisor's expense. However, in the event such audit is made necessary by the failure of Franchisee to furnish reports, financial statements, tax returns or schedules as required by this Agreement, or if any audit reveals that Franchisee has understated or underreported Gross Sales by an amount greater than two percent (2%), in addition to the amounts owed to Franchisor, Franchisee must reimburse the Franchisor upon demand for the cost of such inspection or audit, including without limitation the charges of any independent accountant and the travel expenses, room and board and compensation of the Franchisor or its representatives. Furthermore, in the event that Franchisee has understated or underreported such amounts by an amount greater than two percent (2%), Franchisor may conduct further periodic audits and/or evaluations of Franchisee's books and records as Franchisor reasonably deems necessary for up to two (2) years thereafter and Franchisee agrees that it shall pay all costs expenses in connection therewith. Franchisee acknowledges and agrees that if any such subsequent audit reveals an understatement or underreporting of Gross Sales of two percent (2%) or more, in addition to any other remedies provided for in this Agreement, at law or in equity, Franchisor shall have the right to terminate this Agreement. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

E. Non-Compliance Fees. In addition to Franchisor's right to terminate this Agreement as described in Section 13 below, if Franchisee fails to comply with the terms of this Agreement or any standards and specifications required pursuant to the Operations Manual, Franchisee must pay Franchisor a "Non-Compliance Fee" in the amount assessed by Franchisor, up to a maximum of Five Hundred Dollars ($500) per occurrence per day plus One Thousand Dollars ($1,000) for legal costs associated with the default, if applicable, in order to offset Franchisor's costs incurred to address the default.

MARKETING FEES AND CONTROLS

11. Franchisee agrees to actively promote Franchisee's DUNN BROTHERS COFFEE Business, to abide by all of Franchisor's marketing requirements and to comply with the following provisions:

A. Franchisee's Local Marketing. In addition to the Marketing Fund Contributions described below, Franchisee must spend one percent (1%) of Franchisee's Gross Sales on approved local marketing each calendar year. Franchisor reserves the right to periodically increase Franchisee's required local marketing expenditures upon ninety (90) days' notice; provided that Franchisee's required local marketing expenditures will not exceed two (2%) of Gross Sales. Local marketing expenditures may include contributions to marketing cooperatives as described below. Any local marketing Franchisee conducts must be factual, dignified and meet the highest standards of ethical marketing, and may not be injurious to the Trademarks or their goodwill. Franchisee must submit all such proposed local marketing to Franchisor for approval before using the marketing, which approval shall not be unreasonably withheld. If Franchisor does not respond to Franchisee within five (5) business days of Franchisor's receipt of any proposed materials, then the materials shall be deemed approved. On or before February 28 of each year, Franchisee must provide Franchisor with an itemization of its local marketing activities for the prior year. If Franchisee does not spend the minimum amount required for local marketing, Franchisee must pay Franchisor the amount of the difference between what Franchisee spent on approved local marketing during the year and what Franchisee was required to spend for deposit into the Fund (as defined below).

B. National Marketing Fund. Franchisor has instituted a national marketing fund for the purpose of funding and undertaking cooperative marketing and promotional efforts (the "Fund"). The Fund shall be administered by Franchisor as follows:

1. Franchisee shall pay to Franchisor a Marketing Fund Contribution in an amount equal to three percent (3%) of Franchisee's Gross Sales for the previous month, although Franchisor may increase the three percent (3%) level up to four percent (4%) on ninety (90) days' written notice. Marketing Fund Contributions shall be due and payable on or before the fifth (5^{th}) business day of the month following the month for which the Marketing Fund Contribution is due.

2. Franchisee's Marketing Fund Contributions, combined with contributions made by all other DUNN BROTHERS COFFEE franchisees and DUNN BROTHERS COFFEE shops operated by Franchisor and/or its affiliates shall be contributed to the Fund. Franchisee acknowledges that the Fund is intended to further general public recognition, market research and acceptance of the Trademarks, promote brand awareness and image, establish customer relations and service programs, as well to advertise and promote DUNN BROTHERS COFFEE shops and related products. Franchisor has the right to determine the methods of marketing, media employed and contents, terms and conditions of marketing programs. Franchisee acknowledges that Franchisor undertakes no obligation in administering the Fund to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contributions, or to ensure that any particular franchisee benefits directly or *pro rata* from the placement of marketing. The Fund is not a trust or escrow account, and Franchisor has no fiduciary obligations with respect to the Fund and its activities.

3. The Fund may be used to meet any and all costs of administering, directing, preparing, placing and paying for national, regional or localized marketing and employing advertising agencies to assist therein. All sums paid to the Fund, plus income earned from the Fund, need not be maintained in a separate account from other funds of Franchisor. Franchisor may reimburse itself for such reasonable administrative costs and overhead as Franchisor may incur in activities reasonably related to the promotion of the Trademarks, brand awareness and the DUNN BROTHERS COFFEE system, or the administration or direction of the Fund. Franchisor shall, within one hundred twenty (120) days following the close of its fiscal year, prepare a statement detailing Fund income and expenditures for the fiscal year just ended, which will be provided to Franchisee upon request.

4. If Franchisor shall expend less than the total sum available in the Fund during any fiscal year, it may either expend such unused sum during the following fiscal year or elect to rebate all or a portion of such unused sum to franchisees on a *pro rata* basis.

5. In the event Franchisor's expenditures for marketing in any one fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess expenditures from any amount subsequently contributed to the Fund.

6. Franchisor maintains the right to terminate the Fund at any time after all amounts in the Fund have been expended for marketing and promotional purposes or refunded to franchisees on a *pro rata* basis.

7. The Fund will not be used for advertising principally directed at the sale of franchises.

C. Marketing Cooperatives. Franchisor has the right to designate local marketing cooperatives. Franchisor will determine the amount Franchisee will contribute to a cooperative, although the combined amount that Franchisee must contribute to the Fund, expend on local marketing and contribute to any local marketing cooperative will not exceed five percent (5%) of Franchisee's Gross Sales. Each DUNN BROTHERS COFFEE shop within a designated local marketing cooperative is a member of the local marketing group and each shop has one vote on all matters requiring a vote. Franchisor reserves the right to designate the bylaws and other rules that govern the operation of local marketing cooperatives, and require local marketing cooperatives to use and pay for administrative, media planning and other services that Franchisor or our designated third party vendor may provide, although the bylaws cannot modify the voting structure set forth in the prior sentence.

D. Grand Opening Marketing. During a one hundred twenty (120) day period beginning two (2) weeks before the Shop opens, Franchisee will conduct a grand opening marketing campaign approved by Franchisor. Franchisee must submit a grand opening marketing plan to Franchisor for approval at least four (4) weeks before the Shop opens. Franchisee must spend a minimum amount on the grand opening marketing campaign that is equal to or greater than the Grand Opening Marketing Fee described in Appendix A. Franchisor will reimburse the Grand Opening Marketing Fee when Franchisee submits receipts showing the grand opening advertising spending on approved grand opening marketing activities. If all requests for reimbursement are not received within one hundred and fifty (150) days of the Shop's opening, then the difference between the Grand Opening Marketing Fee paid to Franchisor and the amount that Franchisee properly submitted for reimbursement is not refundable. Amounts spent on the grand opening campaign do not count toward Franchisee's required local marketing expenditures described in Section 11(A) above.

E. Participation in Programs. Franchisee will use its best efforts to promote and advertise the Shop. Franchisee must, at its expense, honor and participate in all customer loyalty, gift card, catering, mobile payment, online ordering and other promotional programs Franchisor requires.

FRANCHISEE'S OTHER OBLIGATIONS

12. Franchisee agrees to comply with the following terms and conditions:

A. Payment of Debts. Franchisee agrees to pay promptly when due all taxes, fees, obligations, and assessments due and payable to Franchisor, Franchisor's affiliates, vendors, suppliers, lessors, or creditors in connection with the Business, Products or services used in connection with Franchisee's Business, all liens and encumbrances of every kind and character created or placed upon or against any of said property and all accounts and other indebtedness of every kind incurred by Franchisee in the conduct of the Business. In the event Franchisee should default in making any such payment, Franchisor shall be authorized, but not required, to pay the same on Franchisee's behalf and Franchisee covenants promptly to reimburse Franchisor on demand for any such payment. Any and all amounts owing to Franchisor or Franchisor's affiliates by Franchisee under this Agreement shall bear interest at the rate of eighteen percent (18%) per annum, or the maximum contract rate of interest permitted by governing law, whichever is less, from and after the date of accrual thereof. Franchisee also must pay Franchisor a Fifty Dollar ($50) late fee per month for each delinquent report or payment that Franchisee owes under this Agreement. In addition, Franchisee is responsible for all bank fees resulting from Franchisor's inability to obtain funds from Franchisee's designated account to pay amounts due Franchisor or Franchisee's failure to comply with Franchisor's related directives. Franchisor or Franchisor's affiliates expressly reserve the right to withhold or delay the shipment of goods or provision of services to Franchisee if the Franchisee is in arrears with respect to any amount owed to Franchisor or Franchisor's affiliates. Franchisee agrees, at Franchisor's request, to execute an ACH authorization form for Franchisee's bank generally in the form of Appendix C attached hereto, which permits Franchisor and its affiliates to draw from Franchisee's account amounts due and payable to Franchisor and/or its affiliates under this Agreement. Franchisee agrees that it shall only terminate such ACH authorization with Franchisor's consent and will be responsible for all costs in connection with such ACH authorizations. In addition, Franchisee agrees to execute any and all documents Franchisor reasonably requires, including letters of credit, security agreements, and financing statements, to provide collateral for amounts due to Franchisor for purchases of inventory and other items used in Franchisee's business.

B. Liability and Insurance. Franchisee hereby waives all claims against Franchisor and its affiliates for damages to property, death, or injuries to persons arising directly or indirectly out of the management or operation of Franchisee's Business and Shop. Franchisee shall defend, indemnify and hold harmless Franchisor, its affiliates, successors, assigns, directors, officers, employees, agents, shareholders and representatives from such damages, losses, liabilities and expenses arising from or in connection with this Agreement, the operation, use, or occupancy of the Business or Shop or Franchisee's or Franchisee's employees' actions or inactions, including attorneys' fees, costs and interest, whether any such damage, loss, liability, or expense arises either prior to the Effective Date of this Agreement or on or after the Effective Date of this Agreement.

Franchisee must purchase and maintain in full force and effect, solely at Franchisee's expense, insurance coverage in the minimum amounts required by Franchisor. All insurance policies must name Franchisor, Franchisor's affiliates and any other person designated by Franchisor as an additional insured. Franchisee must deliver to Franchisor prior to beginning operations for the Business, annually thereafter and any other time Franchisor requires, proof of the required insurance coverage in a form Franchisor requires, including insurance policy endorsements. The insurance must name Franchisor and its affiliates as additional insureds thereunder and provide that Franchisor will be given thirty (30) days prior written notice of any material change in or termination, expiration or cancellation of the policy. Said insurance coverage shall commence as of the date Franchisee takes possession of the Authorized Location, or earlier if required by law. Franchisor may reasonably increase the minimum insurance requirements and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in liability litigation or other relevant changes in circumstances. As of the Effective Date, Franchisor requires that Franchisee maintain the following minimum insurance requirements:

- Commercial General Liability and Property Insurance: Minimum limits of $2,000,000 each occurrence / $4,000,000 general aggregate.

- Umbrella/Excess Liability: Minimum limits of $1,000,000 each occurrence / $1,000,000 general aggregate.

- All liability insurance policies will include product liability coverage, food contamination, and other kinds of coverage that Franchisor designates, including motor vehicle liability insurance, if a motor vehicle is used in the operation of Franchisee's Business and payment security insurance if deemed appropriate.

- Workers Compensation/Employers Liability: Minimum of $500,000 each accident/$500,000 policy aggregate/$500,000 each employee or minimum amount required by law.

In the future, Franchisor reserves the right to require cyber liability insurance, Data Breach Liability and Data Breach Response Expense insurance.

The insurance policies required by Franchisor above are minimum requirements and Franchisee may purchase and maintain additional insurance policies or insurance policies with greater coverage limits. Franchisor may reasonably increase the minimum liability protection requirement and require different or additional kinds of insurance to reflect inflation, changes in standards of liability, higher damage awards in liability litigation or other relevant changes in circumstances. If Franchisee at any time fails or refuses to maintain in effect any required insurance coverage, or to furnish satisfactory evidence thereof, Franchisor, at its option and in addition to its other rights and remedies, may (but need not) obtain such insurance coverage on behalf of Franchisee, and Franchisee must promptly execute any applications or other forms or instruments required to obtain any such insurance and pay to Franchisor, on demand, any costs and premiums incurred by Franchisor, plus interest thereon as defined in Section 12(A) hereof.

Franchisee's obligation to obtain and maintain these insurance policies in the amounts required by Franchisor shall not be limited in any way by reason of any insurance that Franchisor may maintain, nor does Franchisee's procurement of required insurance relieve Franchisee of liability under the indemnity obligations described in this Section. Franchisee's insurance procurement obligations under this Section are separate and independent of Franchisee's indemnity obligations. Franchisor does not represent or warrant that any insurance that Franchisee is required to purchase will provide adequate coverage for Franchisee. The requirements of insurance specified in this Agreement are for Franchisor's protection. Franchisee should consult with its own insurance agents, brokers, attorneys and other insurance advisors to determine the level of insurance protection it needs and desires, in addition to the coverage and limits required by Franchisor.

C. Covenants Against Competition and Solicitation.

1. During the term of this Agreement, Franchisee, the Designated Manager, and all shareholders/members/partners in the case of a corporate or partnership Franchisee, shall not have any interest in, or as an owner (except publicly traded securities), director, officer, employee, consultant, representative or agent, or in any other capacity, engage in, any Competitive Business with Franchisor, its affiliates or any DUNN BROTHERS COFFEE shops (except other Shops operated under franchise agreements between the Franchisee and the Franchisor) or in any business or entity which franchises, licenses or otherwise grants to others the right to operate such competitive business, without the prior written approval of Franchisor. For purposes of this Agreement, Competitive Business shall mean any coffee shop or other business that: (a) generates twenty-five (25%) or more of its revenue from the sale (wholesale or retail) of coffee, coffee beans, or other coffee-based beverage products; (b) generates forty percent (40%) or more of its daily revenue from the sale (wholesale or retail) of coffee, coffee beans, other beverages, and food offerings (such as fresh bakery items such as breads and pastries and breakfast sandwiches) before noon (12:00 p.m.); or (c) generates fifty percent (50%) or more of its daily revenue from the sale of items that are substantially similar to those items then offered for sale at DUNN BROTHERS COFFEE shop.

2. Upon the termination or expiration of this Agreement, Franchisee and all equity holders/partners in the case of a corporate/partnership/limited liability company Franchise, agree not to have an interest, for a period of two (2) years commencing on the later of the effective date of termination or expiration of this Agreement or the date of any Court Order enforcing the noncompete provision, in or as an owner (except of publicly traded securities), partner, director, officer, employee, consultant, representative or agent of any business or entity which operates or otherwise grants to others the right to operate a Competitive Business within five (5) miles of the Authorized Location designated in this Agreement or within five (5) miles of any other DUNN BROTHERS COFFEE shop.

3. Franchisee covenants that, during the term of this Agreement, and for a period of two (2) years thereafter, Franchisee will not, directly or indirectly, divert or attempt to divert any business, account or customer of the Shop or any other DUNN BROTHERS COFFEE shop or the System to any Competitive Business.

4. Franchisee agrees that the length of time in this Section 12(C) will be tolled for any period during which Franchisee is in breach of the covenants or any other period during which Franchisor seeks to enforce this Agreement.

DEFAULT AND TERMINATION

13. The following provisions shall apply with respect to default and termination:

A. Defaults. Franchisee shall be in default hereunder if Franchisor determines that Franchisee has breached any of the terms of this Agreement or any other agreement between Franchisee and Franchisor or its affiliates, which without limiting the generality of the foregoing, shall include voluntary abandonment of the Business, making any false report to Franchisor, failure to submit any required report, intentionally understating or underreporting or failure to pay when due any amounts required to be paid to Franchisor or any of Franchisor's affiliates whether pursuant to this Agreement or otherwise or to any third party (including vendors and suppliers) as required by this Agreement, any conduct (including conviction of Franchisee or the Designated Manager of any felony or misdemeanor) which brings or tends to bring any of the Trademarks into disrepute or impairs or tends to impair the goodwill of any of the Trademarks, failure to abide by Franchisor's standards and requirements in connection with the operation of Franchisee's Business, filing of voluntary or involuntary bankruptcy by or against Franchisee, insolvency, making an assignment for the benefit of creditors or entering into any similar arrangement for the disposition of assets for the benefit of creditors, and any unauthorized assignment or transfer of the Business or this Agreement.

B. Termination by Franchisor. Franchisor has the right to terminate this Agreement in accordance with the following provisions:

1. Termination After Opportunity to Cure. Except as otherwise provided in this Section 13(B): (i) Franchisee will have 30 days from the date of a written notice of default to cure any default under this Agreement, unless the default is for failure to pay amounts due or failure to submit reports, in which case Franchisee will have 10 days to cure the default; (ii) Franchisee's failure to cure a default within the applicable 10 or 30 day cure period will provide Franchisor with good cause to terminate this Agreement; (iii) the termination will be accomplished by mailing or delivering to Franchisee written notice of termination that will identify the grounds for the termination; and (iv) the termination will be effective 30 days after the date of the written notice of termination.

2. Immediate Termination With No Opportunity to Cure. In the event any of the following defaults occurs, Franchisee will have no right or opportunity to cure and this Agreement will terminate effective immediately on Franchisor's issuance of written notice of termination: (a) voluntary abandonment of this Agreement or the Business by Franchisee; (b) failure to obtain a Shop location within six (6) months (or nine (9) months if granted an extension under Section 10(A)) from the Effective Date of this Agreement; (c) failure to open the Shop within twelve (12) months from the Effective Date of this Agreement; (d) insolvency of Franchisee; (e) Franchisee's making an assignment or entering into any similar arrangement for the benefit of creditors; (f) conviction of Franchisee, the Designated Manager or any of Franchisee's owners of an offense directly related to the Business; (g) intentionally understating or underreporting Gross Sales; (h) any default which results from a subsequent audit of the Business conducted within two (2) years of a previous audit and both audits reveal an understatement of two percent (2%) or more in

financial information provided to Franchisor; or (i) any default by Franchisee which is the third similar default within any twelve (12) month consecutive period.

3. Immediate Termination After 24 Hours to Cure. In the event that a default occurs that materially impairs the goodwill associated with any of the Trademarks, the termination will be effective twenty-four (24) hours after Franchisor's notice if Franchisee has not cured the default.

4. Material Misrepresentation. Franchisor may declare this Agreement null and void if the Franchisee makes any material misrepresentation on the franchise application or otherwise relating to the acquisition of the franchise.

5. Effect of Other Laws. The provisions of any valid, applicable law or regulation prescribing permissible grounds, cure rights or minimum periods of notice for termination of this franchise shall supersede any provision of this Agreement that is less favorable to Franchisee than such law or regulation.

C. Termination by Franchisee. Franchisee may terminate this Agreement only for good cause upon sixty (60) days prior written notice to Franchisor, provided that Franchisee is in full compliance with all terms and conditions of this Agreement and Franchisor has committed an alleged material breach of this Agreement which Franchisor has not cured within thirty (30) days after receipt of such notice of alleged material breach. Such notice of alleged material breach must specify with particularity the nature of the alleged material breach and the steps Franchisee requests that Franchisor take to cure the alleged material breach.

POST-TERM OBLIGATIONS

14. Upon the expiration or termination of this Agreement:

A. Reversion of Rights; Discontinuation of Trademark Use. All rights of Franchisee to the use of the Trademarks and all other rights and licenses granted herein and the right and license to conduct Business under the Trademarks shall terminate without further act or deed of any party. All right, title and interest of Franchisee in, to and under this Agreement shall become the property of Franchisor. Franchisee shall pay all sums due to Franchisor, its affiliates or designees. Franchisee shall immediately cease all use and display of the Trademarks and of any material received from Franchisor (including, without limitation, Confidential Information, the Operations Manual and marketing materials), take such actions as may be required to cancel all assumed name or equivalent registrations relating to the use of any trade name or Trademark, and to notify the telephone and listing agencies of the termination or expiration of Franchisee's right to use all telephone numbers of the DUNN BROTHERS COFFEE Business and all classified and other directory listings of the DUNN BROTHERS COFFEE Business and to authorize the transfer of such numbers and directory listings to Franchisor.

