



**FRANCHISE DISCLOSURE DOCUMENT**  
**Casey Hawkins, Inc., an Oregon corporation**  
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The franchise offered is to operate an espresso drive-thru branded THE HUMAN BEAN, specializing in the preparation and sale of espresso coffee and related products and services.

The total investment necessary to begin operation of this franchise ranges from \$385,850 to \$908,770. This includes \$104,000 - \$150,000 that must be paid to franchisor or an affiliate. Area developers pay \$10,000 per location, applied to the initial franchise fees as units open in the area. Area developers commit to opening two (2) or more units.

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 payment to, the franchisor or an affiliate in connection with the proposed franchise sale. **No governmental agency has verified the information contained in this document.**

You may wish to receive your disclosure document in electronic form or another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Casey Hawkins, Inc. at 623 Rossanley Drive, Medford, OR 97501 and (888) 262-2215.

The terms of your contract will govern your franchise relationship. Do not 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, such as 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 (FTC). 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](http://www.ftc.gov) for additional information on franchising.

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

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

## What You Need To Know About Franchising Generally

**Continuing responsibility to pay fees.** You may have to pay the franchisor fees and pay the franchisor for supplies needed to stay open, even if you are losing money.

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

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

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

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

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

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

### Some States Require Registration

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

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. **Out-of-State Dispute Resolution.** The franchise and area development agreements require you to resolve disputes with us by arbitration only in Medford, Oregon. Out of state arbitration may force you to accept a less favorable settlement for disputes. It may also cost you more to arbitrate with us in Oregon than in your own state.

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

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### Exhibits

Ex. A	Franchise Agreement, State-specific Riders, Guaranty Agreement, Electronic Funds Transfer Authorization, Manager’s Confidentiality Agreement, and Form of Release Agreement
Ex. B	Site Analysis Agreement
Ex. C	Operations Manual Table of Contents
Ex. D	Agents for Service of Process
Ex. E	State Administrators
Ex. F	Audited Financial Statements
Ex. G	Area Development Agreement
Ex. H	State Effective Dates
Ex. I	Receipts

**Item 1**  
**THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

To simplify the language in this Disclosure Document, “we,” “our,” “us” or “THB” means CASEY HAWKINS, INC, the franchisor. “You” or “franchisee” means the individual person, as well as any corporation, partnership, or other legal entity (including the owners of the legal entity) who buys a franchise. If, during the term of the franchise, you transfer ownership of the franchise to a corporation or other legal entity, we will require you and any other owners of the corporation or legal entity to continue to guarantee its obligations.

We are an Oregon corporation which was incorporated on February 4, 2002. We have affiliates but we have no parent company. Our principal business address is 623 Rossanley Drive, Medford, OR 97501, and our telephone number is (888) 262-2215. We conduct business under our corporate name, Casey Hawkins, Inc., and The Human Bean. We do not conduct business under any other name.

Our business includes the offer and sale of THB franchises. We do not and have never owned or operated any business similar to the franchised business, but our affiliates do (below). A THB franchise is a license to operate a THB outlet (referred to as the “drive-thru,” “unit,” “outlet,” “franchise,” or “store”) under the terms of the franchise agreement attached as Exhibit A to this Disclosure Document (the “Franchise Agreement”). Our agents for service of process in the various states where we do business are listed on Exhibit D to this Disclosure Document.

**Our Predecessors and Affiliates**

We have offered THB franchises since March 2002.

We have not offered franchises in any other line of business.

Our affiliates include five other companies, all owned and controlled by the same people who own and control us: The Human Bean of Central Point, Inc., an Oregon corporation incorporated on October 2, 2000; The Human Bean of Ashland, Inc., an Oregon corporation incorporated on October 2, 2000; The Human Bean, Inc., an Oregon corporation incorporated on February 10, 2000 (THBI); The Human Bean North I, Inc. (THBN I), an Oregon corporation incorporated on November 14, 2016; and The Human Bean North II, Inc., an Oregon corporation incorporated on November 14, 2016 (THBN II). A non-controlling interest in THBN I is owned by Kim Steenslid, its district manager.

Our affiliates’ first THB drive-thrus opened in southern Oregon in 1998. The Ashland location opened in June, 1998 and the original Central Point location opened in July, 1998. Before October 2, 2000 the Ashland location was owned and operated as a sole proprietorship.

The Human Bean of Ashland, Inc. owns and operates the Ashland location. The Human Bean of Central Point, Inc. owns and operates the original Central Point location, and a second Central Point location that opened in August of 2003. Before October 2, 2000 the original Central Point location was owned and operated as a sole proprietorship.

THBI currently owns and operates five locations in Oregon: Stewart (opened May 2000), Bear Creek (opened January 2004), Barnett (opened April 2001), Biddle Road (opened February 2000) and Rossanley (opened February 2003). In 2012 THBI acquired three existing outlets in Grants Pass, Oregon from a franchisee (Curtis Drive, F Street and 6th Street) and in 2013 THBI sold these three outlets to another franchisee.

THBN I currently owns and operates three locations in Oregon: Canby (opened June 2007), Cornelius (opened March 2008), and Beaverton (opened July 2008).

THBN II currently owns and operates two locations in Oregon: Newberg (opened April 2014), and Hillsboro (acquired from a franchisee in February, 2015).

The affiliated companies all have the same principle address as us. Other than the drive-thru owned or operated by these related companies, we do not own or operate any THB drive-thrus.

Portland Coffee Roasters, LLC is an Oregon limited liability company formed in August, 2000. The same people that own and operate us have a non-controlling ownership interest in Portland Coffee Roasters, LLC. Portland Coffee Roasters, LLC is the only authorized supplier of coffee to our franchisees and affiliate-owned outlets. See Item 8 of this Disclosure Document for additional details.

None of the related companies has ever offered franchises. We and the related companies retain the right to open additional THB outlets (except within the exclusive area granted to you).

### **The Franchise**

We offer you a franchise that includes the right to operate a retail outlet under the trade name “The Human Bean” using the business format established by us and identified by our trademarks. Your THB outlet may be a freestanding or attached structure, but it must have at least one drive-thru lane. Your drive-thru must be located in an area which meets our site selection criteria and must be operated in accordance with our standards and specifications. As a franchisee, you must sign a Franchise Agreement (see Exhibit A). We may change the form and terms of the agreements used with other franchisees in the future.

If you qualify, you may also acquire the right and obligation to develop a number of THB outlets within a development area under our Area Development Agreement (Exhibit G). The exact number of THB outlets to be developed will be determined by you and us before the Area Development Agreement is signed. You must sign our then-current form of franchise agreement (which may differ from the one included with this FDD) for each THB outlet you develop within the development area, except that the initial franchise fee will be reduced by the amount you have prepaid. See Item 5.

The market for espresso drinks, coffee products, tea drinks and fruit smoothies is generally a developed market. The coffee, tea and smoothy products offered by THB outlets compete with other coffee, tea and smoothy products offered by nationally and regionally franchised retailers, as well as independent and/or local retailers of coffee products.

In addition to laws and regulations that apply to businesses generally, The Human Bean drive-thrus are subject to various federal, state, and local laws and regulations, including those related to site location and building construction, storage, preparation and sale of food products including dairy products; health, sanitation and safety regulations relating to food service; and state or local requirements for registration of assumed business names (trade names). We strongly encourage you to investigate these laws and regulations before you purchase the franchise.

## **Item 2** **BUSINESS EXPERIENCE**

### Our Business Experience

#### President & CEO: Dan Hawkins

From February, 2002 to the present Mr. Hawkins has been our President and CEO. We are based in Medford, Oregon. From October, 2000 to the present he has been President of The Human Bean of Ashland, Inc., and Vice-President of THBI.

#### Vice-President: Tom Casey

From October, 2000 to the present Mr. Casey has been President of The Human Bean of Central Point, Inc., and President of THBI. From February, 2002 to the present he has been our Vice-President. We are based in Medford, Oregon.

#### Chief Operating Officer: Scott Anderson

Mr. Anderson joined in January 2020. From November 2016 to December 2019, he was Senior VP for U.S. Business at The Learning Experience in Deerfield Beach, Florida. From July 2015 to November 2016, he was the CEO of Fresh Alternatives, LLC in Lakeland, Florida.

#### Director of Franchise & Vendor Development: C. Scott Sayre

From April 2007 to the present, Mr. Sayre has been with THB, most recently as our Director of Franchise & Vendor Development.

#### National Sales Director: Jean Schneider

From January, 2014 until April, 2019, Mr. Schneider was based in southern Oregon, working as an independent financial and operational consultant. Since April, 2019, he has been our National Sales Director.

#### Franchise Sales Director: Angela Beeks

Ms. Beeks joined in May 2021. From March 2003 to May of 2021, she worked for U.S. Bank in Medford Oregon, most recently as Multi-Site Manager (2015-2019) and Treasury Management Payment Consultant (2019- 2021).



Franchise Development Director: Justin Hawkins

Mr. Hawkins joined us in June of 2019 to work in the finance department and on franchise sales. From 2017 to 2019, Mr. Hawkins worked part-time for The Human Bean in its finance department. Prior to 2017 Mr. Hawkins was a full-time student and not employed.

**Item 3**  
**LITIGATION**

There is no litigation required to be disclosed in this Item.

**Item 4**  
**BANKRUPTCY**

No bankruptcies are required to be disclosed in this Item.

**Item 5**  
**INITIAL FEES**

**A. Franchise Agreement**

<b>TYPE OF FEE</b>	<b>AMOUNT</b>	<b>WHEN DUE</b>
Initial Franchise Fee	\$30,000	Upon signing the Franchise Agreement
Transfer Fee	\$4,000	Upon approval of transfer, instead of the Initial Franchise Fee
Equipment	\$73,000 - \$98,000	Upon placing orders before opening of your THB drive-thru
Initial Inventory	\$24,000 - \$25,000	Upon placing orders before opening of your THB drive-thru
Total Initial Fees:	\$127,000 - \$153,000	

**Initial Franchise Fee**

The Initial Franchise Fee is \$30,000. The Initial Franchise Fee of \$30,000 includes a non-refundable site analysis fee of \$5,000. When you have paid the Site Analysis Fee, signed the Site Analysis Agreement (Exhibit B), and submitted all the required information about the proposed site(s), we will evaluate up to ten proposed sites. You may not sign a franchise agreement with us until we have approved a site for your drive-thru (unless you are an Area Developer). If we do not approve any of your proposed sites, we will retain the Site Analysis Fee to cover our costs of analysing the proposed sites. If you and we agree on a site, we will apply the Site Analysis Fee to the Initial Franchise Fee, and the remainder of \$25,000 will be due and payable in full, in a lump sum only, when you sign the Franchise Agreement. You must sign a Franchise Agreement within

90 days of gaining approval of your proposed sites, or you will forfeit your right to apply the Site Analysis Fee to the Initial Franchise Fee.

If within eighteen months after signing the Franchise Agreement you do not open the store for any reason, including your failure to satisfactorily complete the training program, or to lease, purchase or otherwise obtain an approved premises for your drive-thru, we will have the right to terminate the Franchise Agreement. If we terminate the Franchise Agreement because you did not open the drive-thru, we will retain \$10,000 of the Initial Franchise Fee and refund the remainder to you. See Section 2.2 of the Franchise Agreement.

Your license to use our trademarks including “The Human Bean” does not become effective, and you may not open a THB drive-thru until we notify you that you have satisfied all of the pre-opening conditions set forth in the Franchise Agreement, and we approve the opening.

### Transfer and Training Fees

If you obtain your THB store by purchasing a franchise from one of our existing franchisees, then you or the existing franchisee, who is selling you the franchise, must pay us a transfer fee in the amount of \$4,000 (the “Transfer Fee”) instead of the Franchise Fee. The Transfer Fee is payable immediately upon approval of the transfer.

The transfer fee is fully refundable, if the transfer request is withdrawn before any action by us. Any proposed transfer of the franchise by you must be approved by us. See Section 12.2 of the Franchise Agreement. If you become a developer, your development rights under the Area Development Agreement will not be transferable except in the event of a death or incapacity. See Section 9 of the Area Development Agreement for details.

Also, if you obtain a franchise from one of our existing franchisees, in our reasonable judgment, we may require you to receive training from us and pay a training fee in the amount of \$4,000 (the “Training Fee”) plus any associated costs of travel, room and board expenses. See Section 12.4 of the Franchise Agreement.

### Equipment

Certain kinds of equipment used at your drive-thru must be purchased from us or one of our approved suppliers. Equipment purchase costs range from \$95,000 - \$98,000, and vary based on the size and needs of the proposed outlet. The cost of the equipment is not refundable.

### Initial Inventory

Coffee beans and certain other supplies must be purchased from us or Portland Coffee Roasters, LLC. Other inventory must be purchased from one of our designated suppliers. See Item 8 of this Disclosure Document for more details on required purchases. Initial inventory costs range from \$24,000 to \$25,000 and vary based on the size of the proposed outlet. The cost of initial inventory is not refundable.

**B. Area Development Agreement**

If you sign an Area Development Agreement, you will still pay the Initial Franchise Fee for each franchise outlet to be opened within the development area, but the payment will be distributed over time as follows. The Initial Franchise Fee of \$30,000 for the first THB outlet to be opened, plus \$10,000 for each additional THB outlet to be opened within the development area (the “Development Fee”) are payable at the time the Area Development Agreement is signed. The Site Analysis fee is waived for Area Developers, and Area Developers are not required to have a first site approved by us before signing the Franchise Agreement. The Development Fee is credited towards the future Initial Franchise Fee for each subsequent franchise outlet that is opened, with the balance of each additional Initial Franchise Fee (\$20,000) due upon execution of the franchise agreement for each new outlet. Although the Initial Franchise Fee is refundable as stated above, the Development Fee is not refundable under any circumstances. Development Fees and Initial Franchise Fees are uniformly imposed.

**Item 6  
OTHER FEES**

<u>Name of Fee</u>	<u>Amount (See Note 1)</u>	<u>Due Date</u>	<u>Remarks</u>
Renewal Fee	\$2,000	Before signing successor franchise agreements.	Applicable if you renew your franchise.
Our costs and attorneys’ fees for breach	Will vary	When incurred	See note 2
Audit Fee	Cost of audit	When incurred	See note 3
Brand Fee	1% of gross revenue excluding taxes, promotional discounts, and delivery fees (may increase up to 2%)	Monthly by EFT	See note 4
Additional Training Pre-Opening	\$50/hour	When incurred	See note 5
Additional On-Site Assistance Post-Opening	\$500/day	When incurred	See note 6
POS Software and System Fees	\$350-\$450 plus transactional fees on card purchases	Monthly	See note 7

We do not charge a royalty fee. Our business model calls for us to derive an ongoing revenue stream, directly or indirectly, from the franchisees through the sale of coffee beans and certain other supplies to you by us or our designated suppliers.

Notes:

- (1) Except as otherwise noted, all fees are uniformly imposed, nonrefundable and payable to us.
- (2) You must pay us for our costs and attorneys' fees in obtaining injunctive or other relief if you breach (violate) any provisions of the Franchise Agreement and, if the Franchise Agreement allows you time to cure the breach, you do not cure the breach within the time allowed. See Section 14.6.1 of the Franchise Agreement.
- (3) If audit results indicate your failure to maintain and provide records as required by the Franchise Agreement or your underreporting of sales or purchases by more than 2 percent during the period covered by the audit, you must reimburse us for the cost of the audit and pay interest on any applicable revenue at a rate of 18 percent per year or the highest rate permitted by law, whichever is less. See Section 11.2 of the Franchise Agreement.
- (4) The Brand Fee is 1% of your gross sales revenue, less taxes, promotional discounts, and delivery fees. The brand fee is paid monthly via electronic funds transfer. This metric is described in Section 2.3 of the Franchise Agreement, and it uses the aggregate of all sales of branded products and third-party products and all revenue from services rendered in connection with the operation of each drive-thru, including sales made at or away from the premises, whether for cash or credit, but excluding all promotional discounts, delivery fees, and taxes collected from customers and paid to the appropriate authority. We will not increase the Brand Fee to more than 2% of gross sales revenue. See Item 11 and the Electronic Funds Transfer Authorization in Exhibit A.
- (5) If you do not successfully complete the training described in Item 11, we will require you to undergo the additional training described in Item 11 at the hourly rate. If you do not pass the second attempt at training, we may terminate the franchise agreement.
- (6) If you request additional on-site assistance after opening, we will provide it at the daily rate, plus reasonable expenses for travel, room and board.
- (7) The monthly software fee is payable to our approved suppliers and ranges from \$350 for a single point-of-sale station to \$450 for two stations. Applicable credit card fees will apply, and Franchisees may pay an additional fee for support, to the approved suppliers (see Item 8).

**Item 7**  
**ESTIMATED INITIAL INVESTMENT**

<u>Type of Expenditure</u>	<u>Amount</u> (See note 9)	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
Site Analysis Fee (non-refundable)	\$5,000 (See note 1)	Lump Sum	On signing of the Site Analysis Agreement (See note 1)	Us
Initial Franchise Fee	\$30,000 (See note 2)	Lump sum	On signing of the Franchise Agreement (See note 2)	Us
Optional Area Development Fee	\$10,000 per additional location (See note 3)	Lump sum	On signing an Area Development Agreement	Us
Training Expenses	\$8,700-\$20,520	Lump sum (See note 4)	As incurred (See note 4)	Us, providers of travel and lodging services and your employees (See note 4)
Real Property (purchased or leased)	Lease payment \$2,500-\$9,000 (See note 5)	Lump sum	As negotiated with landlord	Landlord
Equipment fixtures, other fixed assets, construction, remodeling, leasehold improvements, and decorating costs, whether purchased or leased	\$290,000 - \$773,000 (See note 6)	Lump sum (See note 6)	As delivered or negotiated or required by supplier/builder (See note 6)	Us or approved supplier/builder (See note 6)
Inventory	\$24,000-\$25,000	As incurred (for opening)	As incurred	Us or approved suppliers (See note 7)
POS Software	\$350-\$450	Monthly	From launch or opening	Approved suppliers (See Item 8)

<u>Type of Expenditure</u>	<u>Amount (See note 9)</u>	<u>Method of Payment</u>	<u>When Due</u>	<u>To Whom Payment Is To Be Made</u>
Security deposits, utility deposits, business licenses and other prepaid expenses	\$4,300-\$9,000	As incurred (See note 8)	As incurred; when premiums are due	See note 8
Working capital	\$1,000-\$5,000	As incurred	As incurred	Employees, till and cash reserves
Advertising and promotion	\$5,000-\$10,000	As incurred	As incurred	Advertising media vendors
Additional funds – (Initial 90 day period)	\$15,000-\$50,000	As incurred	See note 9	See note 9
Total Initial Investment (not including Area Development) \$385,850 to \$908,770				

Except where otherwise noted, all fees paid to us are nonrefundable.

Neither we nor our agents offer any financing arrangements, directly or indirectly, to you.

Notes:

- (1) Site Analysis Fee. See the state-specific riders for possible differences in your state. The Site Analysis Fee is nonrefundable. If we approve a site and you sign the Franchise Agreement with us, the Site Analysis Fee will be applied to the Initial Franchise Fee.
- (2) Initial Franchise Fee. See the state-specific riders for possible differences in your state. If your Franchise Agreement is terminated for your failure to open a drive-thru within eighteen months of signing, as described in Item 5 of this Disclosure Document, the Initial Franchise Fee is refundable with the exception of the \$10,000 nonrefundable deposit.
- (3) Optional Area Development Agreement and Fees. See the state-specific riders for possible differences in your state. Under our optional Area Development Agreement, Area Developers agree to open a minimum number of units in a designated territory, and to pay us in advance on signing the Area Development Agreement, to reserve that territory, \$10,000 for each such unit. The remaining balance of the Franchise Fee for each such unit (\$20,000) becomes due on signing the Franchise Agreement for each such outlet. Except for the \$10,000 pre-payment of the Franchise Fee for THB outlets to be developed, and certain working capital funds you might need to perform under the Development

Agreement, no additional initial investment is required to become an area developer beyond that required to become a single-unit franchisee.

- (4) Training Expenses. One hundred twenty hours of initial training for new franchisees is included in the Initial Franchise Fee (transferees will pay the separate training fee of \$4,000 unless it is waived by THB due to the transferee's experience). Any additional training, whether required by us or requested by you, will result in a charge to you of \$50 per hour. You must pay your own costs for travel to and from the training location, local transport and lodgings. The training expense estimates in the table above include approximately \$1,500 to \$3,500 for these travel and living expenses.

The training expense estimates in the table above also include \$8,700 to \$20,520 for employee training costs. This estimate is based on training for 15 employees trained for 10 days, 8 hours per day, at applicable minimum wage ranging from \$7.25 to \$17.10 per hour. You may have to pay employees at a higher rate, depending on your local labor market and possible state or local minimum wage laws, which are subject to change over time. Payment of wages will depend on the payroll period you establish.

- (5) Real Property Purchased or Leased. THB drive-thrus are generally located upon leased or purchased property. The rental rate and other terms of your leases or purchases will vary, depending upon negotiations with your landlord or the property owners, and area land costs. We do not estimate your costs for purchasing the site for your THB outlet as opposed to leasing.

- (6) Furniture, Fixtures, Equipment, Signage, Construction, and Remodeling.

The low-end estimate of \$290,000 for this category is for the conversion or improvement of an existing structure into a THB outlet. It includes approximately \$188,000 for remodeling and upgrades to the existing structure, site improvements, signage, furniture, and fixtures, all to be provided by either our approved suppliers or an approved local general contractor. Most sizes will range from 1,000 square feet to 2,500 square feet. Remodeling or improving larger structures will usually cost more.

For new construction the estimated range is from \$409,000 to \$773,000. This includes \$297,000 to \$597,000 for a new building, site improvements, awnings, signage, furniture, fixtures, etc., provided by our approved suppliers or an approved local general contractor. The new drive-thru structure can be either site-built or pre-fabricated modular. Its width ranges from 14' to 16' feet and its length ranges from 40' to 50'. Costs will include building or building materials, site preparation, cut and fill, paving, landscaping, utilities, area lighting, trash enclosures, building permits and related costs, and engineering. These costs will vary depending upon your choice of building and several site-specific factors, including local costs for building materials and labor. If you choose a pre-fabricated modular building, you will also pay shipping costs that vary depending on your location.

Regardless of the building type, the estimate includes at least \$106,200 for equipment and small wares, of which approximately \$73,000 is for equipment to be purchased directly from us.

This equipment estimate includes from \$6,600 to \$6,950 for two point-of-sale (POS) hardware bundles (screen/processor, cash drawers, printers, kitchen display screens, handhelds and QR code scanners) for the POS stations at the THB drive-thru, available from approved suppliers (see Item 8).

The low-end estimate in this category includes approximately \$12,000, and the high-end estimate includes approximately \$72,000, for signs. The amount required depends on the number, type and size of signs needed. Signs may be acquired from our approved vendor or any supplier, but must meet our specifications.