Franchisee shall immediately return to Franchisor all copies of the Operations Manual and, at Franchisee's expense, remove or obliterate (subject to Section 14(B)) all signage, displays, menus or other materials in Franchisee's possession that bear any of the Trademarks or names or material confusingly similar to the Trademarks and so alter the appearance of the Shop premises as to differentiate them unmistakably from duly licensed businesses identified by the Trademarks. If, however, Franchisee refuses to comply with the provisions of the preceding sentence within twenty (20) days from the date of termination or expiration of this Agreement, Franchisor shall have the right to enter the Authorized Location and remove all signs, displays or other materials that bear any of the Trademarks or names or material confusingly similar to the Trademarks, and Franchisee shall reimburse Franchisor for Franchisor's costs incurred in connection therewith.

Franchisee also will immediately shut down or transfer to Franchisor or its designee, at Franchisor's option, all social media accounts and professional networking accounts related to the Shop, such as LinkedIn, Facebook or Twitter or any other similar type of electronic communication.

In addition, Franchisor may, but is not obligated to, require that Franchisee assign the lease or sublease for the Shop premises to Franchisor. Notwithstanding the foregoing, in the event of expiration or termination of this Agreement, Franchisee shall remain liable for its obligations pursuant to any applicable lease or sublease for the Shop and its indemnification and other applicable obligations, which by their nature survive the expiration or termination of this Agreement.

Franchisee acknowledges that as between Franchisor and Franchisee, Franchisor has the sole rights to and interest in all telephone numbers and directory listings associated with the Shop, and Franchisee authorizes Franchisor, and hereby appoints Franchisor and any officer of Franchisor as Franchisee's attorney-in-fact, to direct the telephone Franchisor and all listing agencies to transfer the same to Franchisor or its agent or assignee should Franchisee fail or refuse to do so. The telephone Franchisor and listing agents may accept such direction in this Agreement as conclusive evidence of the exclusive rights of Franchisor in such telephone numbers and directory listings and its authority to direct the transfer.

Franchisee also must comply with the covenants described in Section 12(C) above.

B. Purchase Option. If this Agreement expires or is terminated for any reason (other than the fault of Franchisor), Franchisor has the option, upon thirty (30) days written notice from the date of expiration or termination, to purchase from Franchisee all the tangible assets relating to the Shop (excluding any unsalable inventory and cash) (collectively, the "Purchased Assets"). Franchisor may assign this option to purchase separate and apart from the remainder of this Agreement.

The purchase price will be the "Book Value" (as defined below) of the Purchased Assets. "Book Value" means the net book value of the Purchased Assets, as disclosed in the last quarterly statement of the Shop provided to Franchisor under Section 10(D) before termination or expiration, provided, however, that: (1) each depreciable asset will be valued on a "straight-line" basis without provision for salvage value; (2) Franchisor may exclude from the Purchased Assets any products or other items that were not acquired in compliance with this Agreement; and (3) Franchisor may exclude from Book Value any provision for goodwill or similar value attributable to intangible property. If Franchisor is not satisfied with the accuracy or fairness of any financial statements, or none has been submitted, Franchisor's regularly employed firm of certified public accountants will determine (by audit) the Book Value. Franchisor and Franchisee will equally bear the cost of the audit. The results of the audit will be final and binding on both parties.

The purchase price, as determined above, will be paid in cash at the closing of the purchase, which will occur no later than sixty (60) days after Franchisor delivers notice of its election to purchase the Purchased Assets, unless Book Value is determined by audit, in which case the closing will occur within a reasonable time, not to exceed sixty (60) days, after the results of the audit are made available. At the closing, Franchisee will deliver documents transferring good and merchantable title to the Purchased Assets, free and clear of all liens, encumbrances and liabilities to Franchisor or its designee and such other documents Franchisor may reasonably request. Franchisor may set off against and reduce the purchase price by all amounts Franchisee owes to Franchisor or any of its affiliates.

C. Claims. Franchisee must assert any claim or cause of action against Franchisor relating to this Agreement or the Business conducted hereunder within the shorter period of the applicable statute of limitations or one (1) year from the effective date of expiration or termination of this Agreement; provided that where the one (1) year limitation of time is prohibited or invalid by or under any applicable law, then and in that event no suit or action shall be commenced or maintained unless commenced within the applicable statute of limitations.

DISPUTE RESOLUTION; INJUNCTIVE RELIEF

15. Franchisee and Franchisor agree as follows:

A. Dispute Resolution. Except as qualified below in Section 15(B), any dispute between Franchisee or Franchisor or any of their affiliates or other related parties arising under, out of, in connection with or in relation to this Agreement or the business, which the parties are unable to resolve, shall be submitted to binding arbitration under the authority of the Federal Arbitration Act and in accordance with the rules and procedures and under the auspices of the American Arbitration Association or the rules of such other arbitration services organization as the parties otherwise may agree upon in writing, to the extent such rules are not inconsistent with the provisions of this arbitration provision or the Federal Arbitration Act. The arbitration shall take place in Minneapolis, Minnesota, or at such other place as may be mutually agreeable to the parties. The arbitration shall be on an individual basis only and not consolidated with any other proceeding, and Franchisee agrees not to seek joinder of any of its claims with those of any other party. The panel of arbitrators shall consist of three (3) members, one chosen by Franchisor, one chosen by Franchisee, and one selected by the two previously selected arbitrators. In no event shall an arbitrator have any interest in, or relation to, either Franchisor, Franchisee or their affiliates. The arbitrators appointed must have at least five (5) years' experience in franchising or in franchise law. The arbitrators have full authority to resolve all disputes properly before them, and may order that payment of the cost of arbitration be borne by the losing party. The decision of the arbitrators shall be final and binding on all parties. Judgment upon the award may be entered in any court having jurisdiction thereof.

Except as qualified below in Section 15(B), prior to the initiation of arbitration or litigation in connection with a dispute arising under this Agreement, either party may submit a dispute arising under this Agreement to non-binding mediation before a neutral third party mediator acceptable to both parties. In the event a party requests mediation, it must send written notice to the other party. Upon written notice, Franchisor shall provide Franchisee with three (3) dates within a two (2) week period following receipt of the notice during which the mediation proceedings may take place at Franchisor's home office. If submitted to mediation by either party, a confidentiality agreement respecting the mediation proceedings shall be executed by both parties. Each party shall pay its own costs and expenses with respect to the mediation, except the costs of the third party mediator shall be borne equally by the parties.

B. Injunctive Relief. Notwithstanding Section 15(A) above, Franchisee recognizes that Franchisee's Business is one of a number of businesses identified by the Trademarks and similarly situated and selling to the public similar products and services, and hence the failure on the part of a single franchisee to comply with the terms of its agreement could cause irreparable damage to Franchisor and/or to some or all other franchisees of Franchisor. Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement by Franchisee, Franchisor shall forthwith be entitled to seek an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators. The foregoing equitable remedy shall be in addition to, and not in lieu of, all other remedies or rights which Franchisor might otherwise have by virtue of any breach of this Agreement by Franchisee. Franchisor also reserves the right to commence a civil action against Franchisee or take other appropriate action for the following reasons: to collect sums of money due to Franchisor; and to compel Franchisee's compliance with trademark standards and requirements to protect the goodwill of the Trademarks.

FRANCHISOR'S RIGHT OF FIRST REFUSAL TO PURCHASE

16. The parties agree that the following provisions shall govern Franchisor's right of first refusal:

A. Restrictions. Franchisee will not sell, assign, trade, transfer, lease, sublease, or otherwise dispose of any interest in or any part of (i) Franchisee's Business, (ii) the Shop, (iii) the assets of Franchisee's Business, or (iv) this Agreement, without first offering the same to Franchisor in writing, at the same price and on the same terms as stated in the proposed third-party offer. Franchisee's written offer to Franchisor must contain all material terms and conditions of the proposed sale or transfer, together with a representation by Franchisee that such third party offer is genuine. Upon Franchisor's receipt of written notice specifying the proposed price and terms of a proposed sale or transfer of Franchisee's Business, Franchisor will give Franchisee written notice within thirty (30) days thereafter which will either waive its right of first refusal to purchase, or will state an interest in negotiating to purchase the Business according to the proposed terms. If Franchisor commences negotiations to purchase Franchisee's Business as described herein, Franchisee may not sell the Business to a third party for at least ninety (90) days or until Franchisor and Franchisee agree in writing that the negotiations have terminated, whichever comes first. If Franchisor waives its right to purchase, Franchisee will have the right to complete the sale or transfer of the Business within one hundred fifty (150) days of the date of the first offer according to the terms described in the written notice to Franchisor but not upon more favorable terms. Any such sale, transfer or assignment to a third party is subject to the provisions stated in Section 17 of this Agreement. Failure to complete the sale within the 150-day period will result in the Franchisor again having the right of first refusal. Franchisee's obligations under this Agreement will not be affected or changed because of Franchisor's nonacceptance of Franchisee's written offer.

B. Corporate Franchisee. If Franchisee is a corporation, limited liability company or other entity, a controlling equity interest in the Franchisee may not be sold, pledged, assigned, traded, transferred or otherwise disposed of by any equity holder or equity holders (except to a trust established for the benefit of the immediate family members of the controlling equity holders) until the equity interest has been first offered to Franchisor in writing under the same terms and conditions offered to any third party. Such offer shall be made in the manner set forth in Section 16(A) hereof and the acceptance or rejection of such offer and the parties' rights in connection therewith shall also be governed by Section 16(A). If Franchisee is a corporation, all shares of capital stock issued by Franchisee corporation to its shareholders must bear the following legend on the reverse side of each issued and outstanding stock certificate:

> The shares of capital stock represented by this certificate are subject to a written franchise agreement which grants Dunn Bros Coffee Franchising, Inc. a right of first refusal to purchase these shares of capital stock from the shareholder.

The foregoing legend shall be appropriately amended if Franchisee is a limited liability company or other similar entity. Nothing in this Section 16 will be construed as prohibiting equity interests in a Franchisee from being pledged as security to an institutional lender who has provided financing to or for the Shop; provided the institutional lender accepts such security interest subject to Franchisor's reasonable conditions.

ASSIGNMENT OF FRANCHISE AGREEMENT

17. The parties agree that the following provisions shall govern transfers:

A. By Franchisor. This Agreement may be assigned and transferred by Franchisor and will benefit Franchisor's successors and assigns. Any such assignment or transfer will require the assignee to fulfill Franchisor's obligations under this Agreement.

B. Assignment by Individual to an Entity. This Agreement may be transferred or assigned by Franchisee who is an individual to a corporation or other entity which is owned or controlled by Franchisee, provided: (i) Franchisee and all equity holders of the assignee entity owning at least ten percent (10%) of the equity thereof sign the form of Guaranty and Assumption of Obligations attached hereto and agree to be bound by the provisions of this Agreement; and (ii) Franchisee furnishes prior written proof to Franchisor substantiating that the assignee entity will be financially able to perform all of the provisions of this Agreement, to be determined in the sole discretion of Franchisor, which determination shall not be unreasonably made. Franchisee will give Franchisor fifteen (15) days written notice prior to the proposed date of assignment or transfer of this Agreement as provided in this Section; provided, however, the transfer or assignment of this Agreement will not be valid or effective until Franchisor has received the legal documents which its legal counsel deems necessary to properly document such transfer or assignment and the Guaranty and Assumption of Obligations have been executed.

C. Conditions to Other Transfer or Assignment. Franchisee (and its partners and equity holders, if any) will not transfer (whether voluntary or involuntary), assign or otherwise dispose of, in one or more transactions, Franchisee's Business, the Authorized Location, substantially all or all of the assets of Franchisee's Business, this Agreement or any controlling interest in Franchisee (a "controlling" interest includes a proposed transfer of fifty percent (50%) or more of the equity interest of a Franchisee which is an entity) without Franchisor's prior written consent, except to trusts established for the benefit of immediate family members. Franchisor will not unreasonably withhold its consent to a transfer, subject to any or all of the following conditions described below which Franchisor may, in its judgment, deem necessary:

1. All of Franchisee's accrued monetary obligations to Franchisor will have been satisfied, and Franchisee is not in default under this Agreement;

2. Franchisee shall have complied with the requirements described in Sections 7(D) and 7(E) of this Agreement;

3. Franchisee executes a written agreement in a form satisfactory to Franchisor, in which Franchisee releases all claims against Franchisor and covenants to observe all applicable post-term obligations and covenants contained in this Agreement;

4. The transferee-franchisee enters into a written agreement in a form satisfactory to Franchisor assuming and agreeing to discharge all of Franchisee's obligations and covenants under this Agreement for the remainder of its term or, at Franchisor's option, signs Franchisor's then-current standard form of franchise agreement (which may not provide for the same Continuing License Fee and Marketing Fund Contribution);

5. Each of transferee-franchisee's equity holders owning at least ten percent (10%) of the equity of transferee-franchisee (if an entity) signs the then-current form of Guaranty and Assumption of Obligations;

6. The transferee-franchisee is approved by Franchisor and demonstrates to Franchisor's satisfaction that he/she/it meets Franchisor's managerial, financial, and business standards for new franchisees, possesses a good business reputation and credit rating, and has the aptitude and ability to conduct the franchised business;

7. The Franchisee assigns to the transferee-franchisee the lease and/or sublease for the Shop premises; and

8. The transferee-franchisee successfully completes any training prescribed by Franchisor.

Franchisor may expand upon, and provide more details related to, the conditions for transfer and Franchisor's consent as described in this Section 17(C), and may do so in the Operations Manual or otherwise in writing.

D. Transfer Fee. If this Agreement is assigned or transferred pursuant to Section 17(C) above, Franchisor must be paid a transfer fee equal to fifty percent (50%) of the then-current Initial Franchise Fee Franchisor charges for a new DUNN BROTHERS COFFEE franchisee, which includes Five Thousand Dollars ($5,000) for franchise rights. There will be no transfer fee payable with respect to transfers from an individual Franchisee to an entity in accordance with Section 17(B) or from a Franchisee or trusts established for the benefit of immediate family members.

E. Death or Incapacity of Franchisee. Upon the death or incapacity of Franchisee or the owner of a controlling interest of Franchisee, if Franchisee is a corporation, limited liability company, partnership, or other entity, the executor, administrator, conservator, or other personal representative of such person shall transfer his or her interest within a reasonable time, not to exceed six (6) months from the date of death or incapacity, to a third party approved by the Franchisor. Such transfers, including, without limitation, transfers by devise or inheritance or trust provisions, shall be subject to all the terms and conditions for transfers contained in this Agreement; provided, however, the transfer fee described in Section 17(D) shall not be payable. Failure to so dispose of such interest within the period of time stated above shall constitute a breach of this Agreement. For purposes of this Agreement, Franchisee or the owner of a controlling interest of Franchisee shall be deemed to be incapacitated if he or she is unable, for any reason, to engage in the usual, active operation of the Shop as contemplated in this Agreement for a continuous period of four (4) months.

GENERAL PROVISIONS

18. The parties hereby agree to the following provisions:

A. Severability. Should one or more clauses of this Agreement be held to be void or unenforceable for any reason by any court of competent jurisdiction, such clause or clauses shall be deemed to be separable in such jurisdiction and the remainder of this Agreement shall be deemed to be valid and in full force and effect and the terms of this Agreement shall be equitably adjusted so as to compensate the appropriate party for any consideration lost because of the elimination of such clause or clauses. It is the intent and expectation of each of the parties that each provision of this Agreement will be honored, carried out and enforced as written. Consequently, each of the parties agrees that any provision of this Agreement sought to be enforced in any proceeding hereunder shall, at the election of the party seeking enforcement and notwithstanding the availability of an adequate remedy at law, be enforced by specific performance or any other equitable remedy.

B. Waiver/Integration. No waiver by Franchisor of any breach by Franchisee, nor any delay or failure by Franchisor to enforce any provision of this Agreement, shall be deemed to be a waiver of any other or subsequent breach or be deemed an estoppel to enforce Franchisor's rights with respect to that or any other or subsequent breach. Subject to Franchisor's rights to modify Appendices hereto, System standards and requirements, the Operations Manual and as otherwise provided herein, this Agreement shall not be waived, altered or rescinded, in whole or in part, except by a writing signed by Franchisee and Franchisor. This Agreement together with any addenda and appendices hereto, and that certain Disclosure Acknowledgement Agreement signed contemporaneously by Franchisee as a part of this Agreement, constitute the sole agreement between the parties with respect to the entire subject matter of this Agreement and embody all prior agreements and negotiations with respect to the business authorized hereunder. FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NOT RECEIVED ANY WARRANTY OR GUARANTEE, EXPRESS OR IMPLIED, AS TO THE POTENTIAL VOLUME, PROFITS OR SUCCESS OF FRANCHISEE'S BUSINESS. THERE ARE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND, EXPRESS OR IMPLIED, EXCEPT AS CONTAINED HEREIN AND IN THE AFORESAID APPLICATION.

C. Notices. Except as otherwise provided in this Agreement, any notice, demand or communication provided for herein shall be signed by the party serving the same and either delivered personally or by a reputable overnight service which requires a written receipt or deposited in the United States mail, by registered or certified mail (postage prepaid), and addressed as follows:

1. If intended for Franchisor, shall be addressed to the President, Dunn Bros Coffee Franchising, Inc., 2335 Hwy 36 West, Suite 201, Roseville, MN 55113;

2. If intended for Franchisee, shall be addressed to Franchisee at the address listed on the cover page of this Agreement or,

in either case, to such other address as may have been designated by notice to the other party. Any notice by a means which provides the sender with evidence of delivery, or rejected delivery, will be deemed to have been given at the date and time of receipt or rejected delivery.

D. References. If Franchisee consists of two or more individuals, such individuals shall be jointly and severally liable, and references to Franchisee in this Agreement shall include all such individuals. Reference to Franchisee as neuter shall also include a male or female Franchisee, as relevant in the context. Headings and captions contained herein are for convenience of reference and shall not be taken into account in construing or interpreting this Agreement.

E. Guaranty. All owners of greater than or equal to ten percent (10%) of a Franchisee which is a corporation, partnership or other entity shall execute the form of Guaranty and Assumption of Obligations attached to this Agreement as Appendix B. Any person or entity that at any time after the date of this Agreement becomes an owner of greater than or equal to ten percent (10%) of Franchisee shall, as a condition of becoming such an owner, execute the form of Guaranty and Assumption of Obligations attached to this Agreement. All personal guaranties shall provide for the joint and several liability of all guarantors.

F. Relationship of Parties. Franchisee is and shall be considered an independent contractor with control and direction of its Business and operations, subject to the conditions and obligations established by this Agreement. No agency, employment, or partnership is created by this Agreement. Franchisee's business is separate and apart from any that may be operated by Franchisor. Neither party to this

Agreement shall make any representations tending to create apparent agency, employment, or partnership.

G. Successors/Assigns. Subject to the terms of Sections 16 and 17 hereof, this Agreement shall be binding upon and inure to the benefit of the administrators, executors, heirs, successors and assigns of the parties.

H. Interpretation of Rights and Obligations. The following provisions will apply to and govern the interpretation of this Agreement, the parties' rights under this Agreement, and the relationship between the parties:

1. Applicable Law and Waiver. Subject to Franchisor's rights under federal trademark laws and the parties' rights under the Federal Arbitration Act in accordance with Section 15 of this Agreement, the parties' rights under this Agreement, and the relationship between the parties is governed by, and will be interpreted in accordance with, the laws (statutory and otherwise) of the state in which the Authorized Location is located. Franchisee waives, to the fullest extent permitted by law, the rights and protections that might be provided through the laws of any state relating to franchises or business opportunities, other than those of the state in which the Authorized Location is located.

2. Franchisor's Rights. Whenever this Agreement provides that Franchisor has a certain right, that right is absolute and the parties intend that Franchisor's exercise of that right will not be subject to any limitation or review. Franchisor has the right to operate, administrate, develop, and change the System in any manner that is not specifically precluded by the provisions of this Agreement.