Most of the durable items in this category (including the structure, certain equipment and the signage) can be leased from third parties or financed, but THB does not itself provide any financing (see Item 10).

- (7) Inventory. For more information on inventory see Item 8. Initial inventory costs between \$24,000 and \$25,000, depending on the size of your outlet. These costs are not refundable.
- (8) Security deposits, utility deposits, business licenses and other prepaid expenses.

These estimates include approximately \$3,000 - \$5,000 for miscellaneous expenses, including utilities, security deposits, and license fees. Deposits for utility services are typically required when the service is applied for and may not be refundable. You must confirm all of the specific deposits required. The licensing and permit requirements for espresso drive-thru establishments vary by location. Licenses and permits may be required at the municipal, county, and state level. Types of licenses and permits include restaurant, business, occupational and food products. Some states have laws regarding who may secure certain types of licenses and you may need legal advice if you think you might be ineligible. You may also have to obtain health licenses and comply with health laws and regulations that apply to restaurant and food product sales establishments. You should make inquiries about the laws, regulations and permit or license requirements in the area of your drive-thru.

These estimates also include approximately \$1,000 - \$4,000 for insurance premiums during the first year of operations. You must purchase and maintain, at your sole expense, comprehensive general liability insurance in an aggregate amount of not less than \$2,000,000 combined single limit. Combined single limit means that all of the \$2,000,000 coverage is available for any covered loss, regardless of the type of loss. The insurance coverage must insure you and us from liability for any and all damage or injury. In addition to liability insurance, you also must purchase and maintain any other insurance required by any agreement related to the franchise or by law. Examples include workers compensation, fire, and extended coverage insurance. Costs for insurance vary widely depending upon the value of the property, state laws governing insurance and the amount of insurance required.

- (9) Additional funds are provided only as estimates and apply only to your initial three-months of operations. We believe that these figures provide an accurate minimum estimate of the additional funds necessary for the initial three-month phase of operations.



The figures in the table above are merely estimates and we cannot guarantee that your costs will be within the limits specified or that you will not have additional expenses starting the business. To compile these estimates, we relied on our experience with the existing drive-thrus described in Item 1 of this Disclosure Document. You should review these figures carefully with a business advisor before making any decision to purchase a franchise from us.

Estimates do not include applicable sales taxes, if any, which may be applicable and which may be imposed upon you. The above estimated expenditures are for your initial investment over the first three months of operation and do not reflect ongoing expenditures.

### **Item 8**

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

To ensure a uniform image and quality of products and services throughout the THB system, you must comply with our quality standards. In order to ensure these quality standards, you must purchase certain goods or services from us or our approved suppliers. Portland Coffee Roasters, LLC is the only approved supplier of coffee and espresso beans. We are the only approved supplier of all the items necessary to open your Human Bean drive-thru except as specifically allowed below. This includes all signs, equipment (both large scale equipment such as espresso machines and freezers and small wares such as thermometers, pitchers, measuring cups, trays, and containers), uniforms, logo wear, promotional items, and marketing materials. Sysco Corporation and Barista Pro Shop are the only approved suppliers of food items including flavored syrups, smoothie mixes, non-coffee drinks and drink mixes, teas, toppings, sweeteners, and non-food items including cups, lids, drink supplies (such as straws, filters, plastic bags, carrying boxes and trays), paper products (such as napkins, toilet paper, paper towels, bags, and cup sleeves), cleaning supplies, dog biscuits, and car antenna toppers. The approved suppliers of pastries are Barista Pro Shop and Seattle's Favorite. The approved suppliers of branded third-party canned beverages (such as Red Bull® or Rockstar®) sold at THB outlets are the designated local distributors. We do not own any interest in Sysco Corporation, Barista Pro Shop, Seattle's Favorite, or the distributors of branded third-party canned beverages. Our directors, Tom and Tami Casey and Dan and Rhonda Hawkins, own an interest in Portland Coffee Roasters, LLC.

THB has one approved provider for its point of sale (POS) system, and one for its loyalty rewards program. The POS software and transactional services provider is Toast, 401 Park Drive, Boston, Massachusetts 02215 (Toast). The provider for the THB-branded mobile application and loyalty rewards program is SCVNGR d/b/a LevelUp, a subsidiary of GrubHub Holdings, LLC, One Center Plaza, Fl 6, Boston, MA, 02108 (LevelUp). You may purchase a pre-configured hardware bundle from Toast for use at the points of sale. The scanner for use with the LevelUp rewards program is sold by THB. You must use the specified software and services at the points of sale. THB and its owners are not affiliated with Toast or LevelUp, but THB may receive rebates related to your purchase and use of their systems. For the expected costs associated with the POS and loyalty app systems, see Item 7 and note 6.

You must purchase certain perishable food supplies, including milk, and pastries not required to be purchased from Seattle's Favorite or Barista Pro Shop, from an approved local supplier in your

area. We will tell you who this supplier is based on the location of your outlet. If we have not approved a specific supplier in your area, you may propose a local supplier by providing us with a written request, and we will evaluate whether or not to approve such local supplier. Approval is based on factors such as the ability of the supplier to provide supplies in accordance with current specifications and standards within a given time frame, under a specific warranty and with a minimum level of delivery service. We retain the sole discretion in determining whether or not a local supplier is approved. We will notify you of our decision within thirty days of receiving your request. If you do not hear from us in that time, you can assume that the request has been denied. We will not charge you to evaluate your request for an alternate supplier, equipment, or products.

You and our affiliate-owned locations will participate in the THB Brand Fund, through the contribution of 1% of gross sales revenue less taxes, promotional discounts, and delivery fees. THB reserves the right to a future increase of the Brand Fund contribution (or Brand Fee) up to 2%. Our affiliate-owned locations and all THB franchisees will contribute to the Brand Fund cooperative at the same rate. See Item 11 of this Disclosure Document. Apart from the THB Brand Fund, there are currently no purchasing or distribution cooperatives required for our franchisees.

It is estimated that required purchases will make up between 10.5% and 81.3% of the total cost of establishing your franchise. After opening your franchise, it is estimated that the required purchases will make up between 36% and 49% of the total cost of operating your franchise.

Although you are not required to purchase or lease real estate from us, you must obtain our approval for the location of your THB outlet or outlets. See Item 11 of this Disclosure Document. You must construct and equip your store in accordance with our then-current approved design, specifications, and standards. You also must use equipment, signage, fixtures, furnishings, products, ingredients, supplies, and advertising and sales promotion materials that meet our specifications and/or standards. We will notify you promptly if we change our specifications and standards, or if we grant or revoke approval of a supplier.

Some of the required products that we sell, or require you to buy from approved suppliers, provide income to us, either in the form of direct revenue or by means of a rebate or allowance paid to us by the approved supplier. For the fiscal year ending December 31, 2021, we received revenue of \$7,372,117 from the sale of goods or services that you are required to purchase from us or our approved suppliers, representing about 85.2% of our total sales of \$8,655,878. We receive revenue from (i) rebates from approved suppliers, including Portland Coffee Roasters LLC (in which our directors hold an interest); (ii) margin on direct sales to franchisees, of between 3% and 40% of the cost of the goods; and (iii) sales to our affiliates listed in Item 1. Apart from Portland Coffee Roasters, our affiliates do not derive revenue from your purchase of required goods or services.

We may negotiate purchase arrangements with suppliers (including price terms) for the benefit of franchisees. Also, in determining whether to revoke approval of a vendor, we will look to factors including, but not limited to, the price of the product(s) and the vendor's ability to distribute product(s) that meet our specifications and standards. However, with respect to all products and services for which our approval is required, we may approve, withhold approval, or revoke approval of a supplier in our sole discretion.

You are required to participate in any system-wide discount programs or promotions, and to accept physical or digital coupons and gift cards. Nothing in this requirement affects your ability to set the pre-discount prices for goods sold at your THB drive-thru. We do not provide any payments, rebates or other material benefits to franchisees based on their purchase or use of products or services that are approved but not required by us.

**Item 9**  
**FRANCHISEE’S OBLIGATIONS**

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

Obligation	Section in Agreement	Disclosure Document Item
a. Site selection and acquisition/lease	Site Analysis Agreement, Section 2.1 of Franchise Agreement, and Sections 5.1-5.3 of Area Development Agreement	Item 5 and Item 11
b. Pre-opening purchases/leases	Sections 7.4, 7.5, 7.6 of Franchise Agreement	Item 7 and Item 8
c. Site development and other pre-opening requirements	Sections 7.1, 7.2 and 7.3 of Franchise Agreement and Sections 5.4-5.5 of Area Development Agreement	Item 7 and Item 8
d. Initial and ongoing training	Sections 9.1, 10.1, and 10.2 of Franchise Agreement	Item 7 and Item 11
e. Opening	Sections 8.6 of Franchise Agreement	Item 7 and Item 11
f. Fees	Site Analysis Agreement, Section 2 of Franchise Agreement, and Section 6 of Area Development Agreement	Item 5, Item 6 and Item 7

Obligation	Section in Agreement	Disclosure Document Item
g. Compliance with standards and policies/Operating Manual	Section 8 of Franchise Agreement	Item 8 and Item 15
h. Trademarks and proprietary information	Section 4 of Franchise Agreement	Item 13 and Item 14
i. Restrictions on product and services offered	Section 8.1 of Franchise Agreement	Item 8 and Item 16
j. Warranty and customer service requirements	Section 4.3 and 8.9 of Franchise Agreement	Item 8 and Item 15
k. Territorial development and sales quotas	Sections 2 and 3 of Area Development Agreement	None
l. Ongoing product/service purchases	Section 8 of Franchise Agreement	Item 8 and Item 15
m. Maintenance appearance and remodeling requirements	Section 8.9 of Franchise Agreement	Item 8 and Item 16
n. Insurance	Section 13.2 of Franchise Agreement	Item 7
o. Advertising	Sections 8.6 and 10.6 of Franchise Agreement	Item 7 and Item 11
p. Indemnification	Section 13.1 of Franchise Agreement and Section 10.1 of Area Development Agreement	Item 7
q. Owner's participation/management/staffing	Section 9 of Franchise Agreement	Item 7
r. Records and reports	Sections 11.3 and 11.4 of Franchise Agreement	Item 9
s. Inspections and audits	Sections 11.1, 11.2, and 11.5 of Franchise Agreement	Item 9

Obligation	Section in Agreement	Disclosure Document Item
t. Transfer	Section 12 of Franchise Agreement and Section 9 of Area Development Agreement	Item 6 and Item 17
u. Renewal	Section 3.2 of Franchise Agreement, and Sections 3.3 and 4.2 of Area Development Agreement	Item 6 and Item 17
v. Post-termination obligations	Section 15.2, 15.3, and 15.4 of Franchise Agreement and Section 8.3 of Area Development Agreement	Item 14 and Item 17
w. Noncompetition covenants	Section 6.3 of Franchise Agreement and Section 8.3 of Area Development Agreement	Item 12 and Item 17
x. Dispute resolution	Section 16.3 of Franchise Agreement and Section 10.3 of Area Development Agreement	Item 17

Virtually all of the purchases and leases you will make for your drive-thru are subject to restrictions, as described in this Item and in the Franchise Agreement.

### **Item 10** **FINANCING**

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

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

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

Before you open your business, we will:

- (1) Provide site selection assistance. After you sign the Site Analysis Agreement (Exhibit B) and pay the Site Analysis Fee of \$5,000, you select one or more sites (up to ten sites, if each proposed site is within fifty miles of each of the other proposed sites) and, for each proposed site, complete the site analysis form provided by us. We will review the completed site analysis form(s) and other relevant information and respond within thirty days. Factors considered when evaluating a site include population density, zoning, character of neighborhood, traffic patterns and accessibility.

You may not use any site for a THB drive-thru unless the site is approved by us. If you and we are unable to agree on any of your proposed sites, we will retain the Site Analysis Fee. Generally, we neither own nor lease the premises to you. See the Site Analysis Agreement and Section 2.1 of the Franchise Agreement.

If you become an Area Developer, we will waive the Site Analysis Fee, and you may sign the Franchise Agreement without a site having first been approved. However, as an Area Developer, you may not use any site for a THB drive-thru unless the site is first approved by us. For the units opened after the first unit, you will select one or more sites (up to ten sites within the Development Area) and, for each proposed site, complete the site analysis form provided by us. We will review the completed site analysis form(s) and other relevant information and respond within thirty days. See Sections 5.1-5.3 of the Area Development Agreement.

- (2) Upon agreement between you and us on the site for your business, immediately designate your exclusive territory, which will consist of a one-mile radius from the location of your drive-thru. See Section 1.2 of the Franchise Agreement. If you become an Area Developer, your territory is defined by the Area Development Agreement until you have fulfilled your development obligation, and thereafter by the one-mile radius from the location of each THB outlet. See Section 2 of the Area Development Agreement.
- (3) Provide specifications of the building. See Sections 7.1 - 7.3 and 10.3 of the Franchise Agreement.
- (4) Provide equipment listing and related costs and/or approved vendors, including for the point-of-sale system. See Sections 7.4 and 10.3 of the Franchise Agreement. The estimated cost of computer equipment is \$6,600-\$6,950 and the estimated cost of software fees is \$350-\$450/month. See Item 7 and note 6 to Item 7. We do not have a contractual obligation to maintain, repair, update or upgrade your computer or other point-of-sale equipment. You will not be required to spend more than \$8,000 in any three-year period to maintain, repair, update or upgrade your computer or other point-of-sale equipment. See Section 7.4 of the Franchise Agreement. We will have independent access to all user-accessible information on your POS System; the limit on our right to access this information is the scope of information made available by the POS software/service providers. See Section 7.4 of the Franchise Agreement.
- (5) Loan you a copy of our operations manual, which contains mandatory specifications, standards and procedures (the "Operations Manual"). The Operations Manual is approximately 70 pages long (not including appended equipment manuals). This manual is

confidential, remains our property and may not be copied. At our sole discretion, we may periodically revise, amend, add to and/or delete from the Operations Manuals. See Section 10.3 of the Franchise Agreement. The table of contents of the Operations Manual appears at Exhibit C to this Disclosure Document.

- (6) Assist you in procuring necessary equipment, signs, fixtures, opening inventory and supplies by providing you with: (a) written specifications for these items; and (b) these items or names of approved suppliers for these items. See Item 8 for more information regarding procuring equipment, signs, fixtures, opening inventory and supplies. We provide written specifications and (for specified equipment only) sell the equipment to you, but all delivery and installation services are performed by third parties.
- (7) Assist you in establishing customer relationships with suppliers. See Section 8.3 of the Franchise Agreement.
- (8) Provide training to two people designated by you, such as you and your store manager. Training is conducted before the opening of a new outlet. The training requirement will be waived by us only if we decide that your prior experience qualifies you for a waiver, otherwise, training is mandatory for you and your store manager. Training occurs over 120 hours during a period of about three weeks at one of our training facilities, located in Oregon. We will designate the training facility. You must pay for your transportation to, from and around Oregon, and your room and board during the training period. Training must be completed to our satisfaction. If either of the trainees is unable by the end of the 120-hour period to acquire the skills necessary to operate the drive-thru, we may require additional training. Additional training may also be requested by you. See Section 10.1 of the Franchise Agreement. If additional training is required, we will charge you \$50 per hour for each person being trained. If we determine that either of the trainees is unable after additional training to acquire the skills necessary to operate the drive-thru There are no additional training or refresher courses and fees, other than the possible remedial training that is required only on a case-by-case basis. If you become an Area Developer, we will provide training for designated store managers beyond the first outlet upon request.

The name and number of instructors who provide this training may change. We expect to draw on the substantial experience of our management, personnel of the designated suppliers or independent contractors in our region. The Director of Training has over a decade of experience in the drive thru espresso business.

The following table describes the training process for a typical week during the three-week training:

### TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-The-Job Training	Location
Food & Sanitation	0	4	Medford or Portland, OR training facility
Equipment Usage	0	8	Same
Guest Relations	0	6	Same
Quality Service & Cleanliness	0	4	Same
Marketing	6	0	Same
Scheduling & Planning	2	2	Same
Inventory Procedures	2	2	Same
Cash Management and Reporting	2	2	Same
Drink Assembly, Product Preparation and General Operations	0	8 per day	Same
<b>TOTAL HOURS</b>	<b>40</b>	<b>8 per day</b>	

No training deposits or fees for training are required before opening a new location.

We are not obligated under the Franchise Agreement or otherwise to meet any other obligation or to provide any other supervision, assistance, training or service before the opening of your espresso drive-thru. For example, but without limitation, we are not obligated to:

- a. Negotiate the purchase or lease of the site for your THB drive-thru outlet.
- b. Conform your THB drive-thru outlet with local ordinances and building codes.
- c. Procure any business, health, sanitation, building, driveway, utility or sign permits or licenses or any other permits, licenses or the like.
- d. Construct, remodel, or decorate your THB drive-thru outlet.
- e. Hire or train your employees (except managerial training described in this Item 11 of this Disclosure Document).
- f. Sell, lease, or sublease the premises of your espresso drive-thru to you.

The length of time between the signing of a Franchise Agreement and the opening of your franchise will vary depending upon your individual circumstances and local conditions, such as your ability to obtain a lease, financing or permits; zoning; local ordinances; weather conditions; or shortages



or delays in installing equipment or fixtures and signs. A typical length of time is six months, but the time period could be as long as one year. If your drive-thru does not open within one year of signing the Franchise Agreement, we may terminate the Franchise Agreement.

During the operation of your business, we will:

- (1) Sell you products for resale by you through your THB outlet. See Section 8 of the Franchise Agreement.
- (2) Provide assistance on or in advance of opening day. We will furnish to you, at our expense, one or more of our representatives to assist on or in advance of opening day in the training of employees and in establishing local procedures. See Section 10.4 of the Franchise Agreement. If you become an Area Developer, we provide assistance with the opening of THB outlets other than the first THB outlet only upon request. See Section 7.2 of the Area Development Agreement.
- (3) Offer additional optional assistance in the opening of each unit. If you desire this additional assistance, the fee will be \$500 per representative per day, plus travel and lodging expenses for our representative. See Section 10.5 of the Franchise Agreement.
- (4) Furnish you operating assistance that we reasonably believe you require during the operation of your franchise. One of our representatives will make periodic inspections of your franchise. There is no definite schedule for these inspections. During these inspections, the representative will also render advice and assistance to you regarding the management and conduct of the franchise as specified in Section 11.1 of the Franchise Agreement.
- (5) Prepare advertisements. We may create advertising content ourselves, or through an advertising agency, with or without the assistance of the Brand Fund. Apart from the Brand Fund, we are not obligated to spend any particular amount on advertising and we have sole discretion regarding the location, type and media used for our advertisements. We will make advertising, marketing and promotional materials available to you for your local use. You may also develop advertising materials for your own use, at your own expense. You are responsible for ensuring that your proposed advertising materials are truthful and not misleading. Advertising materials developed by you may not be used unless approved by us in advance. You are required to submit proposed advertising materials to us at least thirty days before you intend to use them. We will evaluate the proposed advertising materials and respond within fifteen days. We will not unreasonably withhold approval for use of proposed advertising materials. All online promotions by you, including social media posts relating to the business, must be through the THB website or an official THB-branded social media account. THB does not allow franchisees to promote the franchised location using unreviewed postings on websites or social media accounts other than the official ones.
- (6) Administer the Brand Fund. The following disclosures apply to the Brand Fee and Brand Fund. See Sections 8.6.1 through 8.6.5 and 10.6 of the Franchise Agreement.

You and our affiliate-owned locations will participate in the THB Brand Fund, through the contribution of 1% of gross sales revenue less taxes, promotional discounts, and delivery

fees. THB reserves the right to a future increase of the Brand Fund contribution (or Brand Fee) up to 2%. Our affiliate-owned locations and all THB franchisees will contribute to the Brand Fund cooperative at the same rate. See Item 11 of this Disclosure Document. Apart from the THB Brand Fund, there are currently no purchasing or distribution cooperatives required for our franchisees.

THB will collect the Brand Fee monthly via Electronic Funds Transfer (EFT), maintain the Brand Fund in a dedicated bank account, and keep it separate from THB's operating funds and other accounts. An unaudited financial statement of the Brand Fund, at the expense of the Brand Fund, will be provided on request, not more than 120 days after our fiscal year end, along with an accounting for the Brand Fund that shows how proceeds have been raised and spent in the previous year.

The Brand Fund will be used to pay an outside advertising agency to produce content for use by franchisees and affiliate-owned units, in advertising and marketing the branded products and services. The Brand Fund will not be used for placement of such content in particular local markets. We will not spend Brand Fund money except on advertising, public relations, market research, promotion, or marketing of the THB branded products/services; and on the administration of the Brand Fund, including its costs for collection of unpaid Brand Fees, provided that (i) not more than twenty-five percent (25%) of the Brand Fund will be used for administrative costs in any fiscal year; and (ii) neither THB nor the THB affiliates will receive any payments for providing goods or services to the Brand Fund, apart from reimbursement of expenses. The Brand Fund may be used for the design or maintenance of THB websites or social media marketing campaigns, so long as the website, campaign or promotion promotes the branded products/services, and even if it also solicits potential franchisees. The Brand Fund will not be used for any advertising primarily aimed at soliciting prospective franchisees for THB.

THB does not hold the Brand Fund in trust for its franchisees, and will have no fiduciary duty to you relating to the Brand Fund. THB will have final authority over expenditures from the Brand Fund, but (i) THB will deal fairly and in good faith in its decisions about expenditures from the Brand Fund, and (ii) THB will consider the views of the Franchisee Advisory Committee regarding expenditures from the Brand Fund. Fair dealing does not mean all franchisees must benefit equally from the Brand Fund. In light of the views of the Franchisee Advisory Committee, we will decide using our reasonable business judgment how to spend contributions to the Brand Fund. The five members of the Franchisee Advisory Committee are elected by the franchisees to two-year terms, and any franchisee in good standing is eligible. The franchisees can vote to alter the criteria for membership and composition of the Franchisee Advisory Committee. THB has no right to appoint or alter the membership of the Committee, or to dissolve it. There is no requirement for franchisees to participate in any local or regional advertising cooperative.

Any unused amounts in the Brand Fund in any calendar year will be applied to the following year. THB may contribute or loan additional funds to the Brand Fund, on reasonable terms. In the most recent fiscal year, 2021, the Brand Fund took in \$211,534 and spent \$165,996 (including \$24,686 for administration).

Although not obligated to do so under this Disclosure Document, the Franchise Agreement or any other agreement, at our discretion we may, during the operation of your business: (a) conduct research and development in the area of production and methods of operation, (b) make the results of this research available to you, (c) provide recruitment assistance, (d) provide suggested retail prices, or (e) establish and use administrative, bookkeeping, accounting and inventory control procedures. We may keep you informed of our plans, policies, research developments and similar activities by means of bulletins, brochures or visits by our representatives.