3. Franchisor's Reasonable Business Judgment. Whenever Franchisor reserves or is deemed to have reserved discretion in a particular area or where Franchisor agrees or is deemed to be required to exercise its rights reasonably or in good faith, Franchisor will satisfy its obligations whenever it exercises Reasonable Business Judgment in making its decision or exercising its rights. A decision or action by Franchisor will be deemed to be the result of Reasonable Business Judgment, even if other reasonable or even arguably preferable alternatives are available, if Franchisor's decision or action is intended, in whole or significant part, to promote or benefit the DUNN BROTHERS COFFEE system generally even if the decision or action also promotes a financial or other individual interest of Franchisor. Examples of items that will promote or benefit the DUNN BROTHERS COFFEE system include, without limitation, enhancing the value of the Trademarks, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the DUNN BROTHERS COFFEE system.

I. Venue. Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 15 hereof, shall be brought in the Federal District Court for the District of Minnesota or in Hennepin County District Court, Fourth Judicial District, Minneapolis, Minnesota. Franchisor also has the right to file any such suit against Franchisee in the federal or state court where the Shop is located. Both parties hereto irrevocably admit themselves to, and consent to, the jurisdiction of said courts and waive all rights to challenge personal jurisdiction and venue. The provisions of this subsection shall survive the termination of this Agreement. Franchisee is aware of the business purposes and needs underlying the language of this subsection, and with a complete understanding thereof, agrees to be bound in the manner set forth.

J. Notice of Potential Franchisor Profit. Franchisor advised Franchisee that Franchisor and/or Franchisor's affiliates periodically may make available to Franchisee goods, products and/or services for use in the Shop on the sale of which Franchisor and/or its affiliates may make a profit. Franchisor further advises Franchisee that Franchisor and its affiliates periodically may receive consideration from suppliers and manufacturers respecting sales of goods, products or services to Franchisee or in consideration for services provided or rights license to such persons. Franchisee agrees that Franchisor and its affiliates will be entitled to such profits and consideration.

K. Attorneys' Fees. The prevailing party in any legal proceeding before a court, arbitrators or other tribunal to enforce the terms and provisions of this Agreement shall be entitled to recover its reasonable attorneys' fees and costs (and interest on such fees and costs). This Section 18(K) shall survive termination or expiration of this Agreement under any circumstances.

L. Jury Waiver. Franchisor and Franchisee hereby waive any and all rights to a trial by jury in connection with the enforcement or interpretation by judicial process of any provision of this Agreement, and in connection with allegations of state or federal statutory violations, fraud, misrepresentation or similar causes of action or any legal action initiated for the recovery of damages for breach of this Agreement.

M. WAIVER OF PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE (AND THEIR RESPECTIVE OWNERS AND GUARANTORS, IF APPLICABLE) AGREE TO WAIVE, TO THE FULLEST EXTENT PERMITTED BY LAW, THE RIGHT TO OR CLAIM FOR ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM, EACH SHALL BE LIMITED TO THE RECOVERY OF ACTUAL DAMAGES SUSTAINED BY IT.

N. Acts Beyond Control of Parties. In the event of any failure of performance of this Agreement according to its terms by any party the same shall not be deemed a breach of this Agreement if it arose from a cause beyond the control of and without the negligence of said party. Such causes include, but are not limited to, strikes, wars, riots, civil commotion, and acts of government except as may be specifically provided for elsewhere in this Agreement.

O. Effective Date. This Agreement shall be deemed made when signed by Franchisor.

P. Assistance of Counsel; Receipt of Documents. Franchisee acknowledges that it has received a franchise disclosure document at least fourteen (14) calendar days prior to the date on which this agreement was executed. Franchisee represents that franchisee or its attorney or other professional advisor has conducted an investigation of the business and the franchise and acknowledges the risks involved in this business venture and that its success will depend on franchisee's business ability. Franchisee further acknowledges that franchisee has been given ample opportunity to clarify any provisions of this agreement and information contained in this agreement and the disclosure document and to obtain the advice and assistance of legal counsel and to analyze the terms and conditions herein. Franchisee further represents that he understands the terms, conditions and obligations of this agreement and agrees to be bound hereby.

The parties have executed this Agreement on the date first noted above.

"FRANCHISOR"

DUNN BROS COFFEE
FRANCHISING, INC.

By_______________________________

Its_______________________________

"FRANCHISEE"

If "Franchisee" is a corporation,

____
(Print Corporate Name)

By_______________________________

Its_______________________________

If "Franchisee" is one or more individuals,

____
(Print Individual Name)

By_______________________________

____
(Print Individual Name)

By_______________________________

____
(Print Individual Name)

By_______________________________

APPENDIX A TO FRANCHISE AGREEMENT

FRANCHISE FEES AND TERRITORY

This Exhibit is attached to and is an integral part of the Dunn Brothers Coffee® Franchise Agreement dated _______________, 20___ (the "Franchise Agreement"), between Franchisor and Franchisee.

1. Authorized Location. The Authorized Location is: _______________________________
____

2. Territory. Franchisee will locate the Shop at a site approved by Franchisor within the Territory described on the attached map.

3. Initial Franchise Fees. Franchisee must pay Franchisor the following Initial Franchise Fees:

Type of Fee	Amount
Franchise Rights Fee	$
Training Fee	$
Grand Opening Marketing Fee	$
Total Initial Franchise Fees	**$**

Dated:_________________________________ Dated:___________________________________

_______________________________________ _______________________________________
Franchisee's Initials Franchisor's Initials

TERRITORY

APPENDIX B TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF OBLIGATIONS

In consideration of the execution of that certain Franchise Agreement of even date (the "Agreement") by Dunn Bros Coffee Franchising, Inc. (the "Company," "we" or "us"), each of the undersigned (a "Guarantor") personally and unconditionally guarantees to us, and our successors and assigns, for the term of the Agreement and thereafter as provided in the Agreement that ______________________________ (the "Franchisee" or "you") will timely pay and perform each and every undertaking, agreement and covenant stated in the Agreement; and agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement.

Each of the undersigned waives: (1) acceptance and notice of acceptance by us of the foregoing undertaking; (2) notice of demand for payment of any indebtedness; (3) protest and notice of default to any party respecting the indebtedness; (4) any right he/she may have to require that an action be brought against you or any other person as a condition of liability.

Each Guarantor consents and agrees that:

(1) Guarantor's liability under this undertaking will be direct and independent of the liability of, and will be joint and several with, you and your other Guarantors;

(2) Guarantor will make any payment or perform any obligation required under the Franchise Agreement upon demand if you fail to do so;

(3) Guarantor's liability hereunder will not be diminished or relieved by bankruptcy, insolvency or reorganization of you or any assignee or successor;

(4) Guarantor's liability will not be diminished, relieved or otherwise affected by any extension of time or credit which we may grant to you, including the acceptance of any partial payment or performance, or the compromise or release of any claims;

(5) We may proceed against Guarantor and you jointly and severally, or we may, at our option, proceed against Guarantor, without having commenced any action, or having obtained any judgment against you or any other Guarantor; and

(6) Guarantor will pay all reasonable attorneys' fees and all costs and other expenses we incurs in enforcing this Guaranty against Guarantor or any negotiations relative to the obligations hereby guaranteed.

Each of the undersigned has signed this Guaranty as of the same day and year as the Agreement was executed.

GUARANTOR(S) (PERCENTAGE OF OWNERSHIP)

____ (_____)

____ (_____)

____ (_____)

____ (_____)

____ (_____)

____ (_____)

APPENDIX C TO FRANCHISE AGREEMENT

ACH AUTHORIZATION FORM

Date: ________________

I, the undersigned officer of ______________________, hereby authorize DUNN BROS COFFEE FRANCHISING, INC. to withdraw or deposit funds, utilizing the following account, by ACH draft or electronic debit for payment or receipt of funds relating to ongoing license fees, advertising fund contributions, transactions relating to the Dunn Brothers recharge card, payment of goods or services, and other amounts due to Dunn Bros Coffee Franchising, Inc. and/or its affiliates under the Franchise Agreement.

Name on the Account: ____

Address: ____

City, State, Zip: ____

Bank Routing Number: _______________________________________

Bank Account Number: ______________________________________

E-mail Confirmation: ____

Signature: ___________________________________

Name: ______________________________________

Title: _______________________________________

APPENDIX D TO FRANCHISE AGREEMENT
COMMENCEMENT OF TERM

In accordance with Section 6 of the DUNN BROTHERS COFFEE® Franchise Agreement between DUNN BROS COFFEE FRANCHISING, INC. ("Franchisor") and ________________________________ ("Franchisee"), dated ___________________, _____ (the "Agreement"), the term of the Agreement shall commence on the Effective Date and expire on _____________________, _____. The foregoing dates shall supersede the dates noted in Section 6 of the Agreement. Otherwise, the Agreement shall be in full force and effect as written.

Dated:________________________________ Dated:________________________________

________________________________ ________________________________

Franchisee's Initials Franchisor's Initials

APPENDIX E TO FRANCHISE AGREEMENT

NON-ROASTING DUNN BROTHERS COFFEE® ADDENDUM

THIS AGREEMENT is made and entered into as of the _____ day of _______________, 20____ between DUNN BROS COFFEE FRANCHISING, INC., a Minnesota corporation ("Franchisor") and ________ __________________________________ ("Franchisee").

BACKGROUND:

Franchisor and Franchisee are, on this day, entering into a DUNN BROTHERS COFFEE® Franchise Agreement (the "Franchise Agreement"), whereby Franchisee will be granted the right to operate a "Non-Roasting DUNN BROTHERS COFFEE®" shop in the Territory described in Appendix A of the Franchise Agreement (the "Shop"). Franchisor and Franchisee desire to modify Franchisor's standard Franchise Agreement as follows:

AGREEMENTS:

Franchisor and Franchisee agree as follows:

1. Products and Operations Standards and Requirements. Franchisee will not operate in-store roasting to produce all coffee, coffee-beverage products and coffee beans offered for sale. Franchisee instead will either: (a) roast coffee beans at another DUNN BROTHERS COFFEE shop owned and operated by Franchisee or its affiliates for use and sale in the Shop; or (b) purchase roasted coffee beans offered for sale from Franchisor, its affiliates and other DUNN BROTHERS COFFEE franchisees, as determined by Franchisor. Franchisee may not use or purchase coffee, coffee-beverage products and coffee beans offered for sale from any other source.

2. Enforcement. This Agreement, and any dispute arising hereunder, will be governed by those provisions found in the Franchise Agreement respecting arbitration, governing law and injunctive relief.

3. Miscellaneous. This Agreement represents the entire Agreement of the parties relative to its subject and cannot be waived, altered or rescinded in whole or in part except by an express writing by the parties. The provisions of this Agreement are severable and the invalidity or unenforceability of any of them will not affect the remainder of this Agreement.

Franchisor and Franchisee have signed this Agreement as of the date first written above.

"FRANCHISOR"	"FRANCHISEE"
DUNN BROS COFFEE FRANCHISING, INC.	If "Franchisee" is a corporation,
	____________________________________ (Print Corporate Name)
By_______________________________ Its______________________________	By__________________________________ Its________________________________
	If "Franchisee" is one or more individuals,
	____________________________________ (Print Individual Name)
	By__________________________________
	____________________________________ (Print Individual Name)
	By__________________________________
	____________________________________ (Print Individual Name)
	By__________________________________

47553515v2

EXHIBIT B

DEVELOPMENT AGREEMENT

DUNN BROTHERS COFFEE®
MULTIPLE SHOP DEVELOPMENT AGREEMENT

THIS AGREEMENT is made and entered into as of the _____ day of _______________, 20____, between DUNN BROS COFFEE FRANCHISING, INC., a Minnesota corporation ("Franchisor") and ____ ("Franchisee").

BACKGROUND:

Franchisor and Franchisee are, on this day, entering into a DUNN BROTHERS COFFEE® Franchise Agreement (the "Initial Franchise Agreement"), whereby Franchisee will be granted the right to operate a DUNN BROTHERS COFFEE Shop in the territory described in Appendix A of the Initial Franchise Agreement. Franchisee desires to obtain the right to develop multiple DUNN BROTHERS COFFEE Shops pursuant to Franchisor's standard Franchise Agreement within one or more specified territories. Franchisor is willing to grant such rights pursuant to the provisions stated below.

AGREEMENTS:

The Franchisor and Franchisee agree as follows:

1. Development Rights.

A. Grant of Rights. Subject to the provisions stated below, Franchisor grants to Franchisee the right to establish and operate for its own account, but not to subfranchise, sublicense or resell, multiple DUNN BROTHERS COFFEE Shops (individually the "Shop" and collectively "Shops") pursuant to individual DUNN BROTHERS COFFEE Franchise Agreements, including the Initial Franchise Agreement ("Franchise Agreements") in the form then-currently used by Franchisor at the time of issuance, as amended by Section 2 of this Agreement. Franchisee's rights to establish and operate Shops under this Agreement will be limited to the number of Shops described in Exhibit A and to the area or areas described in Exhibit A attached hereto (the "Development Area").

B. Reservation of Rights. Franchisee's Development Area is not exclusive, and Franchisor may operate (directly or through an affiliate) or grant a franchise to a third party to operate, any Shop within the Designated Area. Franchisor and its affiliates have the right to issue competing franchises or operate competing businesses for or at locations anywhere inside or outside Franchisee's Designated Area regardless if the business is operated under the Trademarks or different trademarks or trade names. In addition, Franchisor and its affiliates have the right to distribute products identified by the Trademarks or any other trademarks, service marks, trade names and commercial symbols, through any dissimilar distribution channels or methods within or outside the Designated Area, including the Internet (or any other existing or future form of electronic commerce), wholesale, direct mail or any other type of mass marketing, which Franchisor or its affiliates periodically may establish or license.

2. Fees. For the rights described in Section 1 above, Franchisee will pay Franchisor the Initial Franchise Fees described in Exhibit A for all Shops (including the Shop being developed pursuant to the Initial Franchise Agreement) to be developed pursuant to this Agreement. The Initial Franchise Fees will be payable when Franchisee executes this Agreement. The Initial Franchise Fees are not refundable under any circumstances.

3. Conditions to Development of Additional Shops. After the Initial Franchise Agreement, Franchisor will be obligated to enter into a Franchise Agreement for the development of a Shop under this Agreement only if, at the time Franchisee intends to enter into a Franchise Agreement for such Shop: (1) Franchisee meets the minimum capital and other financial standards stated in Exhibit B attached hereto; (2) All amounts due and owing by Franchisee to Franchisor or its affiliates under or relating to the Initial Franchise Agreement or any Shop Franchise Agreement are paid in full and Franchisee otherwise is in good standing under such Agreements; and (3) Franchisee is not in default for any reason stated in Section 7 below for which Franchisee has received written notice.

4. Development Procedure. Each DUNN BROTHERS COFFEE Shop to be developed pursuant to this Agreement will be governed by the terms of the Franchise Agreement, including the Initial Franchise Agreement that Franchisor and Franchisee will execute for such Shop. Franchisee will not develop any DUNN BROTHERS COFFEE Shop at any site which Franchisor has not evaluated in writing or for which there is no Franchise Agreement between the parties. Subject only to Franchisor's evaluation of a proposed site (which evaluation is not a guaranty that the proposed site will be successful), Franchisee is solely responsible for locating and securing acceptable sites. If Franchisee fails to provide Franchisor with an executed Franchise Agreement before Franchisee commences construction or leasehold improvements on the premises for a Shop, Franchisee will be in default under this Agreement and Franchisor may terminate this Agreement under Section 7 below.

5. Minimum Development Schedule.

A. Franchisee's rights under this Agreement are conditioned upon its active development of the Development Area. Franchisee agrees to open for business and thereafter maintain in operation within the Development Area not less than the following number of DUNN BROTHERS COFFEE Shop within the time frame stated below (the "Development Schedule"):

(i) First Shop must be opened and operating within 12 months from the date of this Agreement;

(ii) Second Shop must be opened and operating within 12 months from the date the First Shop was open and operating; and

(iii) If Franchisee has the right to develop three (3) Shops (as described on Exhibit A), the Third Shop must be opened and operating within 12 months from the date the Second Shop was open and operating.

If Franchisee fails to meet the Development Schedule, Franchisor will grant Franchisee an additional six (6) months to open any Shop. If Franchisee fails to open any Shop after the extension period expires, Franchisor may terminate this Agreement, as described in Section 7 below.

B. Franchisee may develop additional Shop(s) within the Development Area only if Franchisee is in good standing under this Agreement, the Initial Franchise

Agreement and each additional Franchise Agreement, and Franchisee and Franchisor execute Franchisor's then-current form of standard Franchise Agreement for each additional Shop.

6. Term. Subject to Section 7 below, the term of this Agreement will be for the number of years identified on Exhibit A. There are no renewal rights.

7. Default and Termination.

A. Franchisee may terminate this Agreement at any time with or without cause by delivering written notice thereof to Franchisor. Franchisee will be in default, and Franchisor may at its option, terminate this Agreement, as provided herein, if: (1) Franchisee fails to meet the Development Schedule, including any extension, as described in Section 5 above, (2) Franchisee violates any other material provision of this Agreement, (3) Franchisee violates any material provision of the Initial Franchise Agreement or any additional Franchise Agreement issued hereunder, (4) Franchisee is declared bankrupt or becomes insolvent, (5) Franchisee is convicted of violating any law, ordinance or regulation relating to Franchisee's operation of any Shop referenced herein or developed hereunder, or (6) Franchisee attempts to subfranchise in any manner all or part of its rights under this Agreement.

B. Except as described below, Franchisee will have thirty (30) days, or such longer period as applicable law may require, after its receipt from Franchisor of a written Notice of Termination within which to remedy any default hereunder, and to provide evidence thereof to Franchisor. If Franchisee fails to correct the alleged default within that time (or such longer period of time as applicable law may require), this Agreement will terminate without further notice to Franchisee effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require). Franchisor may terminate this Agreement immediately upon delivery of written notice to Franchisee, with no opportunity to cure, if the termination results from any of the following: (1) Franchisee repeatedly fails to comply with one or more material requirements of this Agreement; (2) the nature of Franchisee's breach makes it not curable; or (3) any default under items (4), (5) or (6) in Section 7(A) above.

C. During the period from the date Franchisor sends a notice of default until all violations and defaults specified therein are cured by Franchisee or this Agreement is terminated, Franchisor will not be obligated to enter into any Shop Franchise Agreement with Franchisee or otherwise perform any obligations pursuant to this Agreement. Upon termination or expiration of this Agreement, all rights licensed herein will automatically revert to Franchisor and Franchisee's right to develop DUNN BROTHERS COFFEE Shops within the Development Area will cease. Termination or expiration of this Agreement will not affect Franchisee's rights under any individual Shop Franchise Agreements in effect at that time.

8. Transfers. Shop Franchise Agreements may be transferred only pursuant to their respective terms. Franchisee represents and warrants to Franchisor that it intends to develop, manage, and operate all of the Shop to be developed hereunder for its own benefit and not for the purpose of or with a view towards resale or redistribution of the franchises to be issued hereunder. This Agreement cannot be pledged, transferred or sold in whole or in part by Franchisee without Franchisor's prior written consent. Franchisor may impose conditions to any proposed transfer or assignment including the following:

A. Franchisee is in complete compliance with the terms of this Agreement and all other agreements between the parties;

B. The proposed transferee has been approved by Franchisor as meeting Franchisor's then-current standards for multiple shop franchisees (if applicable);

C. The proposed transferee has completed Franchisor's training program;

D. Franchisee assigns to the proposed transferee its interest in the individual Franchise Agreements for all Shops located in the Development Area; and

E. Franchisee pays a transfer fee of Five Thousand Dollars ($5,000).

This Agreement may be assigned and transferred by Franchisor and will benefit Franchisor's successors and assigns. Any such assignment or transfer will require the assignee to fulfill Franchisor's obligations under this Agreement.

9. Enforcement. This Agreement, and any dispute arising hereunder, will be governed by those provisions found in Sections 15 and 18 of the Initial Franchise Agreement, including those provisions respecting arbitration, governing law and injunctive relief.

10. Miscellaneous. This Agreement represents the entire Agreement of the parties relative to its subject and cannot be waived, altered or rescinded in whole or in part except by an express writing by the parties. The provisions of this Agreement are severable and the invalidity or unenforceability of any of them will not affect the remainder of this Agreement.