## **Item 12** **TERRITORY**

During the term of the Franchise Agreement, you will be granted an exclusive territory within a 1 mile radius of the location of your drive-thru. The location must be a site approved by us, as described in Item 11 above. You do not acquire any option or right of first refusal to additional locations in your territory or contiguous territories. You may not relocate your drive-thru within your territory without our prior written consent, but we may consent to relocation based on our approval of the information provided on the site analysis form, which you must submit to us. There are no restrictions on your soliciting or accepting orders from outside your territory. There are no restrictions on your advertising outside of your territory, except that you may only use advertising materials that have been approved by us. We or another franchisee may solicit, advertise, or accept orders from within your territory without any obligation to compensate you.

Within your territory, we will not operate a company-owned outlet or grant a franchise for the operation of a competing business during the term of your Franchise Agreement. However, we may sell THB-branded products or merchandise by mail order, Internet web site, or other networked means, including sales to persons physically located within your territory. Continuation of your territorial exclusivity does not depend on the achievement of a particular volume of sales, market penetration, or any other contingency. Your territory may not be altered except by mutual written agreement between you and us.

If you become an Area Developer, your exclusive territory will be defined as the development area specified by the Area Development Agreement, until the Area Development Agreement expires or terminates. You will have the right and obligation to open additional THB outlets within your development area during the term of the Area Development Agreement. Area Developers may not use any site for a THB drive-thru unless the site is first approved by us, and our then-current standards for site approval will apply. You may not relocate your THB drive-thrus within your territory without our prior written consent. There are no restrictions on your soliciting or accepting orders from outside your territory. There are no restrictions on your advertising outside of your territory, except that you may only use advertising materials that have been approved by us. We or another franchisee may solicit, advertise, or accept orders from within your territory without any obligation to compensate you. There is no set minimum size for the exclusive territory of an Area Developer.

If you become an Area Developer, then within your territory, we will not operate a company-owned outlet or grant a franchise for the operation of a competing business, unless the company-owned outlet or franchise was already located within your territory when you signed the Franchise Agreement. However, we may sell THB-branded merchandise by mail order, Internet web site, or




other networked means, including sales to persons physically located within your territory. If you are an area developer, continuation of your territorial exclusivity will depend on your fulfillment of the development obligation, except that upon expiration or termination of the Area Development Agreement, you will have territorial exclusivity for each THB outlet within a one-mile radius of its location during the term of the Franchise Agreement for that THB outlet. Your territory may not be altered except by mutual written agreement between you and us.

The Franchise Agreement and Area Development Agreement both contain covenants of noncompetition. See Section 6.3 of the Franchise Agreement and Section 8.3 of the Area Development Agreement. The covenant of noncompetition restricts your use of our proprietary and confidential information during and after the term of the Franchise Agreement. The covenant of noncompetition restricts you from competing with us or our franchisees during the term of your Franchise Agreement and Area Development Agreement (if applicable), except by operating your drive-thru(s). The covenant of noncompetition restricts you from competing with us or our franchisees for two years after termination of your Franchise Agreement or Area Development Agreement by operating a drive-thru similar to a THB drive-thru within ten miles of any THB drive-thru. The covenant of noncompetition restricts you from competing with us or our franchisees by diverting business to any of our competitors during the term of your Franchise Agreement and Area Development Agreement (if applicable) and for two years after termination of your Franchise Agreement and Area Development Agreement (if applicable). Following the expiration or termination of an Area Development Agreement, your obligations of confidentiality and noncompetition under the individual franchise agreements will remain in effect. Some provisions of the covenant of noncompetition may be unenforceable in some states. See the state-specific rider to this Disclosure Document for your state. We will try to resolve, if required under the Franchise Agreement and the Area Development Agreement, any conflicts between our franchisees or developers and us regarding territory, customers or support.

We and our affiliates do not operate or franchise, and have no present plans to operate or franchise, businesses that compete with the THB Outlets under a different trademark.

**Item 13**  
**TRADEMARKS**

Under the Franchise Agreement, we will grant you the right to use the following trade and service marks (collectively, the “THB Marks”), which are registered with the United States Patent and Trademark Office (the “USPTO”):

Trademark or Service Mark	USPTO Registration Number	Status of Registration
THE HUMAN BEAN	2,493,213	Registered on the Principal Register 9/25/2001 and assigned to us on 11/6/2002. This mark was renewed by filing the required affidavits in September, 2007, November, 2010 and March, 2021.
THE HUMAN BEAN ESPRESSO COFFEE ETC.	2,760,822	Registered on the Principal Register 9/9/2003. This mark was renewed by filing the required affidavits in September, 2008 and January, 2013.
THE HUMAN BEAN DRIVE THRU 	2,805,579	Registered on the Principal Register 1/13/2004. This mark was renewed by filing the required affidavits in June, 2009 and July, 2013.
H2B	3,264,873	Registered on the Principal Register 7/17/2007. This mark was renewed by filing the required affidavits in January, 2013 and July, 2018.
	5,545,858	Registered on the Principal Register 08/21/2018. This mark is not yet eligible for renewal.
	5,545,866	Registered on the Principal Register 08/21/2018. This mark is not yet eligible for renewal.

We maintain in the Operations Manual a list of the trademarks, service marks and other designations that you are licensed to use. In our sole discretion, we may supplement your license by adding new marks to the list in the Operations Manual. If it becomes advisable at any time, in our sole discretion, to modify or discontinue use of any name or mark and/or use of one or more additional or substitute marks as trade or service marks, you must discontinue use of that mark when instructed by us. The Franchise Agreement does not give you a right to compensation for costs imposed by any such potential discontinuation of one or more of the THB Marks.

There are no agreements currently in effect that significantly limit our rights to use or license the use of the THB Marks, or other trademarks, service marks, trade names, logo types or other commercial symbols significant to the franchise.

There is presently no opposition or cancellation proceeding or any pending litigation involving the THB Marks nor any presently effective determinations by the USPTO, the Trademark Trial and Appeal Board or the Trademark Administrator of any state or any court regarding the THB Marks.

We are not obligated by the Franchise Agreement or otherwise to protect any rights that you have to use the trademarks and service marks. If you are made a party to an administrative or judicial proceeding involving one of the THB Marks, or if the proceeding is resolved unfavorably to you, we are not required to participate in your defense and/or indemnify you for expenses or damages. You must notify us if you become aware of anyone using or claiming rights in a trademark that is confusingly similar to any of the THB Marks. We are not required to take affirmative action when notified of such claims, however we will, in our sole discretion, take all steps necessary to protect the trademarks and service marks and any future marks registered by us. We have the right to control all administrative proceedings and litigation involving the THB Marks.

You must follow our rules when you use the THB Marks. You may not use the words “Human Bean,” or “The Human Bean” in your business entity name. You may use the online space provided for franchisee web content on our site, but otherwise you may not use an online domain name that includes the words “Human Bean” or “The Human Bean”.

We do not guarantee that no other person has prior or competing rights in the THB Marks, but we are not aware of any superior prior rights or infringing uses that could materially affect your right to use the THB Marks in the United States.

#### **Item 14**

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

#### **Patents**

We own no rights in or to any patents that are material to the franchise.

#### **Copyrights**

The Operations Manual is protected by copyright and by state laws respecting trade secrets. The Operations Manual has not been the subject of a federal copyright registration because of the need to keep its contents confidential. However, we have affixed a copyright notice to the Operations

Manual. The copyright notice is an indication that the Operations Manual is protected by federal copyright law. This copyright notice is included in case copies of the Operations Manual are published for any reason. The Operations Manual must be maintained as confidential by you and may not be copied or published by you or your employees. You must immediately notify us if you learn that any person may be using the Operations Manual without our consent.

You must pay for any damages to us that result from any publication, copying, or disclosure of the Operations Manual by you or your employees. Your right to use the copyrighted Operations Manual is derived solely from the Franchise Agreement and is limited to your conduct of business in compliance with the Franchise Agreement and all applicable standards, specifications, operating procedures and rules that we require. Any unauthorized use of the copyrighted materials by you will constitute a breach of the Franchise Agreement and an infringement of our rights in the copyrighted materials.

Your use of the copyrighted materials and any good will established by your use of them will benefit us exclusively. The Franchise Agreement does not give you any good will or other interest in the copyrighted materials other than the right to operate your drive-thru in compliance with the Franchise Agreement. All relevant provisions of the Franchise Agreement are applicable to any additional copyrighted materials that we authorize for use by you in the future.

The Operations Manual remains our property and must be returned to us if your franchise terminates for any reason.

### **Proprietary Information**

We have proprietary rights in a number of trade secrets including all information, knowledge and know how not generally known in the coffee service industry about our systems and products, a variety of proprietary recipes, services, standards, specifications, systems, procedures and techniques including the preparation of beverages, accounting and management techniques and systems (“Proprietary Information”). We have established security procedures to maintain the secrecy of all Proprietary Information. We have the perpetual right to own and use and authorize our other franchisees to use all ideas, concepts, formulas, recipes, methods and techniques (including drive-thru building plans) relating to the development or operation of a drive-thru espresso business conceived or developed by you or your employees during the term of the Franchise Agreement. You must fully and promptly disclose to us any ideas, concepts, formulas, recipes, methods and techniques developed by you or your employees during the term of the Franchise Agreement.

You must keep the Proprietary Information confidential and to use it only for the purposes and in the manner authorized in writing by us. You must promptly inform us if you learn of any unauthorized use of any of the Proprietary Information. We are not obligated to take any action, but will respond to this information as we deem appropriate in our sole discretion.

**Item 15**  
**OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE**  
**FRANCHISE BUSINESS**

You are not required to participate personally in the direct operation of your drive-thru, but we recommend that you do so. However, your drive-thru must always be under your direct supervision or that of your designated manager. You must keep us informed at all times of the identity and qualifications of each employee acting as a manager of your drive-thru. Your manager is not required to have an equity interest in your franchise.

You may designate your manager as the person to receive the initial training provided by us. If you do not designate your manager as the person to receive the initial training provided by us, you may train your manager or you may request that we train your manager, at your expense. If you do not designate your manager as the person to receive the initial training provided by us and we train your manager, we will charge a fee for the training. See Sections 9.1, 10.1, and 10.2 of the Franchise Agreement. If we determine that your manager has been inadequately trained, we may require that your manager be trained by us at your expense.

Your manager and all other employees must agree to maintain the confidentiality of the copyrighted material, proprietary information and trade secrets described in Item 14 and comply with the noncompetition covenants identified in Item 17.

**Item 16**  
**RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell all products and services as specified in the Operations Manual. The Operations Manual sets forth the various items for inclusion on the menu of your franchise. In addition to beverage and pastry items, your drive-thru will sell certain merchandise. We may in our sole discretion add or delete items from the approved list and there are no limits on our rights to do so. You may not add any item to your menu unless it is first approved by us in writing. You may not offer or sell any products or services not authorized by us. You are not limited in the customers to whom these goods or services may be sold.



**Item 17**

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

**ITEM 17 TABLE:**

**THE FRANCHISE RELATIONSHIP**

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

Provision	Section in Agreement	Summary
a) Length of the franchise term	Section 3.1 in Franchise Agreement, Section 4.1 - 4.3 in the Area Development Agreement	Initial term is 10 years.  Area Development term is determined as part of the Development Obligation.
b) Renewal or extension of the term	Section 3.2 in the Franchise Agreement, Section 4.2 in the Area Development Agreement	Renewable for 10 years on payment of \$2,000 renewal fee on terms of then-current franchise agreement.  No right to extend or renew the Area Development Agreement.
c) Requirements for you to renew or extend	Sections 3.2.1 - 3.2.8 in the Franchise Agreement.  Not applicable to the Area Development Agreement.	Full compliance with existing agreement, provide advance written notice, pay renewal fee, sign then-current franchise agreement, remodel the drive-thru and release us from past and present claims if permitted by law. When renewing you may be asked to sign a contract with materially different terms and conditions than your original contract.
d) Termination by you	None	You may terminate if we materially breach the Franchise Agreement or Area Development Agreement (if applicable). Subject to modification by state law.
e) Termination by us without cause	None	None.  We do not have the right to terminate without cause. Termination of the Development Agreement gives the franchisor the right to terminate individual franchise agreements.

Provision	Section in Agreement	Summary
f) Termination by us with cause	Section 15.1 of the Franchise Agreement and Section 4.3 of the Area Development Agreement.	<p>We may terminate if you are in default under the Franchise Agreement.</p> <p>We may terminate the Area Development Agreement for cause, as defined in the Area Development Agreement. Termination of the Development Agreement gives the franchisor the right to terminate individual franchise agreements.</p>
g) "Cause" defined – curable defaults	<p>Section 14.5 of the Franchise Agreement.</p> <p>No clause in the Area Development Agreement.</p>	<p>You have 2 days to correct violations of laws, regulations or standards of health and safety; 7 days to correct nonpayment of money owed or failure to maintain insurance; and 30 days to correct certain other breaches of the Franchise Agreement. These periods are subject to modification by state law.</p> <p>Curable defaults in the Area Development Agreement are those not identified in row (h) below. Termination of the Development Agreement gives the franchisor the right to terminate individual franchise agreements.</p>

Provision	Section in Agreement	Summary
<p>h) “Cause” defined – non-curable defaults</p>	<p>Section 14 of the Franchise Agreement and Section 4.3 of the Area Development Agreement.</p>	<p>Franchise Agreement:  Assignments for the benefit of creditors, insolvency, bankruptcy, receivership or levy; passing off third-party products as genuine or THB-approved; failure to comply with obligations under the Franchise Agreement, serious health problem at franchisee’s outlet, intentional fraud or act injurious or prejudicial to the goodwill of our proprietary marks or system; breach of covenant against competition; loss of your lease; repeated breaches or defaults; and for-cause termination of a related Area Development Agreement. (Subject to modification by state law.)</p> <p>Area Development Agreement:  For-cause termination of any franchise agreement; failure to meet the development obligation; any breach of the covenants of noncompetition and non-solicitation; any unapproved transfer; any act of fraud; any insolvency event; any for-cause termination of a single-unit franchise agreement. (Subject to modification by state law.)</p>
<p>i) Your obligations on termination/nonrenewal</p>	<p>Sections 15.2 - 15.8 of the Franchise Agreement.</p>	<p>Obligations under the Franchise Agreement include complete de-identification of the franchise location, payment of amounts due and return of our proprietary items (see also row r below).</p> <p>Under the Area Development Agreement, there is no further right to develop or exclude other development (see row (r) below).</p>

Provision	Section in Agreement	Summary
j) Assignment of contract by us	<p>Section 12.7 in the Franchise Agreement.</p> <p>Section 9.4 in the Area Development Agreement.</p>	We may freely assign the contract.
k) “Transfer” by you – defined	<p>Section 12.1 in the Franchise Agreement.</p> <p>Section 9.1 in the Area Development Agreement.</p>	Includes assignment of contract; transfer of ownership; and shareholder or partnership changes.
l) Our approval of transfer by you	<p>Section 12.2 in the Franchise Agreement.</p> <p>Sections 9.2 - 9.3 of the Area Development Agreement.</p>	<p>We have the right to approve or disapprove of transfers of the Franchise Agreement, but will not unreasonably withhold approval.</p> <p>You may not transfer your rights under an Area Development Agreement except under limited circumstances (death, incapacity, or internal transfer).</p>
m) Conditions for our approval of transfer	<p>Section 12.4 of the Franchise Agreement.</p> <p>Sections 9.1-9.3 of the Area Development Agreement.</p>	<p>For Franchise Agreement: Buyer qualifies, buyer signs then current franchise agreement, buyer agrees to remodel, seller is in good standing, seller signs a release, and transfer fee of \$4,000 is paid.</p> <p>For Area Development Agreement: In case of death or for internal transfer, transferee qualifies, obtains training if required, and signs then-current form of franchise agreement for each existing THB outlet transferred; transferor is in good standing, signs release of us, and subordinates buyer’s obligation to seller.</p>

Provision	Section in Agreement	Summary
n) Our right of first refusal to acquire your business	<p>Sections 12.3 and 15.7 of the Franchise Agreement.</p> <p>None in the Area Development Agreement.</p>	<p>We have the option to purchase the franchise business before most transfers on same terms or to purchase franchise assets upon termination at fair market value.</p> <p>No right of first refusal under the Area Development Agreement.</p>
o) Our option to purchase your business	<p>Sections 12.3 and 15.7 of the Franchise Agreement.</p> <p>None in the Area Development Agreement.</p>	See line item (n) above.
p) Death or disability of you	<p>Section 12.5 of the Franchise Agreement.</p> <p>Section 9 of the Area Development Agreement.</p>	To continue operation, franchise must be assigned by your estate or surviving shareholder or partners within 90 days. Buyer or assignee is subject to our approval.
q) Non-competition covenants during term of franchise	<p>Section 6.3 of the Franchise Agreement.</p> <p>Sections 8.1 and 8.3 of the Area Development Agreement.</p>	<p>You are restricted to a specific site for your franchised business under the Franchise Agreement.</p> <p>You may not establish a competing business or solicit our employees, subject to modification by state law.</p>
r) Non-competition covenants after franchise is terminated or expires	<p>Section 6.3 of the Franchise Agreement.</p> <p>Sections 8.1 and 8.3 of the Area Development Agreement.</p>	For two years after termination of your Franchise Agreement or development rights, you may not establish competing business within ten miles of any THB-branded outlet, subject to modification by state law.

Provision	Section in Agreement	Summary
s) Modification of the agreement	Sections 8.1 and 16.6 of the Franchise Agreement.  Sections 10.7 in the Area Development Agreement.	No modification except by written agreement signed by all parties, but Operations Manual may be altered at our discretion.
t) Integration or merger clause	Section 16.6 in the Franchise Agreement.  Section 10.6 in the Area Development Agreement.	Only the terms of the Franchise Agreement and Area Development Agreement are binding (subject to state law). Any representations or promises outside of this Disclosure Document, the Franchise Agreement and Area Development Agreement may not be enforceable.
u) Dispute resolution by arbitration or mediation	Section 16.3 in the Franchise Agreement.  Section 10.3 in the Area Development Agreement.	Mandatory and binding arbitration except to prevent irreparable harm.
v) Choice of forum	Section 16.3 in the Franchise Agreement.  Section 10.3 in the Area Development Agreement.	Litigation and arbitration must be in Medford, Oregon. This provision may be subject to applicable state law.
w) Choice of law	Section 16.3 in the Franchise Agreement.  Section 10.3 in the Area Development Agreement.	Oregon law applies, but this provision may be subject to applicable state law.

**Item 18**  
**PUBLIC FIGURES**

We do not use any public figure to promote our franchises. Any use of the name of a public figure by you in your promotional efforts or advertising is subject to our right to approve or disapprove of your advertising materials, except to the extent that a public figure may be involved in the actual control or management of your franchise.

**Item 19**  
**FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual and 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.

Table 1 provides historical financial performance data based on the unaudited financial statements of thirteen (13) affiliate-owned stores for the 12-month period ending December 31, 2020. Table 1 also provides an adjusted average net income figure, based on our estimate of the cost differentials between affiliate-owned and franchised stores. Net income or net profit means net sales (gross sales less promotional discounts, as listed on Table 1), less expenses and cost of goods (as listed on Table 1). Table 2 provides historical financial performance data based on the sales of eighty-one (81) franchised stores for the 12-month period ending December 31, 2020. We omitted one franchised location that was only intermittently operational throughout 2020, the mobile unit based in Fort Collins, Colorado. Mobile units are used primarily for events.

During the fiscal year ending December 31, 2020, a total of 98 outlets were in operation. Of those, 13 were affiliate-owned outlets and 85 were franchised outlets.

We present total costs and average net profits exclusive of owner income and owner expenses, meaning owner travel expenses and owner use of a company car. We do not treat these as expenses a franchisee should expect to incur for purposes of this Item 19. Expenses for bookkeeping, payroll and accounting are likewise excluded. As our franchisee, you will choose how you treat owner expenses (if any) and how to account for and pay any tax on owner income from your outlet.

**Some outlets have sold or earned as much as in the tables. Your individual results may differ. There is no assurance you'll sell or earn as much.**

ITEM 19 TABLE 1 AFFILIATE FINANCIAL PERFORMANCE

	2021 Average	2021 Median	2021 Average as % of total sales
Sales	\$909,848.56	\$909,962.55	100.0%
Loyalty & Promotional Discounts	\$(60,548.19)	\$(55,061.49)	-6.7%
Brand Fund	\$4,926.90	\$4,867.77	0.5%
Net sales	\$849,300.37	\$854,901.06	93.3%
Cost of goods sold	\$296,229.00	\$300,719.32	32.6%
Gross Profit	\$553,071.36	\$554,181.74	60.8%
Advertising	\$6,161.16	\$5,381.18	0.7%
Amortization expense	\$40.28	\$523.66	0.0%
Automobile expense	\$-	\$-	0.0%
Bank service charges	\$22,755.91	\$23,802.48	2.5%
Computer expense	\$6,292.56	\$6,157.52	0.7%
Contributions	\$3,948.65	\$3,898.00	0.4%
Depreciation expense	\$15,419.48	\$13,967.83	1.7%
Dues and subscriptions	\$145.56	\$345.00	0.0%
Employee benefits	\$876.16	\$906.02	0.1%
Insurance	\$2,861.25	\$2,615.46	0.3%
Interest expense	\$1,674.99	\$4,195.66	0.2%
Landscape maintenance	\$2,180.98	\$2,272.00	0.2%
Linens	\$3,708.47	\$2,983.64	0.4%
Licenses and permits	\$946.53	\$976.66	0.1%
Maintenance	\$18,283.82	\$17,656.57	2.0%
Office supplies	\$8,658.26	\$8,661.34	1.0%
Operating supplies	\$2,151.39	\$757.72	0.2%
Payroll expenses	\$223,258.26	\$237,428.90	24.5%
Payroll taxes	\$21,892.55	\$23,627.18	2.4%
Postage and delivery	\$47.71	\$150.00	0.0%
Printing and reproduction	\$110.70	\$112.35	0.0%
Professional fees	\$3,011.15	\$3,000.00	0.3%
Rent	\$34,426.40	\$35,100.00	3.8%
Repairs	\$395.31	\$283.00	0.0%
Security	\$338.06	\$360.00	0.0%
Taxes	\$3,776.07	\$4,224.98	0.4%
Telephone	\$1,966.33	\$2,047.22	0.2%
Travel and entertainment	\$204.29	\$240.87	0.0%
Utilities	\$14,673.70	\$14,567.95	1.6%
Total expenses	\$405,132.89	\$421,098.06	44.5%
Expenses + cost of goods	\$701,361.89	\$721,817.38	77.1%
Net Income	\$147,938.47	\$133,083.69	16.3%

ITEM 19 TABLE 2 FRANCHISEE SALES PERFORMANCE

	2021 Average	2021 Median
Franchisee Sales	\$916,432	\$900,624



ITEM 19 TABLE 3 FRANCHISEE ADJUSTED NET INCOME & COST DIFFERENTIAL

	2021 Franchisee Adjusted**	2021 Affiliate Average
Net Income	\$120,712.19	\$147,938.47
Total Cost of Goods Differential as % of Average Sales	2.97%	0.0%
Coffee & Other Products/Supplies Differential	\$24,037.69	\$0
Shipping Differential	\$3,188.59	\$0
Total Cost of Goods Differential	\$27,226.28	\$0

\*\*The figure in Table 3 for the franchisees' Adjusted Net Income is our estimate based on the average net income for the affiliate-owned stores, less the estimated average cost differential for franchisees. The second column of Table 3 shows the estimated cost differential for franchisees by category. The cost differential is based on three factors: coffee products, non-coffee products/supplies, and shipping costs. Franchisees currently pay approximately 30.8% more than affiliates for coffee products, and approximately 22% of the franchisee's total cost of goods will be for coffee products. We reserve the right to increase this price differential in the future up to 34%. Most franchisees pay the same price for non-coffee products/supplies as the affiliate-owned stores, but in certain regions there is a differential, and we averaged the differential across all the franchised outlets. Franchisees receive free shipping for coffee products on orders over the minimum size, so we did not calculate any differential for shipping costs on coffee products. A few other supplies, namely branded coffee mugs, apparel and temporary point-of-sale marketing materials, are sold by THB to the affiliate-owned stores for less than the price paid by the franchisees. The effect of this fourth differential on the Adjusted Net Income figure was insubstantial.