Franchisor and Franchisee have executed this Agreement as of the date first written above.

"FRANCHISOR"	"FRANCHISEE"
DUNN BROS COFFEE FRANCHISING, INC.	If "Franchisee" is a corporation,
	______________________________________ (Print Corporate Name)
By__________________________________ Its________________________________	By______________________________________ Its____________________________________
	If "Franchisee" is one or more individuals,
	______________________________________ (Print Individual Name)
	By______________________________________
	______________________________________ (Print Individual Name)
	By______________________________________
	______________________________________ (Print Individual Name)
	By______________________________________

EXHIBIT A
TO DEVELOPMENT AGREEMENT

FRANCHISEE'S DEVELOPMENT AREA

1. Number of Shops. Franchisor grants to Franchisee the right to establish and operate, pursuant to the Agreement, a total of __________ (____) Shops.

2. Description of Development Area (Select A or B):

_______ A. General Development Area within which all Shops will be developed:

OR

_______ B. Development Area for each Shop to be developed:

Shop 1:

Shop 2:

Shop 3:

3. Initial Franchise Fees. The Initial Franchise Fees are equal to the following:

Type of Fee	**Amount**
Franchise Rights Fees	$
Training Fees	$
Grand Opening Marketing Fees	$
Total Initial Franchise Fees	**$**

4. Term. The term of this Agreement will be for ____________ (______) years.

By:________________________
Franchisor

By:_______________________________
Franchisee

EXHIBIT B
TO DEVELOPMENT AGREEMENT

MINIMUM FINANCIAL STANDARDS
FOR MULTIPLE SHOP DEVELOPMENT

To develop a shop under the Multiple Shop Development Agreement, Franchisee will need to satisfy the following requirements at the time Franchisee desires to proceed with development of that Shop:

AVERAGE TOTAL INVESTMENT:	$1,479,590
MINIMUM FOR ONE SHOP:	$396,000
CASH (1/3 of Investment)	$132,000
FINANCING (Secured through Bank or other means)	$264,000

Franchisee agrees to provide all appropriate financial documentation Franchisor requests to ensure that Franchisee satisfies these requirements.

By:_________________________ Franchisor

By:_______________________________ Franchisee

47553579v2

EXHIBIT C

LIST OF DUNN BROTHERS COFFEE SHOPS

STORE LIST
FRANCHISED, CORPORATE-OWNED, AND LICENSED LOCATIONS
AS OF DECEMBER 31, 2020

FRANCHISED LOCATIONS
(*designates Shops offering the full menu of food products and a drive thru)

Iowa

Brian & Gina Bettini
787 Middle Road
Bettendorf, IA 52722
563-345-6099
dunnbrothers186@dunnbrothers.com

*Justin and Kodie Ignoto
1105 Lawrence Ave
Burlington, IA 52601
319-237-8990
dunnbrothers217@dunnbrothers.com

*Tom & Janet Calcagno
DeAngelo & Alexandra Seay
3284 Crosspark Rd Ste A
Coralville, IA 52241
319-665-2020
dunnbrothers235@dunnbrothers.com

Brian & Gina Bettini
4520 E 53rd Street
Davenport, IA 52807
563-345-6022
dunnbrothers220@dunnbrothers.com

* DB1 – Waukee, LLC
Mark Roemer
1196 SE University Ave
Waukee, IA 50263
515-987-9112
dunnbrothers241@dunnbrothers.com

Minnesota

Bob Ahlgren
405 50th Avenue W. Suite 101
Alexandria, MN 56308
320-759-2287
dunnbrothers171@dunnbrothers.com

Knowlan's Super Markets, Inc.
Jason Herfel
2218 Bunker Lake Blvd. NW
Andover, MN 55304
763-755-4436
dunnbrothers29@dunnbrothers.com

*Jeff Zierden
3841 St. Francis Blvd.
Anoka, MN 55303
763-323-6655
dunnbrothers59@dunnbrothers.com

Noble Ventures
Christian Ochsendorf
15265 Galaxie Ave.
Apple Valley, MN 55124
952-255-8417
dunnbrothers20@dunnbrothers.com

*Greta Dvorak & Timothy Johnson
1160 West County Road E
Arden Hills, MN 55112
651-478-1957
dunnbrothers238@dunnbrothers.com

*Ken & Kari Howe
501 Paul Bunyan Drive S
Bemidji, MN 56601
218-444-5252
dunnbrothers106@dunnbrothers.com

*Noble Ventures
Christian Ochsendorf
94 14th St . N.E.
Buffalo, MN 55313
763-682-6390
dunnbrothers60@dunnbrothers.com

Mike Webb
100 East Second Street Suite 100
Chaska, MN 55318
952-361-3011
dunnbrothers74@dunnbrothers.com

*Marvin Sorvala
401 Northdale Blvd NW
Coon Rapids, MN 55448
763-754-0506
dunnbrothers150@dunnbrothers.com

Scott Nelson
2401 London Road
Duluth, MN 55812
218-724-8838
dunnbrothers33@dunnbrothers.com

*Glenn Elliot
1012 Diffley Road
Eagan, MN 55123
651-209-3378
dunnbrothers190@dunnbrothers.com

Mickie Smith
19344 Hwy 169 NW
Elk River, MN 55330
763-274-0260
dunnbrothers23@dunnbrothers.com

Ken Sutherland
11 Water Street
Excelsior, MN 55331
952-401-8004
dunnbrothers31@dunnbrothers.com

Amanda & Todd Linna
7610 University Ave. Ste 3
Fridley, MN 55432
763-571-2210
dunnbrothers26@dunnbrothers.com

Darren Senn
919 Vermillion Street, Ste 140
Hastings, MN 55033
651-438-9297
dunnbrothers41@dunnbrothers.com

Dan LeSage
4 Shady Oak Road
Hopkins, MN 55343
952-405-6789
dunnbrothers7@dunnbrothers.com

Knowlan's Super Markets, Inc.
Jason Herfel
14775 Victor Hugo Blvd
Hugo, MN 55038
651-294-3990
dunnbrothers110@dunnbrothers.com

Paul Soukup
114 Main Street NE, Suite 102
Hutchinson, MN 55350
320-234-7012
dunnbrothers159@dunnbrothers.com

*Michael & Jim Thares
16106 Pilot Knob Rd Suite 110
Lakeville, MN 55044
952-683-1717
dunnbrothers232@dunnbrothers.com

*David & Marilyn Tucci
9390 Lexington Ave
Lexington, MN 55014
763-783-2122
dunnbrothers152@dunnbrothers.com

Jeff Zierden
7899 Main Street
Maple Grove, MN 55311
763-424-3866
dunnbrothers24@dunnbrothers.com

Cub Foods
8150 Wedgwood Lane
Maple Grove, MN 55369
763-494-8364
dunnbrothers210@dunnbrothers.com

Noble Ventures
Christian Ochsendorf
3348 Hennepin Ave. So.
Minneapolis, MN 55408
612-822-3292
dunnbrothers2@dunnbrothers.com

Blackhawk Coffee Collective, LLC
Anthony Jones II
5008 Xerxes Avenue So.
Minneapolis, MN 55409
612-926-8523
dunnbrothers5@dunnbrothers.com

Blackhawk Coffee Collective, LLC
Anthony Jones II
2814 West 43rd Street
Minneapolis, MN 55410
612-925-5669
dunnbrothers11@dunnbrothers.com

Blackhawk Coffee Collective, LLC
Anthony Jones II
2544 Nicollet Ave. S.
Minneapolis, MN 55408
612-767-4767
dunnbrothers151@dunnbrothers.com

Josh & Rachel Dexter
329 West 15th Street
Minneapolis, MN 55403
612-872-4410
dunnbrothers22@dunnbrothers.com

Minneapolis Convention Center
Nicole Dudziak
1301 Second Avenue South
Minneapolis, MN 55403
612-335-6000
dunnbrothers184@dunnbrothers.com

MCTC
Josh & Rachel Dexter
1501 Hennepin Ave. S.
Minneapolis, MN 55403
651-492-6879
dunnbrothers198@dunnbrothers.com

*Rich & Norma Gunderson
14525 Hwy. 7 Suite 130
Minnetonka, MN 55345
952-444-2789
dunnbrothers221@dunnbrothers.com

Bill Krause
3195A Vicksburg Lane
Plymouth, MN 55447
763-383-0030
dunnbrothers91@dunnbrothers.com

Dennis & Lynn Wong
120 Elton Hills Drive NW
Rochester, MN 55901
507-285-4991
dunnbrothers71@dunnbrothers.com

Dennis & Lynn Wong
1340 Salem Rd. SW
Rochester, MN 55902
507-424-3086
dunnbrothers92@dunnbrothers.com

Ken Sutherland
Sharon Odell
5801 Egan Drive
Savage, MN 55378
952-226-2026
dunnbrothers42@dunnbrothers.com

Coborn's, Inc.
900 Cooper Ave. South
St. Cloud, MN 56304
320-251-0484
dunnbrothers203@dunnbrothers.com

*Matt Kammann
201 Central Avenue
St. Michael, MN 55376
763-777-9224
dunnbrothers219@dunnbrothers.com

Lizbeth Swanson
1798 Market Dr. Ste. #2
Stillwater, MN 55082
651-275-1888
dunnbrothers51@dunnbrothers.com

Knowlan's Super Markets, Inc.
Jason Herfel
2671 E County Rd. E
White Bear Lake, MN 55110
651-653-1405
dunnbrothers47@dunnbrothers.com

*KO Coffee Company
Christian & Laura Ochsendorf
2800 South 1st Street
Willmar, MN 56201
320-235-8495
dunnbrothers160@dunnbrothers.com

Noble Ventures
Christian Oschsendorf
10060 City Walk Drive, Suite #104
Woodbury, MN 55129
651-731-6231
dunnbrothers144@dunnbrothers.com

Armark Educational Services, LLC.
University of Minnesota
Kay Akey
56 E. River Road
Minneapolis, MN 55455
612-625-8833
dunnbrothers164@dunnbrothers.com

Tiffins, Inc.
Jagdeep Singh Arora
Normandale College
9700 France Ave. So.
Bloomington, MN 55431
612-423-5186
dunnbrothers246@dunnbrothers.com

Missouri

Andy & Shelly Vercelli
3218 West Edgewood
Jefferson City, MO 65109
573-893-5303
dunnbrothers97@dunnbrothers.com

North Dakota

*Patricia Locken
1401 Skyline Blvd.
Bismark, ND 58503
701-751-4886
dunnbrothers199@dunnbrothers.com

*Reginal Herman
210 Hwy. 2 West
Devils Lake, ND 58301
701-662-3866
dunnbrothers225@dunnbrothers.com

*Stephen & Diane Duchscher
269 16th Street West
Dickinson, ND 58601
701-483-1650
dunnbrothers208@dunnbrothers.com

Coborn's, Inc.
Cashwise
David Meyer, VPO
4907 Timber Pkwy S
Fargo, ND 58104
701-235-4495
dunnbrothers239@dunnbrothers.com

South Dakota

*Diane & Scott O'Connor
405 Canal St. #1500
Rapid City, SD 57701
605-721-0600
dunnbrothers94@dunnbrothers.com

John & Doris Sitzmann
Emily & Ryan Vincelli
5320 E. Arrowhead Parkway
Sioux Falls, SD 57110
605-271-8038
dunnbrothers120@dunnbrothers.com

Texas

Alan & Karen Geddie
3725 Beltline Road
Addison, TX 75001
972-406-9711
dunnbrothers65@dunnbrothers.com

Wisconsin

Lizbeth Swanson
2521 Hanley Rd
Hudson, WI 54016
715-531-0160
dunnbrothers52@dunnbrothers.com

Lizbeth Swanson
529 2nd Street
Hudson, WI 54016
715-808-0466
dunnbrothers227@dunnbrothers.com

*Lizbeth Swanson
1716 Dorset Ln Ste 100
New Richmond, WI 54017
715-531-0160
dunnbrothers237@dunnbrothers.com

Al & Elisa Jung
950 West Paradise Drive
West Bend, WI 53095
262-353-4840
dunnbrothers109@dunnbrothers.com

CORPORATE LOCATIONS
(* designates Shops offering the full menu of food products and a drive thru)

<u>Minnesota</u>

Ceefay Leasing, LLC
201 3rd Avenue S
Minneapolis, MN 55401
612-692-8530
dunnbrothers6@dunnbrothers.com

Ceefay Leasing LLC
701 Park Avenue
Minneapolis, MN 55415
612-873-3390
dunnbrothers209@dunnbrothers.com

Ceefay Leasing, LLC
4648 E Lake Street
Minneapolis, MN 55406
612-724-8647
dunnbrothers48@dunnbrothers.com

<u>Texas</u>

*Ceefay Leasing, LLC
201 S. Friendswood Dr.
Friendswood, TX 77546
281-993-5455
dunnbrothers177@dunnbrothers.com

FRANCHISE AGREEMENTS SIGNED BUT SHOPS NOT OPEN AS OF DECEMBER 31, 2020

Iowa

Mark Roemer
1196 SE University Ave
Waukee, IA 50263
515-987-9112

Minnesota

Armark Educational Services, LLC.
University of Minnesota
Kay Akey
56 E. River Road
Minneapolis, MN 55455
612-625-8833

Wisconsin

Jeff Burton
1371 83rd Street
New Richmond, WI 54017
715-222-5655

Texas

Worldwide Drinking Solutions LLC
Stan Borodyansky
525 Talbert Dr.
Plano TX 75093
214-448-7826

EXHIBIT D
LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM
FRANCHISEES THAT LEFT THE SYSTEM
DURING THE 2020 FISCAL YEAR

The following franchisees left the system between January 1, 2020 and December 31, 2020

Terminated, Reacquired/Ceased Operations/Non-Renewals

Gina Bettini
ORA Building
Davenport, IA 52806
563-391-9626

Josh & Rachel Dexter
Circle Pines, MN
651-492-6879
(2 Shops)

Armark Educational Services, LLC.
University of Minnesota
Kay Akey
Minneapolis, MN 55455
612-625-8833

Karen Sturm
Roseville, MN 55113
651-633-1950

Dennis & Lynn Wong
Rochester, MN 55902
507-424-3086

Noble Ventures
Christian Ochsendorf
Roseville, MN 55408
612-822-3292

Andy Vercelli
Columbia, MO 65203
573-893-5303

Kevan Ker
Nashville, TN 37219
615-252-2567

Transferred Shops

Nathan Everson
Bismark, ND 58503
701-770-0727

If you buy a DUNN BROTHERS COFFEE franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

EXHIBIT E

FINANCIAL STATEMENTS

Consolidated Financial Statements

Dunn Bros Coffee Franchising, Inc. and Affiliate

Minneapolis, Minnesota

For the Years Ended
December 31, 2020 and 2019

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

Dunn Bros Coffee Franchising, Inc. and Affiliate
Table of Contents
December 31, 2020 and 2019

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dunn Bros Coffee Franchising, Inc. and Affiliate
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Dunn Bros Coffee Franchising, Inc. and Affiliate, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dunn Bros Coffee Franchising, Inc. and Affiliate as of December 31, 2020 and 2019, and the results of its consolidated operations and retained earnings, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 15, 2021

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

CONSOLIDATED FINANCIAL STATEMENTS

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Balance Sheets
December 31, 2020 and 2019

Assets	**2020**	**2019**
Current Assets:		
Cash	$ 1,521,835	$ 646,168
Accounts receivable (net)	463,107	554,250
Inventories	46,463	55,559
Prepaid expenses	105,374	163,323
Total Current Assets	2,136,779	1,419,300
Other assets:		
Property and equipment (net)	616,126	572,962
Intangible assets (net)	287,940	534,746
Total Assets	$ 3,040,845	$ 2,527,008
Liabilities and Shareholders' Equity		
Current Liabilities:		
Lines of credit	$ 350,000	$ 175,000
Current maturities of long-term debt and capital leases	289,215	682,786
Accounts payable	142,260	227,438
Accrued expenses	320,583	369,610
Customer deposits - gift cards	487,247	506,223
Deferred franchise revenue	91,680	199,022
Current maturities of deferred rent	43,923	1,128
Total Current Liabilities	1,724,908	2,161,207
Long-term Liabilities:		
Long-term debt and capital leases, less current maturities	2,473,278	1,916,780
CARES Act PPP loan	578,900	-
Deferred rent, less current maturities	285,257	114,048
Deferred franchise revenue	421,645	427,314
Total Long-term Liabilities	3,759,080	2,458,142
Total Liabilities	5,483,988	4,619,349
Shareholders' Equity:		
Common stock, $.01 par value, 1,000,000 shares authorized; 283,500 & 464,700 shares issued and outstanding at December 31, 2020 and 2019	2,835	4,647
Treasury stock, 181,156 common shares at December 31, 2020 and 2019, at cost	(1,574,667)	(1,574,667)
Additional paid-in capital	520,226	510,776
Equity attributable to affiliate	(4,503,534)	(4,014,527)
Retained earnings	3,111,997	2,981,430
Total shareholders' equity	(2,443,143)	(2,092,341)
Total Liabilities and Shareholders' Equity	$ 3,040,845	$ 2,527,008

See Independent Auditor's Report and Notes to Consolidated Financial Statements

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Statements of Operations and Retained Earnings
For the Years Ended December 31, 2020 and 2019

	2020	2019
Revenues:		
Coffeehouse and wholesale sales	$ 2,403,670	$ 4,259,619
Royalties	1,973,492	2,433,256
Commissions - coffee	502,086	648,354
Franchise fees	229,069	275,741
Total revenues	5,108,317	7,616,970
Cost of Goods Sold	804,945	1,441,470
Gross Profit	4,303,372	6,175,500
Selling, General and Administration Expenses	4,622,242	5,731,143
Income (Loss) from Operations	(318,870)	444,357
Other Income (Expense):		
Interest expense	(199,493)	(197,602)
Other income	293,843	128,078
Total other income (expense)	94,350	(69,524)
Consolidated Net Income (Loss)	(224,520)	374,833
Less: Net Income (Loss) Attributable to Affiliate	(489,110)	103,947
Net Income Attributable to Dunn Bros Coffee Franchising, Inc.	264,590	270,886
Retained earnings, beginning of the year	2,981,430	2,822,723
Shareholder distributions	(134,023)	(112,179)
Retained Earnings, End of the Year	$ 3,111,997	$ 2,981,430

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Consolidated net income (loss)	$ (224,520)	$ 374,833
Adjustments to reconcile consolidated net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	478,706	445,091
Amortization of deferred financing costs	8,203	5,129
Bad debt expense	-	3,354
Shareholder compensation expense	7,637	(63)
Gain on SBA debt forgivness	(201,438)	-
(Gain) Loss on disposal of assets	98,447	(28,503)
Change in operating assets and liabilities:		
Accounts receivable	91,120	2,463
Inventories	9,096	(10,240)
Prepaid expenses	57,949	(106,839)
Accounts payable	(85,071)	(6,855)
Accrued expenses	(49,029)	72,922
Customer deposits - gift cards	(18,976)	14,292
Deferred rent	213,898	(8,238)
Deferred franchise revenue	(113,010)	(120,752)
Net Cash Provided by Operating Activities	273,012	636,594
Cash Flows from Investing Activities:		
Purchase of property and equipment	(375,434)	(182,518)
Proceeds on sale of property and equipment	1,923	39,256
Net Cash Used in Investing Activities	(373,511)	(143,262)
Cash Flows from Financing Activities:		
Net proceeds from lines of credit	175,000	25,000
Payments on long-term debt	(1,369,942)	(554,233)
Proceeds from long-term debt	1,766,266	265,724
PPP loan proceeds	578,900	-
Financing costs incurred	(40,035)	-
Shareholder distributions	(134,023)	(112,179)
Net Cash Provided by (Used in) Financing Activities	976,166	(375,688)
Increase in Cash and Cash Equivalents	875,667	117,644
Cash, Beginning of Year	646,168	528,524
Cash, End of Year	$ 1,521,835	$ 646,168
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 199,493	$ 183,243
Income Taxes	$ -	$ 1,163
Non-cash investing and financing activities:		
Assets acquired through capital lease	$ -	$ 50,324
Assets acquired through long-term financing	$ -	$ 48,000

See Independent Auditor's Report and Notes to Consolidated Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Business

Dunn Bros Coffee Franchising, Inc. was incorporated in 1998 under the laws of the State of Minnesota. The Company is engaged in the business of developing and franchising a system of Dunn Brothers Coffee shops. These shops use state of the art, onsite roasting techniques providing for the sale of fresh roasted, high quality coffee beans, brewed coffee, high quality beverages and onsite preparation of food items. As of December 31, 2020 and 2019, there were 59 and 67 franchised shop locations respectively, operating in Minnesota, Wisconsin, South Dakota, North Dakota, Missouri, Tennessee, Texas and Iowa.