This is not a forecast of your future financial performance. The historical performance data disclosed in this Item 19 do not include historical data on the average or median costs of franchised locations, only historical data on their average or median total sales. The payroll expense figures in Table 1 include an hourly rate and bonus for a manager. You or your manager should expect to work full-time in areas such as general administration, bill paying, staffing, scheduling, general errands, and supply pick-up and delivery. If you do not delegate these functions to a manager, your payroll expenses will be lowered by the amount of that manager's wages and bonus, payroll taxes on those wages, and any other employee-related expenses. Each of the 13 affiliate-owned outlets employed a manager other than the owners.

The thirteen affiliate-owned THB drive-thru locations used for Table 1 were in operation for the entire 12-month period ending December 31, 2021. Among the thirteen affiliate-owned THB drive-thru locations, the most successful store had total sales of \$1,251,838 and net income (excluding owner income and owner expenses) of \$243,968. The least successful store had total sales of \$583,267 and net income (excluding owner income and owner expenses) of \$17,896. The criterion for most and least successful affiliate-owned store is net income (loss) exclusive of owner income and expenses, not total sales. Total sales means gross sales, before promotional discounts and loyalty rewards (as shown on the table).

All of the thirteen affiliate-owned stores had positive net income (excluding owner income and owner expenses) during the 12-month period ending December 31, 2021. Eight of the thirteen stores had cost of goods higher than the average figure, and the other five had cost of goods lower than the average. Seven of the thirteen stores had total sales higher than the average, and the other six stores had total sales lower than the average. Eight of the stores had total expenses higher than the average, and the other five stores had total expenses lower than the average (excluding owner income and owner expenses). Eight of the stores had net income (excluding owner income and owner expenses) higher than the average, and the other five had lower net income (excluding owner income and owner expenses). These historical performance data do not guarantee that your drive-thru will not show a net loss.

The ninety-nine franchised THB drive-thru locations used for Table 2 were those in operation for the entire 12-month period ending December 31, 2021 (omitting mobile units and seasonal locations). Among these 99 franchised THB drive-thru locations, the most successful store had total sales of \$1,973,963. The least successful store had total sales of \$350,325. The criterion for most and least successful franchised store is total sales. 49 of the 99 franchised stores had total sales higher than the average, and the other 50 stores had total sales lower than the average. Written substantiation for this financial performance representation is available on reasonable request.

Other than the preceding financial performance representation, THB does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to THB's management by contacting Dan Hawkins or Tom Casey at 623 Rossanley Dr., Medford OR 97501, (888) 262-2215, the Federal Trade Commission, and the appropriate state regulatory agencies.

**Item 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

Our fiscal year ends December 31.

Table 1: Systemwide Outlet Summary 2019 to 2021

<b>Outlet Type</b>	<b>Year</b>	<b>Outlets at Start of Year</b>	<b>Outlets at End of Year</b>	<b>Net Change</b>
<b>Franchised</b>				
	<b>2019</b>	<b>67</b>	<b>85</b>	<b>18</b>
	<b>2020</b>	<b>85</b>	<b>100</b>	<b>15</b>
	<b>2021</b>	<b>100</b>	<b>116</b>	<b>16</b>
<b>Company-Owned*</b>				
	<b>2019</b>	<b>13</b>	<b>13</b>	<b>0</b>
	<b>2020</b>	<b>13</b>	<b>13</b>	<b>0</b>
	<b>2021</b>	<b>13</b>	<b>13</b>	<b>0</b>
<b>Total Outlets</b>				
	<b>2019</b>	<b>80</b>	<b>98</b>	<b>18</b>
	<b>2020</b>	<b>98</b>	<b>113</b>	<b>15</b>
	<b>2021</b>	<b>113</b>	<b>129</b>	<b>16</b>

\* Includes affiliate-owned outlets

Table 2: Transfers of Outlets  
Franchisees to New Owners (other than Franchisor) 2019 to 2021

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>California</b>		
	<b>2019</b>	<b>1</b>
	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>
<b>Idaho</b>		
	<b>2019</b>	<b>0</b>
	<b>2020</b>	<b>11</b>
	<b>2021</b>	<b>0</b>
<b>Nevada</b>		
	<b>2019</b>	<b>1</b>
	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>0</b>
<b>Oregon</b>		
	<b>2019</b>	<b>1</b>
	<b>2020</b>	<b>0</b>
	<b>2021</b>	<b>2</b>
<b>Total</b>		
	<b>2019</b>	<b>5</b>
	<b>2020</b>	<b>11</b>
	<b>2021</b>	<b>2</b>

Table 3: Status of Franchised Outlets 2019 to 2021

	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Outlets Re-acquired	Ceased Operations for Other Reasons	Outlets at End of Year
<b>Arizona</b>	2019	7	4	0	0	0	0	11
	2020	11	4	0	0	0	0	15
	2021	15	1	0	0	0	0	16
<b>California</b>	2019	3	2	0	0	0	0	5
	2020	5	4	0	0	0	0	9
	2021	9	3	0	0	0	0	12
<b>Colorado</b>	2019	9	2	0	0	0	0	11
	2020	11	0	0	0	0	0	11
	2021	11	1	0	0	0	0	12
<b>Georgia</b>	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
<b>Idaho</b>	2019	13	1	0	0	0	0	14
	2020	14	1	0	0	0	1	14
	2021	14	1	0	0	0	0	15
<b>Indiana</b>	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
<b>Kentucky</b>	2019	0	1	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
<b>Missouri</b>	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
<b>Nevada</b>	2019	3	3	0	0	0	0	5
	2020	5	3	0	0	0	0	8
	2021	8	0	0	0	0	0	8
<b>North Carolina</b>	2019	0	0	0	0	0	0	0
	2020	1	0	0	0	0	0	1
	2021	1	1	0	0	0	0	2
<b>Ohio</b>	2019	1	0	0	0	0	0	1
	2020	1	0	0	0	0	0	1
	2021	1	0	0	0	0	0	1
<b>Oregon</b>	2019	28	3	0	0	0	0	31
	2020	31	1	0	0	0	1	31
	2021	31	0	0	0	0	0	31

	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Outlets Re-acquired	Ceased Operations for Other Reasons	Outlets at End of Year
<b>South Carolina</b>								
	2019	0	0	0	0	0	0	0
	2020	1	0	0	0	0	0	1
	2021	1	2	0	0	0	0	3
<b>Texas</b>								
	2019	1	1	0	0	0	0	2
	2020	2	1	0	0	0	0	3
	2021	3	3	0	0	0	0	6
<b>Washington</b>								
	2019	1	2	0	0	0	0	3
	2020	3	1	0	0	0	0	4
	2021	4	1	0	0	0	0	5
<b>Wyoming</b>								
	2019	0	0	0	0	0	0	0
	2020	0	0	0	0	0	0	0
	2021	0	1	0	0	0	0	1
<b>Total</b>								
	2019	67	18	0	0	0	0	85
	2020	85	17	0	0	0	2	100
	2021	100	16	0	0	0	0	116

Table 4: Status of Company-Owned Outlets\* 2019 to 2021

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
<b>Oregon</b>							
	2019	13	0	0	0	0	13
	2020	13	0	0	0	0	13
	2021	13	0	0	0	0	13
<b>Total</b>							
	2019	13	0	0	0	0	13
	2020	13	0	0	0	0	13
	2021	13	0	0	0	0	13

\* Includes affiliate-owned outlets.

Table 5: Projected Openings as of December 31, 2021

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlets in the 2021 Fiscal Year	Projected New Franchisor-Owned Outlets in the 2022 Fiscal Year*
Arizona	5	2	
California	8	4	
Colorado	2	1	
Florida	2	2	
Idaho	0	0	
Illinois	2	2	
Indiana	1	1	
Kentucky	1	0	
Maryland	1	1	
Montana	1	1	
Nevada	2	2	
North Carolina	3	2	
Ohio	4	1	
Oregon	5	4	1
Pennsylvania	1	0	
Texas	5	2	
Utah	1		
Virginia	2	1	
Washington	2	0	
Wyoming	1	1	
<b>Total</b>	49	27	1

\*Includes affiliate-owned outlets.

As of February 18, 2022, there were one hundred thirty-five (135) THB drive-thrus, located in these 18 states: Arizona, California, Colorado, Georgia, Idaho, Indiana, Kentucky, Missouri, Nevada, New Mexico, North Carolina, Ohio, Oregon, South Carolina, Texas, Washington, West Virginia, and Wyoming. Casey Hawkins Inc. does not own or operate any THB drive-thrus. Thirteen (13) THB drive-thrus are owned and operated by our affiliates. See Items 1 and 19 above.

Franchisee Locations as of Issuance Date

*\* Franchisees with Area Development Agreements*

<b>Arizona</b>	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
	Havasu Bean III LLC*	2646 Highway 95 Bullhead City, AZ 86442	(928) 505-4023
		1191 Highway 95 Bullhead City, AZ 86429	
		1490 E Camino Colorado Fort Mohave, AZ 86426	
		2651 North Stockton Hill Road Kingman, AZ 86401	
		3330 East Andy Drive (Rte 66) Kingman AZ 86401	
		633 Lake Havasu Ave. Lake Havasu City, AZ 86403	
		1736 South McCulloch Lake Havasu City, AZ 86403	
		2035 N. Palo Verde Blvd. Lake Havasu City, AZ 86403	
	The Human Bean of Mesa-1 LLC	29 South Power Road Mesa, AZ 85207	(541) 891-3680
	THB Phoenix 1 LLC	20055 North 19 <sup>th</sup> Ave Phoenix, AZ 85260	(541) 891-3780
	THB Phoenix 2 LLC	6502 North 16 <sup>th</sup> Street Phoenix, AZ 85016	(541) 891-3780
	Human Bean Baseline, LLC	4377 E. Baseline Rd. Phoenix, AZ 85016	(541) 301-1350
		2010 East Indian Road Phoenix, AZ 85016	
	H & L Development, LLC	1765 E. University Drive Tempe, AZ 85281	(541) 776-3972
	THB of Tempe, LLC	1602 N. Scottsdale Road Tempe, AZ 85281	(480) 550-7303