	2020	2019
Franchised Shops Open at the Beginning of the Period	67	74
New Franchised Shops Opened During the Period	1	1
Franchised Shops Closed During the Period	(9)	(6)
Franchised Shops Acquired By Ceefay Leasing, LLC During the Period	-	(2)
Franchised Shops Open at the End of the Period	59	67

The Company is related by common ownership and control to Ceefay Leasing, LLC (Ceefay) (the Affiliate). The Company provides management services for shared employees to Ceefay. As of December 31, 2020, Ceefay owned four Dunn Brothers Coffee shops, Dunn Brothers Alternate Channels, LLC (DBAC), and the Eatery by Dunn Brothers.

DBAC was formed in January 2015 to create additional distribution channels for Dunn Brothers Coffee such as single serve coffee, portion packaged coffee, bulk whole bean coffee and other related products at wholesale to grocery stores, offices, hospitality venues and other retail channels including the internet. DBAC sells these products directly or through designated distributors for purchase by Dunn Brothers Coffee franchisees for sale in their shops or for their wholesale accounts.

In 2017, Ceefay Leasing LLC was awarded a contract with Hennepin Healthcare System, Inc., dba HCMC, to operate a café in its new facility in Minneapolis, MN. This fast-casual dining café has been named Eatery by Dunn Brothers and opened in May 2018.

Principles of Consolidation

The Company evaluates its variable interests in entities on a qualitative and quantitative basis. The Company consolidates entities in which it concludes it has the power to direct activities that most significantly impact an entity's economic success and has the obligation to absorb losses or the right to receive benefits that could be significant to the entity.

As of December 31, 2020 and 2019, the Company's consolidated financial statements include the accounts of Dunn Bros Coffee Franchising, Inc. and Ceefay, under common ownership. The Company has provided significant funding to the entity and is a key decision maker in the Affiliate's operations. Therefore, the Company has consolidated Ceefay, as it is the Primary Beneficiary in the variable interest entity. The consolidated financial statements reflect the consolidation of Ceefay with total equity of ($4,503,534) and ($4,014,527) as of December 31, 2020 and 2019, respectively. All material intercompany balances and transactions between the entities have been eliminated in consolidation.

Note 1: Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Receivables, which are typically unsecured, are primarily the result of royalties from franchisees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Management determines the likelihood of collectability of receivables on an individual customer basis, based on length outstanding, likelihood of collecting, and the customer's current economic status. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the consolidated financial statements. The allowance for doubtful accounts was $12,000 as of December 31, 2020 and 2019.

Inventories

Inventories, consisting principally of green coffee beans, roasted coffee beans, food, beverages, and other retail goods, are recorded at the lower of cost (first-in, first-out) or net realizable value.

Prepaid Expense

Prepaid expenses generally consist of deposits, insurance, license fees, registration fees, and other miscellaneous prepaid expenses of the Company.

Property and Equipment

Property, equipment, and leasehold improvements are capitalized at a level of $500 or greater and are recorded at cost. Repairs and maintenance are charged to expense as incurred. Renewals and improvements, that extend the useful lives of assets are capitalized and depreciated over future periods.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets.

Assets	Useful Lives in Years
Equipment	3 - 5
Leasehold Improvements	5 - 15
Computer Equipment and Software	3 - 5
Furniture and Fixtures	3 - 7

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts, and any resulting gain or loss is recognized in other income (expense).

Intangible Assets

Intangible assets consist of a non-compete and non-solicitation agreement with a former active shareholder that is being amortized over the 5-year life of the agreement. The Company also has trademarks that have been fully amortized.

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Rent

The Company has recognized cash incentives received from lessors as deferred rent and is amortizing it on a straight line basis over the life of the lease as a reduction in rent expense. Operating leases with escalating rent clauses are recognized as deferred rent and are amortized on a straight line basis over the life of the lease as rent expense.

Revenue Recognition

Coffeehouse and wholesale sales are recorded at the point of sale. Sales taxes are excluded from revenue.

The Company collects royalty receivables from franchisees based upon the shops' previous months' gross sales. Royalty revenue is recognized at the time of sale in the shop.

Commissions from the sale of coffee sourced by the Company are recognized when the product has been shipped by the coffee supplier to the third party distributor.

Initial franchise fees are collected when franchise agreements have been signed and are recorded as deferred franchise revenue on the consolidated balance sheet. The Company adopted ASU 2014-09 as of January 1, 2019 using a modified retrospective approach. As of January 1, 2019, the company recognizes initial franchise fee revenue pertaining to training, opening and marketing support at the time the store opens, which is when the Company has completed their performance obligation for these services. A portion of the initial franchise fee, which represents the right to utilize our brand, trademark and proprietary processes, is amortized over the life of the franchise agreement on a straight-line basis. The Company has deferred franchise revenue of $513,325 and $626,336 at December 31, 2020 and 2019, respectively.

Income Taxes

Dunn Bros Coffee Franchising, Inc., with the consent of the shareholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. Ceefay has elected under the Internal Revenue Code to be taxed as a Partnership. In lieu of corporate income taxes for both entities, the shareholders are taxed on the Company's income. Therefore, no provision for income taxes is included in these consolidated financial statements.

The Companies file income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Companies are no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2017.

The Companies have analyzed their filing positions with the Internal Revenue Service and the State of Minnesota. They do not anticipate any of their income tax filing positions would result in a material adverse effect on their financial condition, results of operations, or cash flows, as the Company believes its income tax filing positions and deductions would be sustained on audit. No liability has been recorded for uncertain tax positions.

The Company recognizes interest accrued related to unrecognized tax benefits, if any, in interest expense and penalties in operating expenses. During the years ended December 31, 2020 and 2019, the Company did not recognize any interest or penalties.

Recent Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2021, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

Note 1: Summary of Significant Accounting Policies (Continued)

COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus ("COVID-19) and the risks to the international community as the virus spreads globally. On March 11, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. In response to the pandemic, many states and jurisdictions in which the Company operates have issued stay-at-home orders and other measures aimed at slowing the spread of the coronavirus.

In response to the pandemic, in April 2020, the Company and the Affiliate entered into promissory notes with Sunrise Banks, N.A. in the amounts of $258,700 and $320,200, respectively, pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrues interest at 1 percent per annum, requires monthly payments of $10,891 and $13,481, beginning November 2020 and is scheduled to mature March 2022. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within twenty four weeks of receiving the funding, however, not more than 40 percent of the forgiveness amount can be attributable to non-payroll costs. On March 4, 2021, the Company obtained forgiveness for the PPP loan in the amount of $258,700. As it relates to the other loan for the Affiliate of $320,200, the Affiliate believes it has used all of the PPP proceeds towards qualifying expenses and has pursued forgiveness of the loan amount, but it is not able to determine the likelihood or the amount of the forgiveness that will be obtained.

In April 2020, the CARES Act also provided relief on debt payments whereby the SBA committed to pay principal and interest on existing SBA loans for 6 months in 2020. This relief applies to all existing Sunrise Banks, N.A credit facilities listed in Note 7. The total forgiveness obtained for the year ended December 31, 2020 was $201,438.

The Company experienced a decrease in customer traffic and revenues in 2020 and it negatively impacted its operating results in 2020. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Due to the rapid development and fluidity of this situation, the Company cannot determine the ultimate impact that the COVID-19 pandemic will have on its financial condition, liquidity, and future results of operations, and therefore any prediction as to the ultimate impact on the Company's financial condition, liquidity, and future results of its operations is uncertain.

Subsequent Events

The Company has evaluated other subsequent events for recognition and disclosure through March 15, 2021, the date these consolidated financial statements were available to be issued.

On February 4, 2021, the Company entered into a promissory note agreement with Sunrise Banks, N.A. in the amount of $833,500 under a second round of PPP loans under the CARES Act and governed by the SBA. This note accrues interest at 1 percent per annum, requires monthly payments of $14,247 ten months after the covered period as defined in the agreement and is scheduled to mature in February 2026. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within twenty four weeks of receiving the funding, however, not more than 40 percent of the forgiveness amount can be attributable to non-payroll costs.

On March 2, 2021, the Affiliate was notified of an award for a $15,000 COVID relief grant from Hennepin County, MN.

On March 11, 2021, the Company as notified of an award for a $15,000 relief grant from Ramsey County, MN.

Note 2: Property and Equipment

Company property and equipment are summarized as of December 31:

	2020	2019
Equipment	$ 786,353	$ 825,952
Leasehold Improvements	630,951	445,768
Computer Equipment and Software	278,743	220,928
Furniture and Fixtures	225,007	221,392
Capital Lease Assets	40,180	50,324
Total	1,961,234	1,764,364
Accumulated Depreciation	1,345,108	1,191,402
Net Property and Equipment	$ 616,126	$ 572,962
Depreciation Expense	$ 231,900	$ 198,285

Note 3: Intangible Assets

Company intangible assets are summarized as of December 31:

	2020	2019
Trademark (180 months)	$ 313,289	$ 313,289
Non-Compete and Non-Solicitation Agreement (Note 9)	1,234,029	1,234,029
Total	1,547,318	1,547,318
Accumulated amortization	1,259,378	1,012,572
Net Intangible Assets	$ 287,940	$ 534,746
Amortization Expense	$ 246,806	$ 246,806

Amortization expense is expected to be $246,806 in 2021, and $41,134 in 2022.

Note 4: Accrued Expenses

Company accrued expenses are summarized as of December 31:

	2020	2019
Accrued Wages	$ 58,396	$ 86,901
Vendor Accruals	79,336	44,444
Franchisee Accruals	-	2,000
Corporate Giving Accruals	-	8,610
Level Up Accruals	6,159	9,362
Sales Tax	11,702	27,531
Accrued Interest	18,078	11,240
Accrued Health, Vacation and Incentive Accruals	48,223	104,037
Other	98,689	75,485
Total	$ 320,583	$ 369,610

Note 5: Revenue Recognition

Deferred Franchise Revenue

The Company receives initial franchise fees, renewal fees, and transfer fees, prior to, or contemporaneously with, the first day of the term of a franchise agreement. This timing creates Deferred Franchise Revenue on the Consolidated Balance Sheet. A portion of these fees, representing services the franchisor performs in conjunction with a store opening, renewal or transfer, is recognized at a point-in-time. These are recognized upon store opening, renewal of a franchise agreement and transfer of a franchise agreement. A portion of these fees, representing the right to utilize our brand, trademarks, and proprietary processes are recognized over the life of the franchise agreement on a straight-line basis as the franchisee has an equal opportunity to benefit from these rights at any point-in-time over the life of the franchise agreement. If a franchise agreement is terminated, a shop is closed, or a transfer occurs, any remaining deferred revenue is recognized immediately.

The beginning and ending contract balances were as follows at December 31:

	2020	2019	2018
Accounts Receivable	$ 463,107	$ 554,250	$ 592,810
Deferred Franchise Revenue	$ 513,325	$ 626,336	$ 806,187

Royalty Receivables

The Company collects royalty receivables from franchisees based upon the shops’ previous months’ gross sales.

Note 5: Revenue Recognition (Continued)

Disaggregation of Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	2020	2019
Performance Obligations Satisfied at a Point in Time	$ 4,945,280	$ 7,446,921
Performance Obligations Satisfied Over Time	163,037	170,049
	$ 5,108,317	$ 7,616,970

Revenue from performance obligations satisfied at a point in time consists of coffee and wholesale sales, royalties, commissions - coffee and other, and certain franchise fees.

Revenue from performance obligations satisfied over time consists of certain franchise fees.

Note 6: Customer Deposits - Gift Cards

The Company has a reloadable gift card program in which substantially all the franchisees participate. Cash receipts related to a customer adding money to a gift card are deferred when initially received. These proceeds are transferred to the gift card account administered by the Company. When a customer utilizes a card to make a purchase in a Dunn Brothers Coffee shop, revenue is recognized and the amount of the sale is transferred from the gift card account to the appropriate store. The Company administers the bank account and a third-party processor initiates the transfers. Such amounts are classified as a current liability by the Company on the consolidated balance sheet. As of December 31, 2020 and 2019, the customer deposit liability was $487,247 and $506,223, respectively.

The Company will honor all gift cards for payment; however, the Company has determined the likelihood of redemption is remote for certain card balances due to the period of inactivity. The Company has determined that cards that have been inactive for more than 24 months will likely not be redeemed. The Company utilizes the redemption recognition method and recognizes the estimated value of abandoned cards based on historical trends of card inactivity as a percentage of current year card purchases. For the years ended December 31, 2020 and 2019, respectively, $162,267 and $99,575 was booked as other income.

Note 7: Indebtedness

Lender	Note Reference	Interest Rate at December 31, 2020 (a)	Amortization Period (years)	Maturity Date	Outstanding As of December 31, 2020	Outstanding As of December 31, 2019
Lines of Credit:						
Sunrise Banks, NA	(b)(c)	Prime + 1.50%	-	May 2021	$ 250,000	$ 75,000
	(b)(d)	Prime + 1.50%	-	December 2022	100,000	100,000
Total Lines of Credit					$ 350,000	$ 175,000
Long-term debt:						
Sunrise Banks, NA	(b)(e)	Prime + 2.25%	10	January 2024	$ 160,955	$ 206,947
	(b)(f)	Prime + 1.75%	10	March 2027	626,465	708,041
	(b)(g)	Prime + 1.75%	10	December 2028	134,973	147,852
	(b)(h)	Prime + 1.75%	10	December 2029	217,247	87,730
	(b)(t)	Prime + 1.75%	10	May 2030	1,250,228	-
SBA EIDL Loan	(b)(u)	3.75%	30	May 2050	150,000	-
	(b)(u)	3.75%	30	May 2050	150,000	-
MN Peacetime Loan		0.00%	5	April 2025	34,327	-
Individual Investor	(i)	8.00%	-	-	25,000	25,000
Shareholder Loan	(i)	0.00%		On Demand	25,000	25,000
Former Franchisee Loan	(j)	6.00%	6	September 2025	38,193	45,761
Capital leases	(k)	6.75 to 7.00%	2-5	Various through April 2024	19,332	40,132
Former Active Shareholder						
	(l)(o)	6.00%	5	March 2022	-	231,034
	(m)(o)	6.00%	5	March 2022	-	518,431
	(n)(o)	6.00%	5	March 2022	-	600,928
Total Long-term debt					2,831,720	2,636,856
Debt issuance costs	(p)		10	March 2027	(20,517)	(23,844)
	(q)		10	December 2028	(4,368)	(4,919)
	(r)		2	December 2020	-	(1,145)
	(s)		10	December 2029	(6,643)	(7,382)
	(v)		10	May 2030	(37,699)	-
Total Long-term debt, net of debt issuance costs					2,762,493	2,599,566
Less: current maturities					289,215	682,786
Long-term debt, net of debt issuance costs and current maturities					$ 2,473,278	$ 1,916,780

Note 7: Indebtedness (Continued)

Scheduled maturities of long-term debt payments are:

2021	$	289,215
2022		303,810
2023		321,432
2024		279,846
2025		293,317
Thereafter		1,274,873
Total	$	2,762,493

(a) The *Wall Street Journal* Midwest Edition Prime Rate (Prime) was 3.25 and 4.75 percent on December 31, 2020 and 2019, respectively.

(b) This debt is secured by substantially all business assets of the Company and personal guarantee of the majority owner. This debt is subject to certain financial and restrictive covenants including maintaining a debt service coverage ratio in excess of 1.20x as defined in the agreement. The Company was not in compliance with this covenant at December 31, 2020, however the Company obtained a waiver dated March 10, 2021 from the bank.

(c) Small Business Administration revolving line of credit of $250,000 expired on May 2020. This line of credit was replaced by a new Small Business Administration revolving line of credit of $250,000 which expires in May 2021. Interest is accrued and paid monthly.

(d) Small Business Administration revolving line of credit of $100,000 expired in December 2020. This line of credit was replaced by a new Small Business Administration revolving line of credit of $100,000 which expires in December 2022.

(e) Small Business Administration loan originated in January 2014 in the amount of $410,500, payable in monthly installments over 10 years. Current monthly payments of $4,892 include interest accrued monthly.

(f) Small Business Administration loan originated in March 2017 in the amount of $900,000, payable in monthly installments over 10 years. Current monthly payments of $10,313 include interest accrued monthly.

(g) Small Business Administration loan originated in December 2018 in the amount of $150,000, payable in monthly installments over 10 years. Current monthly payments of $1,818 include interest accrued monthly.

(h) Small Business Administration loan originated in December 2019 in the amount of $225,000, payable in monthly installments over 10 years. As of December 31, 2019, the loan was not fully drawn and payments will commence in 2020.

(i) Note originated with a shareholder of the Company. Note is due on demand and bears an interest rate of 0%.

(j) Note originated with a former franchisee in conjunction with the acquisition of franchisee's coffee shop. Note originated in September 2019 in the amount of $48,000 payable in monthly installments over 10 years. Monthly payments of $796 include interest accrued monthly.

(k) The Company entered into various capital leases in 2019 pertaining to point-of-sale, firewall, and restaurant equipment. Monthly payments vary between $40 and $300 include interest.

Note 7: Indebtedness (Continued)

(l) Two subordinated promissory notes with a former active shareholder originated in March 2017 totaling $295,570 with interest accruing at 6% per year. The principal balances amortize over 120 months and are payable together with accrued interest in 60 monthly payments totaling $3,282 with final payments totaling $173,016 in March 2022 of all remaining outstanding principal and interest. In May 2020, this note was paid off as part of a SBA refinance loan.

(m) Subordinated promissory note with a former active shareholder originated in March 2017 totaling $600,000 with interest accruing at 6% per year compounded monthly. Accrued interest at December 31, 2018 was $66,252. The principal balance together with accrued interest is payable in 36 monthly payments beginning in April 2019 through March 2022. In May 2020, this note was paid off as part of a SBA refinance loan.

(n) Two subordinated promissory notes with a former active shareholder originated in March 2017 totaling $1,234,029 with interest accruing at 6% per year compounded monthly. The principal balances together with accrued interest are payable in 20 quarterly payments beginning in June 2017 through March 2022. In May 2020, this note was paid off as part of a SBA refinance loan.

(o) This debt is secured by shares of the Company.

(p) Represents debt issuance costs incurred in securing the Small Business Administration loan (f) originating in March 2017 for $900,000. The total financing fees of $33,271 are recognized as expense ratably over the 10 year life of the loan.

(q) Represents debt issuance costs incurred in securing the Small Business Administration loan (g) originating in December 2018 for $150,000. The total financing fees of $5,517 are recognized as expense ratably over the 10 year life of the loan.

(r) Represents debt issuance costs incurred in securing the Small Business Administration revolving line of credit (c) which originated in December 2018 for $250,000. The total financing fees of $2,500 are recognized ratably over the two year life of the loan.

(s) Represents debt issuance costs incurred in securing the Small Business Administration loan (h) which originated in December 2019 for $225,000. The total financing fees of $7,382 are recognized ratably over the 10 year life of the loan

(t) Small Business Administration loan originated in May 2020 in the amount of $1,294,000, payable in monthly installments over 10 years. This note also includes a refinance of $1,193,908 from the former active shareholder. Current monthly payments of $14,693 include interest accrued monthly.

(u) EIDL loan originated in May 2020 in the amount of $150,000, payable in monthly installments over 30 years. Current monthly payments of $731 include interest accrued monthly.

(v) Represents debt issuance costs incurred in securing the Small Business Administration loan (t) which originated in May 2020 for $1,294,000. The total financing fees of $40,034 are recognized ratably over the 10 year life of the loan.

Note 8: Leases

The Company operates from office space located in Roseville, Minnesota; this lease agreement began in February 2020 and expires in April 2027. The terms of the lease agreement require the Company to pay monthly lease payments plus an additional monthly amount for real estate taxes and common area maintenance charges which is included in rent expense. The 2020 base monthly rate is $4,561.

The Company operated from office space located in Minneapolis, Minnesota; this lease agreement began in February 2015 and expired in February 2020. The terms of the lease agreement required the Company to pay monthly lease payments plus an additional monthly amount for real estate taxes which is included in rent expense. The base monthly rate was $5,300.

The Affiliate has entered into various operating lease agreements for its store locations in Minneapolis and St. Paul, MN, and Friendswood, TX with remaining terms from 2 to 15 years, including lease renewal options. The terms of the lease agreements require additional monthly amounts for common area expenses and/or real estate taxes.

In August 2019, the affiliate entered in a lease agreement for a coffee shop in St. Paul, MN. The lease was set to expire September 2024 and had two five-year renewable options. This coffee shop was closed in 2020, see note 14 for further details.

In July 2019, the affiliate assumed a lease agreement for a coffee shop in Minneapolis. The lease was set to expire in June 2021 and had one five-year renewable options. This coffee shop was closed in 2020, see note 14 for further details.

In February 2018, the affiliate entered into a lease agreement for the Eatery, its new fast-casual dining café for five years, commencing from the actual shop open date of May 2018 and expiring March 2023 with two five-year renewable options.

Total lease expenses were $417,656 and $392,354 for the years ending December 31, 2020 and 2019, respectively.

Scheduled future operating lease commitments are:

2021	$	317,694
2022		224,611
2023		235,141
2024		238,390
2025		242,522
Thereafter		913,376
Total	$	2,171,734

Note 9: Shareholders' Equity for Dunn Bros Coffee Franchising, Inc.

On March 8, 2017, the Company entered into a redemption agreement to repurchase 181,156 shares of Dunn Bros Coffee Franchising, Inc. and 90,578 membership interest units of Ceefay Leasing, LLC, owned by an active shareholder. The shareholder received a purchase price of $2,362,000 for his ownership interest consisting of (i) $1,200,000 paid in cash, (ii) $1,040,570 in subordinated promissory notes (Note 7), and (iii) $121,430 forgiveness of the outstanding balance of a promissory note receivable. This note was paid off in 2020.

The Company also required the active shareholder to enter into a 5 year non-compete and non-solicitation agreement in exchange for $1,234,029 (Note 3) to be paid pursuant to subordinated promissory notes (Note 7). The non-compete covers any involvement with coffee shops and coffee wholesale as well as the non-solicitation of Company employees and customers during this 5-year period. This note was paid off in 2020.

On March 8, 2017, the Company also secured a Small Business Administration loan with Sunrise Banks, NA for $900,000 which accrues interest at prime plus 1.75% per year and is payable over 10 years in monthly installments of principal and interest. The Company incurred financing fees securing this loan of $33,271. These costs are reflected as Deferred Financing Costs and are recognized in expense ratably over the 10 year life of the loan.

Note 10: Supplier Relationship and Purchase Commitments

The Company sources green coffee for its franchise system with assistance from a coffee supplier and uses a third party distributor for fulfilling orders. The third party distributor is responsible for the collection of payments from the franchisees as well as the credit risk. The Company is paid a commission based on the coffee shipments from the coffee supplier to the third party distributor.

In order to ensure an adequate supply of coffee to meet the needs of its franchisees, the Company has made forward commitments to purchase coffee from the coffee supplier. As of December 31, 2020 the Company had made commitments to purchase coffee totaling $291,140. Subsequent to year-end, the Company had outstanding commitments of $636,634 as of March 15, 2021. If the specific selections of coffee are not purchased in the quantities and timeframe specified in the individual commitments, the Company would be obligated to purchase the coffee. Typically the commitments to purchase a specific variety of coffee span four to eighteen months. As the coffee is purchased, the Company's obligation under a specific commitment is diminished and is replaced with new commitments for coffee.

Note 11: Advertising Funds

The Company is the administrator for the National Marketing Fund. The franchisees and Ceefay owned stores contribute a percentage of their sales to the National Marketing Fund on a monthly basis. The Company is responsible for development of marketing programs with various vendors as well as payments for the initiatives on behalf of the franchisees. As the Company controls the use of advertising funds and is primarily responsible for procuring advertising services, we consider ourselves a principal under Topic 606, Revenue Recognition. Thus, we recorded royalty revenues and selling, general and administrative expenditures of $792,000 and $985,000 in 2020 and 2019, respectively, in the Consolidated Statements of Operations and Retained Earnings.

Note 12: Cash Concentration

The Company maintains the majority of its cash balances in one financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company had $1,065,433 and $106,016 in excess of FDIC insured limits as of December 31, 2020 and 2019, respectively. The Company has not experienced any losses in such accounts.

The Affiliate has cash balances in financial institutions that are fully insured by the FDIC.

Note 13: Retirement Savings Plan

The Company has a pre-tax salary reduction/profit sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. For the years ended December 31, 2020 and 2019, the Company matched 100% of the employee's contribution up to 4% of their earnings, totaling $39,174 and $47,008, respectively. There were no discretionary contributions to the plan in 2020 and 2019.

Note 14: Closure of Ceefay-Owned Stores

In 2020, the Affiliate closed two Ceefay-owned Dunn Brothers Coffee Shops in St. Paul, MN and the North Loop store in Minneapolis, MN. The Affiliate negotiated a pre-paid settlement and buy-out of the lease for both locations. The North Loop store lease was terminated in August 2020. The St. Paul lease was renegotiated in December 2020 and the Affiliate is not obligated for any future lease payments and can terminate the lease in August 2021. In 2020, the Affiliate recognized a $16,274 write off for the North Loop store and a $45,853 write off of the leasehold improvements for the St. Paul store. The Affiliate anticipates all equipment and fixtures removed from the building at the St. Paul location will be repurposed in other Dunn Brothers locations.

Note 15: Treasury Stock

During 2017, the Company purchased 181,156 shares of common stock from an active shareholder, see Note 9. This Treasury Stock is shown at cost.

Consolidated Financial Statements

Dunn Bros Coffee Franchising, Inc. and Affiliate

Minneapolis, Minnesota

For the Years Ended
December 31, 2019 and 2018

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

Dunn Bros Coffee Franchising, Inc. and Affiliate
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December 31, 2019 and 2018

ABDO
EICK &
MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Dunn Bros Coffee Franchising, Inc. and Affiliate
Minneapolis, Minnesota

We have audited the accompanying consolidated financial statements of Dunn Bros Coffee Franchising, Inc. and Affiliate, which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dunn Bros Coffee Franchising, Inc. and Affiliate as of December 31, 2019 and 2018, and the results of its consolidated operations and retained earnings, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 14, 2020

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Edina, MN 55436
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CONSOLIDATED FINANCIAL STATEMENTS

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Balance Sheets
December 31, 2019 and 2018

Assets	2019	(As Restated) 2018
Current Assets:		
Cash	$ 646,168	$ 528,524
Accounts receivable (net)	554,250	592,810
Inventories	55,559	45,319
Prepaid expenses	163,323	56,483
Total Current Assets	1,419,300	1,223,136
Other assets:		
Property and equipment (net)	572,962	425,288
Intangible assets (net)	534,746	781,552
Total Assets	$ 2,527,008	$ 2,429,976
Liabilities and Shareholders' Equity		
Current Liabilities:		
Lines of credit	$ 175,000	$ 150,000
Current maturities of long-term debt	682,786	543,679
Accounts payable	227,438	234,293
Accrued expenses	369,610	218,433
Customer deposits - gift cards	506,223	491,931
Deferred franchise revenue	199,022	102,501
Current maturities of deferred rent	1,128	2,677
Total Current Liabilities	2,161,207	1,743,514
Long-term Liabilities:		
Long-term debt and capital leases, less current maturities	1,916,780	2,240,944
Deferred rent, less current maturities	114,048	96,737
Deferred franchise revenue	427,314	703,686
Total Long-term Liabilities	2,458,142	3,041,367
Total Liabilities	4,619,349	4,784,881
Shareholders' Equity:		
Common stock, $.01 par value, 1,000,000 shares authorized; 464,650 shares issued and outstanding at December 31, 2018 and 2017	4,647	4,647
Treasury stock, 181,156 common shares at December 31, 2018 and 2017, at cost	(1,574,667)	(1,574,667)
Additional paid-in capital	510,776	510,840
Equity attributable to affiliate	(4,014,527)	(4,118,448)
Retained earnings	2,981,430	2,822,723
Total shareholders' equity	(2,092,341)	(2,354,905)
Total Liabilities and Shareholders' Equity	$ 2,527,008	$ 2,429,976

See Independent Auditor's Report and Notes to the Consolidated Financial Statements

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Statements of Operations and Retained Earnings
For the Years Ended December 31, 2019 and 2018

	2019	(As Restated) 2018
Revenues:		
Coffeehouse and wholesale sales	$ 4,259,619	$ 4,003,653
Royalties	2,433,256	1,694,817
Commissions - coffee	648,354	513,702
Franchise fees	275,741	267,975
Total revenues	7,616,970	6,480,147
Cost of Goods Sold	1,441,470	1,324,953
Gross Profit	6,175,500	5,155,194
Selling, General and Administration Expenses	5,731,143	4,719,804
Income from Operations	444,357	435,390
Other Income (Expense):		
Interest expense	(197,602)	(212,895)
Other income	128,078	98,348
Total other expense	(69,524)	(114,547)
Consolidated Net Income	374,833	320,843
Less: Net Income Attributable to Affiliate	103,947	34,534
Net Income Attributable to Dunn Bros Coffee Franchising, Inc.	270,886	286,309
Retained earnings, beginning of the year	3,338,191	3,073,454
Accounting Standard Adoption Adjustments	(644,586)	-
Prior period adjustments	129,118	-
Shareholder distributions	(112,179)	(21,572)
Retained Earnings, End of the Year	$ 2,981,430	$ 3,338,191

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Consolidated net income	$ 374,833	$ 320,843
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	445,091	421,749
Amortization of deferred financing costs	5,129	3,477
Bad debt expense	3,354	(4,000)
Shareholder compensation expense	(63)	9,987
(Gain) Loss on disposal of assets	(28,503)	14,500
Change in operating assets and liabilities:		
Accounts receivable	2,463	(73,053)
Inventories	(10,240)	(3,746)
Prepaid expenses	(106,839)	14,527
Accounts payable	(6,855)	(78,608)
Accrued expenses	72,922	81,898
Customer deposits - gift cards	14,292	(34,786)
Deferred franchise revenue	(120,752)	(40,000)
Net Cash Provided by Operating Activities	644,832	632,788
Cash Flows from Investing Activities:		
Purchase of property and equipment	(182,518)	(151,806)
Proceeds on sale of property and equipment	39,256	53,252
Net Cash Used in Investing Activities	(143,262)	(98,554)
Cash Flows from Financing Activities:		
Payments on lines of credit	(1,291,000)	(150,000)
Proceeds from lines of credit	1,316,000	-
Payments on long-term debt	(554,233)	(542,519)
Proceeds from long-term debt, net of deferred financing costs	265,724	32,864
Net proceeds (payments) on deferred rent	(8,238)	67,073
Shareholder distributions	(112,179)	(21,572)
Net Cash Used in Financing Activities	(383,926)	(614,154)
Increase (Decrease) in Cash and Cash Equivalents	117,644	(79,920)
Cash, Beginning of Period	528,524	608,444
Cash, End of Period	$ 646,168	$ 528,524
Supplemental disclosures of cash flow information		
Cash paid during the year for:		
Interest	$ 183,243	$ 209,990
Income Taxes	$ 1,163	$ 1,330
Non-cash investing and financing activities:		
Assets acquired through capital lease	$ 50,324	$ -
Assets acquired through long-term financing	$ 48,000	$ -

See Independent Auditor's Report and Notes to the Consolidated Financial Statements

Note 1: Summary Of Significant Accounting Policies

Nature of Business

Dunn Bros Coffee Franchising, Inc. was incorporated in 1998 under the laws of the State of Minnesota. The Company is engaged in the business of developing and franchising a system of Dunn Brothers Coffee shops. These shops use state of the art, onsite roasting techniques providing for the sale of fresh roasted, high quality coffee beans, brewed coffee, high quality beverages and onsite preparation of food items. As of December 31, 2019 and 2018, there were 67 and 74 franchised shop locations respectively, operating in Minnesota, Wisconsin, South Dakota, North Dakota, Missouri, Tennessee, Texas and Iowa.

	2019	2018
Franchised Shops Open at the Beginning of the Period	74	72
New Franchised Shops Opened During the Period	1	6
Franchised Shops Closed During the Period	(6)	(4)
Franchised Shops Acquired By Ceefay Leasing, Llc During the Period	(2)	-
Franchised Shops Open at the End of the Period	67	74

The Company is related by common ownership and control to Ceefay Leasing, LLC (Ceefay) (the Affiliate). The Company provides management services for shared employees to Ceefay. As of December 31, 2019, Ceefay owned four Dunn Brothers Coffee shops, Dunn Brothers Alternate Channels, LLC (DBAC), and the Eatery by Dunn Brothers.

DBAC was formed in January 2015 to create additional distribution channels for Dunn Brothers Coffee such as single serve coffee, portion packaged coffee, bulk whole bean coffee and other related products at wholesale to grocery stores, offices, hospitality venues and other retail channels including the internet. DBAC sells these products directly or through designated distributors for purchase by Dunn Brothers Coffee franchisees for sale in their shops or for their wholesale accounts.

In 2017, Ceefay Leasing LLC, the Affiliate, was awarded a contract with Hennepin Healthcare System, Inc., dba HCMC, to operate a café in its new facility in Minneapolis, MN. This fast-casual dining café has been named Eatery by Dunn Brothers and opened in May 2018.

The six Dunn Brothers Coffee shops owned by Ceefay do not pay royalty fees to the Company; however these shops do pay the advertising fees required for the National Marketing Fund and commissions to the Company based on the coffee shipments from the third party distributor. Commissions paid by Ceefay for coffee beans related to the operating stores were $24,907 and $42,170 for the years ended December 31, 2019 and 2018, respectively.

Principles of Consolidation

The Company evaluates its variable interests in entities on a qualitative and quantitative basis. The Company consolidates entities in which it concludes it has the power to direct activities that most significantly impact an entity's economic success and has the obligation to absorb losses or the right to receive benefits that could be significant to the entity.

As of December 31, 2019 and 2018, the Company's consolidated financial statements include the accounts of Dunn Bros Coffee Franchising, Inc. and Ceefay, under common ownership. The Company has provided significant funding to the entity and is a key decision maker in the Affiliate's operations. Therefore, the Company has consolidated Ceefay, as it is the Primary Beneficiary in the variable interest entity. The consolidated financial statements reflect the consolidation of Ceefay with total equity of ($4,014,527) and ($4,118,448) as of December 31, 2019 and 2018, respectively. All material intercompany balances and transactions between the entities have been eliminated in consolidation.

Note 1: Summary Of Significant Accounting Policies (Continued)

Adoption of New Accounting Standard

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company adopted the new standard effective January 1, 2019, the first day of the Company's fiscal year using the modified retrospective approach. This method allows the standard to be applied retrospectively through a cumulative catch up adjustment recognized upon adoption. As such, comparative information in the Company's financial statements has not been restated and continues to be reported under the accounting standards in effect for those periods.

As part of the adoption of the ASU, the Company elected the following transition practical expedients: (i) to reflect the aggregate of all franchise agreement modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price; and (ii) to apply the standard only to franchise agreements that are not completed at the initial date of application. Because modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption resulted in a decrease to beginning retained earnings of approximately $645,000 as of January 1, 2019. The adjustment primarily relates to initial franchise fees, of which a portion or all of the initial franchise fees are recognized over the term of the franchise agreement. Previously, the initial franchise fees were recognized upon the opening of a coffee shop. The impact of applying this ASU for the year ended December 31, 2019 primarily resulted in an increase in franchise fee revenue of approximately $208,000 due to initial franchise fees being recognized over the life of franchise agreements, and increases in royalty revenues of $985,000 and selling, general and administration expenses of $985,000 due to the Company being a considered a principal of the Dunn Brothers Advertising Fund. The Company expenses advertising costs as incurred.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to comply with current year reporting. These reclassifications are not material to the overall presentation of the Company's consolidated financial statements.

Accounts Receivable

Receivables, which are typically unsecured, are primarily the result of royalties from franchisees. Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to allowance for doubtful accounts based on its assessment of the current status of individual accounts. Management determines the likelihood of collectability of receivables on an individual customer basis, based on length outstanding, likelihood of collecting, and the customer's current economic status. Balances which are still outstanding after management has used reasonable collection efforts are written off through a charge to allowance for doubtful accounts and a credit to accounts receivable. Changes in the allowance for doubtful accounts have not been material to the consolidated financial statements. The allowance for doubtful accounts was $12,000 as of December 31, 2019 and 2018.

Inventories

Inventories, consisting principally of green coffee beans, roasted coffee beans, food, beverages, and other retail goods, are recorded at the lower of cost (first-in, first-out) or net realizable value.

Note 1: Summary Of Significant Accounting Policies (Continued)

Prepaid Expense

Prepaid expenses generally consist of deposits, insurance, license fees, registration fees, and other miscellaneous prepaid expenses of the Company.

Property and Equipment

Property, equipment, and leasehold improvements are capitalized at a level of $500 or greater and are recorded at cost. Repairs and maintenance are charged to expense as incurred. Renewals and improvements, that extend the useful lives of assets are capitalized and depreciated over future periods.

Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets.

Assets	Useful Lives in Years
Equipment	3 - 5
Leasehold Improvements	5 - 15
Computer Equipment and Software	3 - 5
Furniture and Fixtures	3 - 7

Upon retirement or other disposition, the cost and related accumulated depreciation of disposed assets are removed from the accounts, and any resulting gain or loss is recognized in other income (expense).

Intangible Assets

Intangible assets consist of a non-compete and non-solicitation agreement with a former active shareholder that is being amortized over the 5-year life of the agreement. The Company also has trademarks that have been fully amortized.

Deferred Rent

The Company has recognized cash incentives received from lessors as deferred rent and is amortizing it on a straight line basis over the life of the lease as a reduction in rent expense. Operating leases with escalating rent clauses are recognized as deferred rent and are amortized on a straight line basis over the life of the lease as rent expense.

Revenue Recognition

Coffeehouse and wholesale sales are recorded at the point of sale. Sales taxes are excluded from revenue.

The Company collects royalty receivables from franchisees based upon the shops’ previous months’ gross sales. Royalty revenue is recognized at the time of sale in the shop.

Commissions from the sale of coffee sourced by the Company are recognized when the product has been shipped by the coffee supplier to the third party distributor.

Initial franchise fees are collected when franchise agreements have been signed and are recorded as deferred franchise revenue on the consolidated balance sheet. The Company adopted ASU 2014-09 as of January 1, 2019 using a modified retrospective approach. As of January 1, 2019, the company recognizes initial franchise fee revenue pertaining to training, opening and marketing support at the time the store opens, which is when the Company has completed their performance obligation for these services. A portion of the initial franchise fee, which represents the right to utilize our brand, trademark and proprietary processes, is amortized over the life of the franchise agreement on a straight-line basis.

Through December 31, 2018, the Company recognized the franchise fees as revenue when the store opens, which is when the Company had performed substantially all significant services and franchisee training has been completed. The Company has deferred franchise revenue of $626,336 and $102,501 at December 31, 2019 and 2018, respectively.

Note 1: Summary Of Significant Accounting Policies (Continued)

Income Taxes

Dunn Bros Coffee Franchising, Inc., with the consent of the shareholders, has elected under the Internal Revenue Code to be taxed as an S Corporation. Ceefay has elected under the Internal Revenue Code to be taxed as a Partnership. In lieu of corporate income taxes for both entities, the shareholders are taxed on the Company's income. Therefore, no provision for income taxes is included in these consolidated financial statements.

The Companies file income tax returns in the U.S. federal jurisdiction and various states. With few exceptions, the Companies are no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before 2016.

The Companies have analyzed their filing positions with the Internal Revenue Service and the State of Minnesota. They do not anticipate any of their income tax filing positions would result in a material adverse effect on their financial condition, results of operations, or cash flows, as the Company believes its income tax filing positions and deductions would be sustained on audit. No liability has been recorded for uncertain tax positions.

The Company recognizes interest accrued related to unrecognized tax benefits, if any, in interest expense and penalties in operating expenses. During the years ended December 31, 2019 and 2018, the Company did not recognize any interest or penalties.

Recent Accounting Pronouncements

During February 2016, the FASB issued ASU No. 2016-02, "Leases." ASU No. 2016-02 was issued to increase transparency and comparability among organizations by recognizing all lease transactions (with terms in excess of 12 months) on the balance sheet as a lease liability and a right-of-use asset (as defined). ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2020, with earlier application permitted. Upon adoption, the lessee will apply the new standard retrospectively to all periods presented or retrospectively using a cumulative effect adjustment in the year of adoption. The Company is currently assessing the effect that ASU No. 2016-02 will have on its results of operations, financial position and cash flows.

Subsequent Events

The Company has evaluated other subsequent events for recognition and disclosure through April 14, 2020, the date these consolidated financial statements were available to be issued.

The COVID-19 outbreak in the United States has caused business disruption. This disruption has included the closure of schools and certain business, remote work arrangements for employees who traditionally commute, and consumers being encouraged to stay home. As a result of this disruption, Dunn Bros Coffee Franchising, Inc. and the Affiliate expect a decrease in customer traffic and revenues in 2020. The Company expects this matter to negatively impact its operating results in 2020. However, the related financial impact and duration cannot be reasonably estimated at this time.

In April 2020, the Company and the Affiliate entered into promissory notes with Sunrise Banks, N.A. in the amounts of $258,700 and $320,200, respectively, pursuant to the Paycheck Protection Program (PPP) created by the Coronavirus Aid, Relief, and Economic security Act (CARES Act) and governed by the Small Business Administration (SBA). The note accrues interest at 1 percent per annum, requires monthly payments of $10,891 and $13,481, beginning October 2020 and is scheduled to mature March 2022. Up to 100 percent of the loan is forgivable when used to pay specified payroll and other costs within eight weeks of receiving the funding, however, not more than 25 percent of the forgiveness amount can be attributable to non-payroll costs.

In April 2020, the CARES Act also provided relief on debt payments whereby the SBA committed to pay principal and interest on existing SBA loans for 6 months in 2020. This relief applies to all existing Sunrise Banks, N.A credit facilities listed in Note 8.

Note 2: Prior Period Adjustment

Effective January 1, 2019 the Company changed their policy of accounting for vendor rebates. Prior to January 1, 2019, the Company's policy was to record vendor rebates received as a liability on the consolidated balance sheet which was offset by expenses incurred by the Company from the implementation of system-wide initiatives. As of January 1, 2019, the Company's policy is to record all vendor rebates as revenue when they are received and to accrue the amount of rebates receivable as of the end of the reporting date. The Company has applied this change in accounting policy retrospectively, which has resulted in a prior period adjustment to various balance sheet and income statement amounts from the previously issued consolidated financial statements. Due to the fact that the amount of vendor rebates received by the Company have been in excess of expenses related to system-wide initiatives over the past several years, management has determined that it is not reasonably practical to identify the breakdown of the excess rebates by reporting period, and as a result, the entire amount of the prior period adjustment is reflected in net income for the year ended December 31, 2018 and is not shown as impacting the opening balance of retained earnings for the year then ended.

The effects of the prior period adjustment on the previously issued consolidated balance sheet and statements of operations and retained earnings resulted in an increase to revenue (and net income) and an increase in the ending balance of retained earnings of $129,118 as of and for the year ended December 31, 2018. Furthermore, the prior period adjustment resulted in an increase in accounts receivable of $31,900 and a decrease in accrued expenses of $97,218 on the consolidated balance sheet as of December 31, 2018.

Note 3: Property And Equipment

Company property and equipment are summarized as of December 31:

	2019	2018
Construction in Progress	$ -	$ 47,899
Equipment	825,952	692,860
Leasehold Improvements	445,768	291,190
Computer Equipment and Software	220,928	199,528
Furniture and Fixtures	221,392	191,825
Capital Lease Assets	50,324	-
Total	1,764,364	1,423,302
Accumulated Depreciation	1,191,402	998,014
Net Property and Equipment	$ 572,962	$ 425,288
Depreciation Expense	$ 198,285	$ 174,943

Note 4: Intangible Assets

Company intangible assets are summarized as of December 31:

	2019	2018
Trademark (180 months)	$ 313,289	$ 313,289
Non-Compete and Non-Solicitation Agreement (Note 9)	1,234,029	1,234,029
Total	1,547,318	1,547,318
Accumulated amortization	1,012,572	765,766
Net Intangible Assets	$ 534,746	$ 781,552
Amortization Expense	$ 246,806	$ 246,806

Amortization expense is expected to be $246,806 in 2020 and 2021, and $41,134 in 2022.

Note 5: Accrued Expenses

Company accrued expenses are summarized as of December 31:

	2019	2018
Accrued Wages	$ 86,901	$ 72,207
Vendor Accruals	44,444	59,100
Franchisee Accruals	2,000	12,000
Corporate Giving Accruals	8,610	12,001
Level Up Accruals	9,362	9,082
Sales Tax	27,531	21,918
Accrued Interest	11,240	13,163
Accrued Health, Vacation and Incentive Accruals	104,037	-
Other	75,485	18,962
Total	$ 369,610	$ 218,433

Note 6: Revenue Recognition

Deferred Franchise Revenue

The Company receives initial franchise fees, renewal fees, and transfer fees, prior to, or contemporaneously with, the first day of the term of a franchise agreement. This timing creates Deferred Franchise Revenue on the Consolidated Balance Sheet. A portion of these fees, representing services the franchisor performs in conjunction with a store opening, renewal or transfer, is recognized at a point-in-time. These are recognized upon store opening, renewal of a franchise agreement and transfer of a franchise agreement. A portion of these fees, representing the right to utilize our brand, trademarks, and proprietary processes are recognized over the life of the franchise agreement on a straight-line basis as the franchisee has an equal opportunity to benefit from these rights at any point-in-time over the life of the franchise agreement. If a franchise agreement is terminated, a shop is closed, or a transfer occurs, any remaining deferred revenue is recognized immediately.

Note 6: Revenue Recognition (Continued)

The beginning and ending contract balances were as follows at December 31:

	2019	2018	2017
Accounts Receivable	$ 554,250	$ 592,810	$ 483,857
Deferred Franchise Revenue	$ 626,336	$ 806,187	$ 142,501

Royalty Receivables

The Company collects royalty receivables from franchisees based upon the shops' previous months' gross sales.

Disaggregation of Revenue

The following table disaggregates the Company's revenue based on the timing of satisfaction of performance obligations for the years ended December 31:

	2019	2018
Performance Obligations Satisfied at a Point in Time	$ 7,446,921	$ 6,480,147
Performance Obligations Satisfied Over Time	170,049	-
	$ 7,616,970	$ 6,480,147

Revenue from performance obligations satisfied at a point in time consists of coffee and wholesale sales, royalties, commissions - coffee and other, and certain franchise fees.

Revenue from performance obligations satisfied over time consists of certain franchise fees.

Note 7: Customer Deposits - Gift Cards

The Company has a reloadable gift card program in which substantially all the franchisees participate. Cash receipts related to a customer adding money to a gift card are deferred when initially received. These proceeds are transferred to the gift card account administered by the Company. When a customer utilizes a card to make a purchase in a Dunn Brothers Coffee shop, revenue is recognized and the amount of the sale is transferred from the gift card account to the appropriate store. The Company administers the bank account and a third-party processor initiates the transfers. Such amounts are classified as a current liability by the Company on the consolidated balance sheet. As of December 31, 2019 and 2018, the customer deposit liability was $506,223 and $491,931, respectively.

The Company will honor all gift cards for payment; however, the Company has determined the likelihood of redemption is remote for certain card balances due to the period of inactivity. The Company has determined that cards that have been inactive for more than 24 months will likely not be redeemed. The Company utilizes the redemption recognition method and recognizes the estimated value of abandoned cards based on historical trends of card inactivity as a percentage of current year card purchases. For the years ended December 31, 2019 and 2018, respectively, $99,575 and $112,846 was booked as other income.

Note 8: Indebtedness

Lender	Note Reference	Interest Rate at December 31, 2019 (a)	Amortization Period (years)	Maturity Date	Outstanding As of December 31, 2019	Outstanding As of December 31, 2018
Lines of Credit:						
Sunrise Banks, NA	(b)(c)	Prime + 1.50%	-	May 2020	$ 75,000	$ 150,000
	(b)(d)	Prime + 1.50%	-	December 2020	100,000	-
Total Lines of Credit					$ 175,000	$ 150,000
Long-term debt:						
Sunrise Banks, NA	(b)(e)	Prime + 2.25%	10	January 2024	$ 206,947	$ 248,545
	(b)(f)	Prime + 1.75%	10	March 2027	708,041	780,065
	(b)(g)	Prime + 1.75%	10	December 2028	147,852	-
	(b)(h)	Prime + 1.75%	10	December 2029	87,730	-
Hennepin Healthcare Systems, Inc. (HCMC)	(i)(j)	0%	5	January 2019	-	834
Individual Investor	(l)	8.00%	-	-	25,000	25,000
Shareholder Loan	(l)	0.00%		On Demand	25,000	-
Former Franchisee Loan	(m)	6.00%	6	September 2025	45,761	-
Capital leases	(n)	6.75 to 7.00%	2-5	Various through April 2024	40,132	-
Former Active Shareholder						
	(o)(r)	6.00%	5	March 2022	231,034	255,740
	(p)(r)	6.00%	5	March 2022	518,431	666,252
	(q)(r)	6.00%	5	March 2022	600,928	843,226
Total Long-term debt					2,636,856	2,819,662
Debt issuance costs	(s)		10	March 2027	(23,844)	(27,172)
	(t)		10	December 2028	(4,919)	(5,471)
	(u)		2	December 2020	(1,145)	(2,396)
	(v)		10	December 2029	(7,382)	-
Total Long-term debt, net of debt issuance costs					2,599,566	2,784,623
Less: current maturities					682,786	543,679
Long-term debt, net of debt issuance costs and current maturities					$1,916,780	$2,240,944

Note 8: Indebtedness (Continued)

Scheduled maturities of long-term debt payments are:

2020	$ 682,786
2021	699,295
2022	483,029
2023	186,048
2024	137,355
Thereafter	411,053
Total	$ 2,599,566

(a) The *Wall Street Journal* Midwest Edition Prime Rate (Prime) was 4.75 and 5.50 percent on December 31, 2019 and 2018, respectively.

(b) This debt is secured by substantially all business assets of the Company and personal guarantee of the majority owner.

(c) Small Business Administration revolving line of credit of $180,000 expired on September 2018. This line of credit was replaced by a new Small Business Administration revolving line of credit of $250,000 which expires in December 2020. Interest is accrued and paid monthly.

(d) Small Business Administration revolving line of credit of $180,000 expired on September 2018. This line of credit was replaced by a new Small Business Administration revolving line of credit of $100,000 which expires in December 2020.

(e) Small Business Administration loan originated in January 2014 in the amount of $410,500, payable in monthly installments over 10 years. Current monthly payments of $4,892 include interest accrued monthly.

(f) Small Business Administration loan originated in March 2017 in the amount of $900,000, payable in monthly installments over 10 years. Current monthly payments of $10,313 include interest accrued monthly.

(g) Small Business Administration loan originated in December 2018 in the amount of $150,000, payable in monthly installments over 10 years. Current monthly payments of $1,818 include interest accrued monthly.

(h) Small Business Administration loan originated in December 2019 in the amount of $225,000, payable in monthly installments over 10 years. As of December 31, 2019, the loan was not fully drawn and payments will commence in 2020.

(i) The debt was secured by the equipment funded through the lease and personal guarantee of the majority owner.

(j) Equipment lease originated in January 2014 totaling $50,000, payable in 60 monthly installments of $833.

(k) Note originated with an individual investor in 2004 totaling $25,000. Interest only payments accrue and are paid quarterly.

(l) Note originated with a shareholder of the Company. Note is due on demand and bears an interest rate of 0%.

(m) Note originated with a former franchisee in conjunction with the acquisition of franchisee's coffee shop. Note originated in September 2019 in the amount of $48,000 payable in monthly installments over 10 years. Monthly payments of $796 include interest accrued monthly.

(n) The Company entered into various capital leases in 2019 pertaining to point-of-sale, firewall, and restaurant equipment. Monthly payments vary between $40 and $300 include interest.

Note 8: Indebtedness (Continued)

(o) Two subordinated promissory notes with a former active shareholder originated in March 2017 totaling $295,570 with interest accruing at 6% per year. The principal balances amortize over 120 months and are payable together with accrued interest in 60 monthly payments totaling $3,282 with final payments totaling $173,016 in March 2022 of all remaining outstanding principal and interest.

(p) Subordinated promissory note with a former active shareholder originated in March 2017 totaling $600,000 with interest accruing at 6% per year compounded monthly. Accrued interest at December 31, 2018 was $66,252. The principal balance together with accrued interest is payable in 36 monthly payments beginning in April 2019 through March 2022.

(q) Two subordinated promissory notes with a former active shareholder originated in March 2017 totaling $1,234,029 with interest accruing at 6% per year compounded monthly. The principal balances together with accrued interest are payable in 20 quarterly payments beginning in June 2017 through March 2022.

(r) This debt is secured by shares of the Company.

(s) Represents debt issuance costs incurred in securing the Small Business Administration loan (f) originating in March 2017 for $900,000. The total financing fees of $33,271 are recognized as expense ratably over the 10 year life of the loan.

(t) Represents debt issuance costs incurred in securing the Small Business Administration loan (g) originating in December 2018 for $150,000. The total financing fees of $5,517 are recognized as expense ratably over the 10 year life of the loan.

(u) Represents debt issuance costs incurred in securing the Small Business Administration revolving line of credit (c) which originated in December 2018 for $250,000. The total financing fees of $2,500 are recognized ratably over the two year life of the loan.

(v) Represents debt issuance costs incurred in securing the Small Business Administration loan (h) which originated in December 2019 for $225,000. The total financing fees of $7,382 are recognized ratably over the 10 year life of the loan

Note 9: Leases

The Company now operates from office space located in Roseville, Minnesota; this lease agreement began in February 2020 and expires in April 2027. The terms of the lease agreement require the Company to pay monthly lease payments plus an additional monthly amount for real estate taxes and common area maintenance charges which is included in rent expense. The 2020 base monthly rate is $3,600.

The Company operated from office space located in Minneapolis, Minnesota; this lease agreement began in February 2015 and expired in February 2020. The terms of the lease agreement required the Company to pay monthly lease payments plus an additional monthly amount for real estate taxes which is included in rent expense. The base monthly rate was $5,300.

The Affiliate has entered into various operating lease agreements for its store locations in Minneapolis and St. Paul, MN, and Friendswood, TX with remaining terms from 2 to 15 years, including lease renewal options. The terms of the lease agreements require additional monthly amounts for common area expenses and/or real estate taxes.

In August 2019, the affiliate entered in a lease agreement for a coffee shop in St. Paul, MN. The lease expires in September 2024 with two five-year renewable options.

In July 2019, the affiliate assumed a lease agreement for a coffee shop in Minneapolis. The lease expires in June 2021 and has one five-year renewable options.

In February 2018, the affiliate entered into a lease agreement for the Eatery, its new fast-casual dining café for five years, commencing from the actual shop open date of May 2018 and expiring March 2023 with two five-year renewable options.

Note 9: Leases (Continued)

Total lease expenses were $392,354 and $352,177 for the years ending December 31, 2019 and 2018, respectively. Minimum rent expenses were $308,874 and $285,239 for these same years.

Scheduled future operating lease commitments are:

2020	$ 314,252
2021	306,326
2022	281,178
2023	293,294
2024	257,951
Thereafter	1,155,898
Total	$ 2,608,899

Note 10: Shareholders' Equity for Dunn Bros Coffee Franchising, Inc.

On March 8, 2017, the Company entered into a redemption agreement to repurchase 181,156 shares of Dunn Bros Coffee Franchising, Inc. and 90,578 membership interest units of Ceefay Leasing, LLC, owned by an active shareholder. The shareholder received a purchase price of $2,362,000 for his ownership interest consisting of (i) $1,200,000 paid in cash, (ii) $1,040,570 in subordinated promissory notes (Note 8), and (iii) $121,430 forgiveness of the outstanding balance of a promissory note receivable.

The Company also required the active shareholder to enter into a 5 year non-compete and non-solicitation agreement in exchange for $1,234,029 (Note 4) to be paid pursuant to subordinated promissory notes (Note 8). The non-compete covers any involvement with coffee shops and coffee wholesale as well as the non-solicitation of Company employees and customers during this 5-year period.

On March 8, 2017, the Company also secured a Small Business Administration loan with Sunrise Banks, NA for $900,000 which accrues interest at prime plus 1.75% per year and is payable over 10 years in monthly installments of principal and interest. The Company incurred financing fees securing this loan of $33,271. These costs are reflected as Deferred Financing Costs and are recognized in expense ratably over the 10 year life of the loan.

Note 11: Supplier Relationship and Purchase Commitments

The Company sources green coffee for its franchise system with assistance from a coffee supplier and uses a third party distributor for fulfilling orders. The third party distributor is responsible for the collection of payments from the franchisees as well as the credit risk. The Company is paid a commission based on the coffee shipments from the coffee supplier to the third party distributor.

In order to ensure an adequate supply of coffee to meet the needs of its franchisees, the Company has made forward commitments to purchase coffee from the coffee supplier. As of December 31, 2019 the Company had made commitments to purchase coffee totaling $750,112. Subsequent to year-end, the Company had outstanding commitments of $558,210 as of April 14, 2020. If the specific selections of coffee are not purchased in the quantities and timeframe specified in the individual commitments, the Company would be obligated to purchase the coffee. Typically the commitments to purchase a specific variety of coffee span four to eighteen months. As the coffee is purchased, the Company's obligation under a specific commitment is diminished and is replaced with new commitments for coffee.

Note 12: Advertising Funds

The Company is the administrator for the National Marketing Fund. The franchisees and Ceefay owned stores contribute a percentage of their sales to the National Marketing Fund on a monthly basis. The Company is responsible for development of marketing programs with various vendors as well as payments for the initiatives on behalf of the franchisees. As the Company controls the use of advertising funds and is primarily responsible for procuring advertising services, we consider ourselves a principal under Topic 606, Revenue Recognition. Thus, we recorded royalty revenues and selling, general and administrative expenditures of $985,000 in 2019 in the Consolidated Statements of Operations and Retained Earnings.

Note 13: Cash Concentration

The Company maintains the majority of its cash balances in one financial institution, which is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. The Company had $106,016 and $211,016 in excess of FDIC insured limits as of December 31, 2019 and 2018, respectively. The Company has not experienced any losses in such accounts.

The Affiliate has cash balances in financial institutions that are fully insured by the FDIC.

Note 14: Retirement Savings Plan

The Company has a pre-tax salary reduction/profit sharing plan under the provisions of Section 401(k) of the Internal Revenue Code, which covers employees meeting certain eligibility requirements. For the years ended December 31, 2019 and 2018, the Company matched 100% of the employee’s contribution up to 4% of their earnings, totaling $47,008 and $59,075, respectively. There were no discretionary contributions to the plan in 2019 and 2018.

Note 15: Closure of Ceefay-Owned Stores

In July 2018, the Affiliate closed a Ceefay-owned Dunn Brothers Coffee Shop in St. Paul, MN. The Affiliate did not renew its lease and therefore is not obligated for any future lease payments. In 2018, the Affiliate recognized a $9,891 write off of leasehold improvements at this location. The Affiliate anticipates all equipment and fixtures removed from the building will be repurposed in other Dunn Brothers locations.

Note 16: Treasury Stock

During 2017, the Company purchased 181,156 shares of common stock from an active shareholder, see Note 10. This Treasury Stock is shown at cost.

UNAUDITED FINANCIAL STATEMENTS
AS OF JULY 31, 2021

THESE FINANCIAL STATEMENTS HAVE BEEN PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED AN OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Dunn Bros Coffee Franchising, Inc. and Affiliate
Consolidated Balance Sheets
July 31, 2021

Assets		**As of 7/31/2021**
Current Assets:		
Cash	$	2,001,833
Accounts receivable (net)		352,930
Inventories		53,608
Prepaid expenses		66,789
Total Current Assets		2,475,160
Other assets:		
Property and equipment (net)		565,505
Intangible assets (net)		143,970
Total Assets	$	3,184,635
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current maturities of long-term debt and capital leases	$	313,186
Accounts payable		159,044
Accrued expenses		374,158
Customer deposits - gift cards		434,184
Deferred franchise revenue		59,246
Current maturities of deferred rent		36,998
Total Current Liabilities		1,376,815
Long-term Liabilities:		
Long-term debt and capital leases, less current maturities		2,267,180
CARES Act PPP loan		833,500
Deferred rent, less current maturities		278,007
Deferred franchise revenue		430,096
Total Long-term Liabilities		3,808,783
Total Liabilities		5,185,599
Shareholders' Equity:		
Common stock, $.01 par value, 1,000,000 shares authorized; 283,500 & 464,700 shares issued and outstanding at December 31, 2020 and 2019		2,835
Treasury stock, 181,156 common shares at December 31, 2020 and 2019, at cost		(1,574,667)
Additional paid-in capital		520,226
Equity attributable to affiliate		(4,131,024)
Retained earnings		3,181,666
Total shareholders' equity		(2,000,964)
Total Liabilities and Shareholders' Equity	$	3,184,635

Dunn Bros Coffee Franchising, Inc. and Affiliate

Consolidated Statements of Operations and Retained Earnings

For Year to Date Ended July 31, 2021

	YTD 7/31/2021
Revenues:	
Coffeehouse and wholesale sales	$ 1,521,658
Royalties	1,242,304
Commissions - coffee	269,587
Franchise fees	136,175
Total revenues	3,169,724
Cost of Goods Sold	463,310
Gross Profit	2,706,414
Selling, General and Administration Expenses	2,878,729
Income (Loss) from Operations	(172,315)
Other Income (Expense):	
Interest expense	(91,358)
Other income	705,854
Total other income (expense)	614,496
Consolidated Net Income (Loss)	442,181
Less: Net Income (Loss) Attributable to Affiliate	360,675
Net Income Attributable to Dunn Bros Coffee Franchising, Inc.	81,505
Retained earnings, beginning of the year	3,111,997
Member Contributions	(11,836)
Retained Earnings, As of July 31, 2021	$ 3,181,666

EXHIBIT F

TABLE OF CONTENTS FOR OPERATIONS MANUAL

DUNN BROTHERS COFFEE
OPERATIONS MANUAL
TABLE OF CONTENTS

Note: Each section of the Operations Manual will be provided as a separate electronic page or series of pages, that may vary in size and number depending on the settings you select on your computer. As such, this Table of Contents is not divided into page numbers.

EXHIBIT G

LIST OF STATE ADMINISTRATORS; AGENTS FOR SERVICE OF PROCESS

STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS

STATE	STATE ADMINISTRATOR/AGENT	ADDRESS
Indiana (State Administrator)	Indiana Securities Commissioner Securities Division	302 West Washington Street, Room E111 Indianapolis, IN 46204
Indiana (Agent)	Indiana Secretary of State	302 West Washington Street, Room E018 Indianapolis, IN 46204
Michigan	Michigan Department of Attorney General Consumer Protection Division	G. Mennen Williams Building, 1st Floor 525 West Ottawa Street Lansing, MI 48933
Minnesota	Commissioner of Commerce Minnesota Department of Commerce	85 7th Place East, Suite 280 St. Paul, MN 55101-2198
North Dakota	Securities Commissioner North Dakota Securities Department	600 East Boulevard Avenue State Capitol, Fifth Floor, Dept. 414 Bismarck, ND 58505-0510
South Dakota	Department of Labor and Regulation Division of Insurance – Securities Regulation	124 S. Euclid, Suite 104 Pierre, SD 57501
Wisconsin	Commissioner of Securities	Department of Financial Institutions Division of Securities 4822 Madison Yards Way, North Tower Madison, WI 53705

EXHIBIT H

STATE ADDENDA

ADDENDUM TO
DUNN BROTHERS COFFEE®
DISCLOSURE DOCUMENT FOR THE
STATE OF MINNESOTA

The following applies to franchises and franchisees subject to Minnesota statutes and regulations. Item numbers correspond to those in the main body.

Item 5.

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

Item 13.

We will undertake the defense of any third party claim of infringement involving the DUNN BROTHERS COFFEE Trademarks. You must cooperate with the defense in any reasonable manner we prescribe with any direct cost of such cooperation to be borne by us.

Item 17.

1. Minnesota law provides you with certain termination and nonrenewal rights. As of the date of this disclosure document, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for nonrenewal of the Franchise Agreement.

2. Minn. Stat. § 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside Minnesota. In addition, nothing in the disclosure document or Franchise Agreement can abrogate or reduce any of your rights as provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

3. In the event you breach or threaten to breach any of the terms of this Agreement, we will be entitled to seek an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as the arbitrators make a final and binding determination.

Exhibit J – Acknowledgement Addendum to Dunn Bros Coffee Franchise Agreement

Exhibit J of this disclosure document is amended to delete Question 10.

ADDENDUM TO
DUNN BROTHERS COFFEE®
DISCLOSURE DOCUMENT FOR THE
STATE OF NORTH DAKOTA

The following applies to franchises and franchisees subject to North Dakota statutes and regulations. Item numbers correspond to those in the main body:

Item 5.

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

Item 17.

1. Covenants not to compete such as those mentioned in Item 17 may be subject to Section 9-08-06 of the North Dakota Century Code and unenforceable in the State of North Dakota if contrary to Section 9-08-06.

2. Notwithstanding anything contained in Section 15 of the Franchise Agreement, any arbitration proceeding will take place in the city nearest to your Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.

3. Any claims under the North Dakota Franchise Investment Law may be brought in the State of North Dakota.

4. The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law.

5. You must sign a general release if you renew your franchise. This provision may be unenforceable under Section 51-19-09 of the North Dakota Franchise Investment Law.

ADDENDUM TO
DUNN BROTHERS COFFEE®
DISCLOSURE DOCUMENT FOR THE
STATE OF SOUTH DAKOTA

The following applies to franchises and franchisees subject to South Dakota statutes and regulations. Item numbers correspond to those in the main body.

Item 5.

Payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

ADDENDUM TO
DUNN BROTHERS COFFEE®
DISCLOSURE DOCUMENT FOR THE
STATE OF WISCONSIN

The following information applies to franchises and franchisees subject to the Wisconsin Fair Dealership Law. Item numbers correspond to those in the main body:

Item 17.

1. For all franchisees residing in the State of Wisconsin, we will provide you at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that you have 60 days in which to cure any claimed deficiency. If this deficiency is cured within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, you will have 10 days to cure the deficiency.

2. For Wisconsin franchisees, Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of the Franchise Agreement or a related contract which is inconsistent with the Law.

ADDENDUM TO
DUNN BROTHERS COFFEE®
FRANCHISE AGREEMENT FOR THE
STATE OF MINNESOTA

This Addendum pertains to franchises sold in the State of Minnesota and is for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Franchisor will undertake the defense of any claim of infringement by third parties involving the DUNN BROTHERS COFFEE Trademarks, and Franchisee will cooperate with the defense in any reasonable manner prescribed by Franchisor with any direct cost of such cooperation to be borne by Franchisor.

2. Minnesota law provides franchisees with certain termination and nonrenewal rights. As of the date of this Franchise Agreement, Minn. Stat. Sec. 80C.14, Subd. 3, 4 and 5 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 nonrenewal of the franchise agreement.

3. Section 10(A) is amended to provide that payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

4. Section 18(K) is hereby deleted in its entirety.

5. The second sentence of Section 15(B) of the Agreement is deleted in its entirety and will have no further force and effect and the following is substituted in lieu thereof:

> Therefore, it is mutually agreed that in the event of a breach or threatened breach of any of the terms of this Agreement the other party will forthwith be entitled to seek an injunction restraining such breach and/or to a decree of specific performance, without showing or proving any actual damage, together with recovery of reasonable attorneys' fees and other costs incurred in obtaining said equitable relief, until such time as a final and binding determination is made by the arbitrators.

6. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISOR:	FRANCHISEE:
DUNN BROS COFFEE FRANCHISING, INC.	
By ________________________________	By ________________________________
Its ________________________________	By ________________________________

ADDENDUM TO
DUNN BROTHERS COFFEE®
FRANCHISE AGREEMENT FOR THE
STATE OF NORTH DAKOTA

This Addendum pertains to franchises sold in the State of North Dakota and is for the purpose of complying with North Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. Section 10(A) is amended to provide that payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

2. Notwithstanding anything contained in Section 15(A) of the Franchise Agreement, any arbitration proceeding must take place in the city nearest to Franchisee's Business in which the American Arbitration Association maintains an office and facility for arbitration, or at such other location as may be mutually agreed upon by the parties.

3. Covenants not to compete such as those mentioned in Section 14(C) of the Franchise Agreement may be subject to Section 9-08-06 of the North Dakota Century Code and unenforceable in the State of North Dakota if contrary to Section 9-08-06.

4. The North Dakota Securities Commissioner has held that requiring franchisees to consent to the jurisdiction of courts outside of North Dakota is unfair, unjust or inequitable within the intent of Section 51-19-09 of the North Dakota Franchise Investment Law. The first sentence of Section 18(I) are therefore deleted in their entirety, and the following substituted in lieu thereof:

> Any cause of action, claim, suit or demand allegedly arising from or related to the terms of this Agreement or the relationship of the parties that is not subject to arbitration under Section 13 must be brought in the Federal District Court for the District of Minnesota or in Hennepin County District Court, Fourth Judicial District, Minneapolis, Minnesota or the federal or state court of the Designated Area in which the you are located.

5. Section 18(K) is hereby deleted from the Franchise Agreement, as a waiver of all rights to a trial by jury is considered unenforceable in the State of North Dakota.

6. Section 18(L) is hereby deleted from the Franchise Agreement, as a waiver of punitive damages is considered unenforceable in the State of North Dakota.

7. Under Section 51-19-09 of the North Dakota Franchise Investment Law, a franchisee may not be required to sign a general release as a condition of renewal under Section 6(B)(8) of the Franchise Agreement.

8. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISOR:	FRANCHISEE:
DUNN BROS COFFEE FRANCHISING, INC.	
By ______________________________	By ______________________________
Its ______________________________	By ______________________________

ADDENDUM TO
DUNN BROTHERS COFFEE®
FRANCHISE AGREEMENT FOR THE
STATE OF SOUTH DAKOTA

This Addendum pertains to franchises sold in the State of South Dakota and is for the purpose of complying with South Dakota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended as follows:

1. Section 10(A) is amended to provide that payment of the initial franchise fee is deferred until such time as we complete our initial obligations and you are open for business.

2. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISOR:	FRANCHISEE:
DUNN BROS COFFEE FRANCHISING, INC.	
By ______________________________	By ______________________________
Its ______________________________	By ______________________________

ADDENDUM TO
DUNN BROTHERS COFFEE®
FRANCHISE AGREEMENT FOR THE
STATE OF WISCONSIN

This Addendum pertains to franchisees in the State of Wisconsin and is for the purpose of complying with Wisconsin statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Agreement is amended to include the following:

1. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, Section 13(B) of the Agreement pertaining to "Termination by Franchisor" is extended as follows:

> Franchisor will provide Franchisee at least 90 days' prior written notice of termination, cancellation, or substantial change in competitive circumstances. The notice will state all the reasons for termination, cancellation, or substantial change in competitive circumstances and will provide that Franchisee has 60 days in which to rectify any claimed deficiency. If the deficiency is rectified within 60 days, the notice will be void. If the reason for termination, cancellation, or substantial change in competitive circumstances is nonpayment of sums due under the franchise, Franchisee will be entitled to written notice of such default, and will have not less than 10 days in which to remedy such default from the date of delivery or posting of such notice.

2. Ch. 135, Stats., the Wisconsin Fair Dealership Law, supersedes any provisions of this Agreement or a related document between Franchisee and Franchisor inconsistent with the Law.

3. Except as amended herein, the Franchise Agreement will be construed and enforced in accordance with its terms.

Each of the undersigned hereby acknowledges having read and understood this Addendum and consents to be bound by all of its terms.

FRANCHISOR:	FRANCHISEE:
DUNN BROS COFFEE FRANCHISING, INC.	
By ______________________________	By ______________________________
Its ______________________________	By ______________________________

EXHIBIT I

RELEASE OF CLAIMS FORM

RELEASE OF CLAIMS

THIS IS A CURRENT RELEASE FORM THAT GENERALLY WILL BE USED WITH OR INCORPORATED INTO A SEPARATE AGREEMENT. THIS FORM IS SUBJECT TO CHANGE OVER TIME.

For and in consideration of the Agreements and covenants described below, Dunn Bros Coffee Franchising, Inc. ("Dunn Brothers") and ___________________ ("Franchisee") enter into this Release of Claims ("Agreement").

RECITALS

A. Dunn Brothers and Franchisee entered into a DUNN BROTHERS COFFEE Franchise Agreement dated _________________, ____.

B. [NOTE: Describe the circumstances relating to the release.]

AGREEMENTS

1. **Consideration**. [NOTE: Describe the consideration paid.]

2-3. [NOTE: Detail other terms and conditions of the release.]

4. **Release.** Franchisee hereby releases Dunn Brothers, its officers, directors, shareholders, and agents, and their respective successors, assigns, heirs, and personal representatives, from all debts, representations, agreements, liabilities, actions, and causes of action of every kind and nature arising out of or relating to the Franchise Agreement between Dunn Brothers and Franchisee, the offer and sale of that franchise and the franchise relationship between the parties.

5. **General**. No amendment to this Agreement or waiver of the rights or obligations of either party shall be effective unless in writing signed by the parties. This Agreement is governed by the laws of the State of _________________ without regard to conflicts of laws principles. If any provision of this Agreement is held invalid or unenforceable by any court of competent jurisdiction, the other provisions of this Agreement will remain in full force and effect. This Agreement contains the entire agreement and understanding of the parties concerning the subject matter of this Agreement. [NOTE: Detail other miscellaneous provisions.]

FRANCHISEE:	DUNN BROS COFFEE FRANCHISING, INC.
________________________________	
BY:_____________________________	BY:_____________________________
ITS:_____________________________	ITS:_____________________________
DATE:___________________________	DATE:___________________________

EXHIBIT J

ACKNOWLEDGMENT ADDENDUM

ACKNOWLEDGMENT ADDENDUM TO
DUNN BROTHERS COFFEE® FRANCHISE AGREEMENT

As you know, you and we are entering into a Franchise Agreement for the operation of a DUNN BROTHERS COFFEE® shop franchise (the "Shop"). The purpose of this Acknowledgment Addendum is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your Shop. Please review each of the following questions carefully and provide honest responses to each question.

Acknowledgments and Representations*.

1. Did you receive a copy of our disclosure document (and all exhibits and attachments) at least 14 days before signing the Franchise Agreement? Check one: (_) Yes (_) No. If no, please comment: ____

2. Have you studied and reviewed carefully our disclosure document and Franchise Agreement? Check one: (_) Yes (_) No. If no, please comment:____

3. Other than fill in the blank provisions or changes due to negotiations that you initiated, did you receive a copy of the Franchise Agreement at least seven days before the date on which the Franchise Agreement was executed? Check one: (_) Yes (_) No. If no, please comment: ____

4. Did you understand all the information contained in both the disclosure document and Franchise Agreement? Check one: (_) Yes (_) No. If no, please comment: ____

5. Was any oral, written or visual claim or representation made to you which contradicted the disclosures in the disclosure document? Check one: (_) Yes (_) No. If yes, please state in detail the oral, written or visual claim or representation: ____

6. Except as stated in Item 19 of our disclosure document or to the extent you received system wide or other financial information in connection with a DUNN BROTHERS COFFEE® shop you currently operate, did any employee or other person speaking for Dunn Bros Coffee Franchising, Inc. make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any DUNN BROTHERS COFFEE® location or Shop, or the likelihood of success at your franchised Shop? Check one: (_) Yes (_) No. If yes, please state in detail the oral, written or visual claim or representation: ____

7. Except as stated in Exhibit A of our disclosure document, did any employee or other person speaking on behalf of Dunn Bros Coffee Franchising, Inc. make any statement or promise regarding the costs involved in operating a franchise that is not contained in the disclosure document or that is contrary to, or different from, the information contained in the disclosure document. Check one: (__) Yes (__) No. If yes, please comment:____
____

8. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the franchised Shop, meaning that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: (__) Yes (__) No. If no, please comment: ____
____

9. Do you understand that the success or failure of your Shop will depend in large part upon your skills and experience, your business acumen, the hours you work, your location, the local market for products under the DUNN BROTHERS COFFEE® trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition, lease terms and other economic and business factors? Further, do you understand that the economic and business factors that exist at the time you open your store may change? Check one: (__) Yes (__) No. If no, please comment: ______
____
____

10. Do you acknowledge and agree that the Shop may be impacted by many risks, including those outside our or your control, such as economic, political or social disruption, including epidemics or pandemics or similar events, such as COVID-19 ("Events")? Check one: (__) Yes (__) No. If no, please comment: ____
____
____

11. Do you acknowledge and agree that the Events and any preventative or protective actions that federal, state, and local governments may take in response to the Events may result in a period of business disruption, reduced customer demand, and reduced operations for the Shop, and that the extent to which the Events impacts the Shop will depend on future developments which are highly uncertain and which neither we nor you can predict? Check one: (__) Yes (__) No. If no, please comment: ____________
____
____

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

<u>NOTE</u>: IF THE RECIPIENT IS A CORPORATION, PARTNERSHIP, OR OTHER ENTITY, EACH OF ITS PRINCIPALS MUST EXECUTE THIS ACKNOWLEDGMENT.

Signed:____________________________	Signed:____________________________
Print Name:________________________	Print Name:________________________
Date:______________________________	Date:______________________________

APPROVED ON BEHALF OF
DUNN BROS COFFEE FRANCHISING, INC.

By:______________________________
Title:____________________________
Date:____________________________

Signed:__________________________________
Print Name:______________________________
Date:____________________________________

* These representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act.

EXHIBIT K

STATE AND EFFECTIVE DATES AND RECEIPTS

State Effective Dates

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, 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
Indiana	Pending
Michigan	September 7, 2021
Minnesota	Pending
North Dakota	Pending
South Dakota	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 we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

If we do 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 those state administrators listed on Exhibit G.

The franchisor is Dunn Bros Coffee Franchising, Inc. located at 2335 West Highway 36, Suite 201, Roseville, MN 55113. Its telephone number is (612) 334-9746.

Issuance Date: September 7, 2021

Our franchise seller involved in offering and selling the franchise to you is Kim Plahn, at 2335 West Highway 36, Suite 201, Roseville, MN 55113, (612) 334-9746 or is listed below (with address and telephone number), or will be provided to you separately before you sign a franchise agreement:
____.

We authorize the respective state agencies identified on Exhibit G to receive service of process for us in the particular state.

I have received a disclosure document dated September 7, 2021, that included the following Exhibits:

A. Franchise Agreement with Appendices A-E
B. Development Agreement
C. List of DUNN BROTHERS COFFEE Shops
D. List of Franchisees Who Have Left the System
E. Financial Statements
F. Table of Contents for Operations Manual
G List of State Administrators; Agents for Service of Process
H. State Addenda
I. Form of General Release
J. Acknowledgment Addendum
K. State Effective Dates and Receipts

Date: ______________________
(Do not leave blank)

____
Signature of Prospective Franchisee

____
Print Name

Copy for Franchisee

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 we offer you a franchise, we must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, us or our affiliate in connection with the proposed franchise sale. Iowa and New York require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days (or 14 calendar days in Iowa) before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first.

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H. State Addenda
I. Form of General Release
J. Acknowledgment Addendum
K. State Effective Dates and Receipts

Date: ______________________
(Do not leave blank)

____
Signature of Prospective Franchisee

____
Print Name

Copy for Dunn Bros Coffee Franchising, Inc.

Please sign and date both copies of this receipt, keep one copy (the previous page) for your records, and mail one copy (this page) to the address listed on the front page of this disclosure document or send to Kim Plahn by email to franchiseinfo@dunnbros.com or by fax to (612) 334-9749.

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