	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
<b>Arizona</b>	THB of Tucson-1, LLC	6295 E 22 <sup>nd</sup> St. Tucson, AZ 85711	(541) 591-3941
<b>California</b>	Moss Lane Ventures, LLC	7835 El Camino Real Atascadero, CA 93422	(209) 603-4740
	Edward & Shanna Booth Sole Proprietorship	2805 Esplanade Rd., Chico, CA 95973	(530) 399-3102
	Amie Wallace	7611 Sunrise Blvd. Citrus Heights, CA 95610	(916) 899-9730
	KaffeBonne LLC	21991 El Toro Road Lake Forest, CA 92630	(949)-973-2586
	Moss Lane Ventures, LLC	839 Morro Bay Road Morro Bay, CA 93442	(209) 603-4740
	Alyssa Steele	2135 Main Street Red Bluff, CA 96080	(530) 241-7080
	Amie Wallace	2401 Coppervale Dr. Rocklin, CA 95765	(916) 899-9730
	Rio Vista Ford Inc.	1010 Hwy 12 Rio Vista, CA 94574	(707) 372-2821
	Moss Lane Ventures, LLC	1025 Rossi Rd., Templeton, CA 93465	(209) 603-4740
	VTP Coffee, LLC*	942 S. Mooney Blvd. Tulare, CA 93274	(559) 686-1001
		1331 W. Caldwell Ave. Visalia, CA 93277	(559) 738-8872
		1109 N. Ben Maddox Way Visalia, CA 93292	(559) 372-7195
	Amie Wallace	2401 Copperdale Drive Woodland, CA 95765	(916) 899-6675
<b>Colorado</b>	CMK, LLC	3327 N. Academy Blvd. Colorado Springs, CO 80905	(719) 247-9801

	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
<b>Colorado</b>	SS Blue Sky 2.0, LLC*	3310 23 <sup>rd</sup> Avenue Evans, Colorado 80620	(970) 227-3327
		1822 S. College Way Fort Collins, Colorado 80260	
		821 North College Way Fort Collins, Colorado 80524	
		951 W. Plum St. (Mobile Unit) Fort Collins, Colorado 80521	
		3665 West 10 <sup>th</sup> Street Greeley, Colorado 80638	
		2610 West 10 <sup>th</sup> Street Greeley, Colorado 80638	(970) 227-3327
	E Windsor Coffee Drive-Thru, LLC	6505 West 29 <sup>th</sup> Street Greeley, Colorado 80634	(970) 227-3327
	SS Blue Sky 2.0, LLC *	100 South Second Street La Salle, Colorado 80645	(970) 227-3327
	Crossroads Plaza Coffee Drive-Thru, LLC	6180 East Crossroads Blvd. Loveland, Colorado 80538	(970) 776-9647
	E Windsor Coffee Drive-Thru, LLC	405 East Main St. Windsor, Colorado 80550	(970) 227-3327
	THBWP LLC	275 East US Hwy 24 Woodland Park, Colorado 80863	(719) 432-8177
<b>Georgia</b>	AMJ Company, LLC	1605/1609 Buford Hwy., Cumming, GA 30041	(678) 456-5054
<b>Idaho</b>	Legacy Coffee, LLC*	9162 West Emerald Street Boise, Idaho 83704	(208) 376-3457
		2100 South Broadway Boise, Idaho 83706	
		12473 West Chinden Boise, Idaho, 83713	

	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
<b>Idaho</b>	Legacy Coffee, LLC*	10771 Lake Hazel Rd. Boise, Idaho 83709	(208) 376-3457
		4213 West State Street Boise, Idaho, 83703	
		305 S. 21 <sup>st</sup> Avenue Caldwell, Idaho, 83605	
	Diamondhead LLC	380 West Neider Street Coeur D'Alene, Idaho 83815	(208) 818-0709
	Legacy Coffee, LLC*	10015 West State Street Garden City, Idaho 83714	
	Diamondhead LLC	8712 N. Government Way Hayden, Idaho 83835	(208) 818-0709
	Legacy Coffee, LLC*	1635 North Meridian Rd. Meridian, Idaho 83642	(208) 376-3457
		2485 East Overland Road Meridian, Idaho 83642	
		3285 West Nelis Drive Meridian, Idaho 83646	
		2110 Caldwell Blvd. Nampa, Idaho 83651	
11633 West State St Star, Idaho 83669			
Tone Bean, LLC	161 Addison Ave. Twin Falls, Idaho 83301	(208) 595-1261	
<b>Indiana</b>	Hoosier Beans, LLC	5405 N Keystone Ave. Indianapolis, Indiana 46220	(317) 384-1362
<b>Kentucky</b>	Coffee Break, LLC	1946 Harrodsburg Rd. Lexington, KY 40503	(859) 523-1301
<b>Missouri</b>	Midwest Beverage, Inc.	4414 Commons Dr. St. Joseph, Missouri, 64507	(816) 390-6899

	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
<b>Nevada</b>	NV Bean LLC	3300 Hwy 50 East Carson City, Nevada, 89701	(775) 225-8000
	Black Jack Coffee LLC	71 E. Lake Mead Parkway Henderson, NV 89015	(702) 476-3078
	NV Bean LLC	1654 Hwy 395 Minden, Nevada 89423	(775) 746-5555
	HBC Las Vegas No. 1	5265 Camino Al Norte North Las Vegas, Nevada, 89031	(702) 399-6300
	Mudd Adventures LLC	8050 South Virginia Reno, Nevada, 89511	(541) 842-8201
	IAG Nevada, LLC	3915 South McCarran Blvd Reno, Nevada, 89502  3380 Kietzke Lane Reno, Nevada, 89502	(775) 376-1953
<b>New Mexico</b>	Tres Lobos LLC	800 Holman Way Sparks, Nevada 89431	(775) 418-5226
	Tres Lobos LLC	1300 Unser Boulevard SW Albuquerque, New Mexico 87121	(505) 208-0705
<b>North Carolina</b>	THB Longcreek, LLC*	8156 Mt. Holly-Huntersville Road Charlotte, North Carolina 28216	(980) 355-0364
	THB New Hope, LLC*	3648 S. New Hope Rd. Gastonia, North Carolina 28056	(704) 879-7712
	THB Morganton LLC*	N. Green Street Morganton, North Carolina 28655	(828) 764-4034
<b>Ohio</b>	HBOH, LLC	4301 Whipple Ave. Canton, Ohio 44718	(330) 244-6626
	HBOH, LLC	9215 State Route 43 Streetsboro, Ohio 44241	
<b>Oregon</b>	Blueberry Junction LLC	952 Hill Street SE Albany, Oregon, 97322	(541) 936-1997

<b>Oregon</b>	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
	Blueberry Junction LLC	3080 Pacific Blvd SE Albany, Oregon, 97322	(541) 936-1997
	Lisa Murray	65 S 10 <sup>th</sup> Street Bandon, Oregon, 97411	(541) 347-4336
	NW Coffee Group LLC	14435 SW Tualatin Highway Beaverton, OR 97005	(503) 201-1309
	JCK Coffee Co., LLC*	1041 Northeast 9 <sup>th</sup> Street Bend, Oregon, 97701	(541) 342-6557
		2220 NE Hwy-20 Ste-4 Bend, Oregon, 97701	
	NW Coffee Group LLC	9839 SE Elon Street Clackamas, Oregon, 97015	(503) 201-1309
	Raevin Inc.	62993 Highway 101 Coos Bay, Oregon, 97420	(541) 267-6724
	JCK Coffee Co., LLC*	2809 Chad Drive Eugene, Oregon 97401	(541) 342-6557
		3645 West 11 <sup>th</sup> Avenue Eugene, OR 97402	
	Thomason Bean Co., Inc *	840 NE F Street Grants Pass, Oregon 97526	(541) 955-9506
		1885 6 <sup>th</sup> Street Grants Pass, Oregon, 97526	
		109 Curtis Drive Grants Pass, Oregon, 97526	
	JCK Coffee Co., LLC*	5007 River Road North Keizer, Oregon, 97303	(541) 342-6557
	Janterr, LLC*	4653 South 6 <sup>th</sup> Street Klamath Falls, Oregon 97603	(541) 882-4262
		515 Washburn Way Klamath Falls, Oregon, 97603	

<b>Oregon</b>	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
	Blueberry Junction, LLC	1581 S. Main Street Lebanon, Oregon, 97355	(541) 936-1997
	Riptide Coffee Co.	3565 NW HWY 101 Lincoln City, Oregon, 97367	(503) 272-5191
	4M Group LLC	40 NE Plum Street Madras, Oregon 97741	(541) 615-1662
	Riptide Coffee Co.	601 North Coast Hwy Newport, Oregon, 97365	(503) 971-7105
	Raevin, Inc.	1509 Virginia Avenue North Bend, Oregon 97459	(541) 267-6724
	Blueberry Junction, LLC	1914 Main Street Philomath, Oregon 97370	(541) 936-1997
	NW Coffee Group LLC	4835 NE Sandy Blvd Portland, Oregon 97208	(503) 201-1309
	Thomason Bean Co., Inc.*	1230 West Harvard Roseburg, Oregon, 97470	(541) 955-9506
		2288 NW Stewart Parkway Roseburg, Oregon 97471	
	JCK Coffee Co., Inc.*	4651 Commercial St. Salem, Oregon 97302	(541) 342-6557
		400 Q Street Springfield, Oregon 97477	
		1375 Main Street Springfield, Oregon 97477	
	THB Warrenton, Inc.	1526 SE Discovery North Warrenton, Oregon 97146	(541) 282-4940
	GK West Corp.	2100 Leigh Way White City, Oregon 97503	(541) 826-3851
	NW Coffee Group LLC	25250 SW 95 <sup>th</sup> Avenue Wilsonville, Oregon 97070	(503) 201-1309

	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
<b>S. Carolina</b>	THB Summit Commons, LLC*	4760 Hardscrabble Road Columbia, SC 29229	(980) 298-0560
	THB Broad River, LLC*	11107 Broad River Road Irmo, SC 29063	(803) 749-6600
	THB Congaree, LLC*	669 Main Street South Congaree, SC 29170	(803) 888-6058
<b>Texas</b>	THB of South Texas, LLC	447 E. Alton Gloor Blvd., Brownsville, Texas 78526	(678) 456-5054
	PRN Coffee LLC	2661 Midway Rd, Ste 300 Carrolton, Texas 75006	(972) 989-8977
	Kewl Beans II Inc.	1001 West Ground Grove Road Lewisville, Texas 75067	(832) 691-4321
	JA MO Kar, LLC	2007 North Big Spring Street Midland, Texas 79707	(432) 262-0280
	432 One LLC	4950 E. University Blvd. Odessa, Texas 79762	(541) 601-2347
		2424 N. FM 1936 Odessa, Texas 79762	
	Swing Holdings, LLC	105 Rex Kerwin Court, Building 1 Pflugerville, Texas 78660	(541) 297-6007
<b>Washington</b>	Kool Beans Kennewick, LLC	4305 W. Clearwater Kennewick, WA 99336	(509) 579-0518
	C&C Coffee LLC*	15630 NE Fourth Plain Blvd. Vancouver, WA 98682	(503) 319-1510
		16205 NE 23 <sup>rd</sup> St Vancouver, WA 98684	
	Jaime's Java, LLC	1195 E. Whitman Dr. Walla Walla, WA	(509) 204-3063
	Sayk LLC	115 56 <sup>th</sup> Ave. Yakima, WA	(541) 993-7488

	<b>Franchisee</b>	<b>Outlet Address</b>	<b>Phone Number</b>
<b>West Virginia</b>	M. Chapman	5634 US RT 60 Huntington, West Virginia 25705	(681) 888-5433
<b>Wyoming</b>	Purple Hippo LLC	2700 E. Grand Ave. Laramie, WY 82070	(307) 761-2254

### Franchisees with Signed Agreements, Not Yet Open for Business

<b>Entity Name</b>	<b>City</b>	<b>State / Province</b>	<b>Email</b>
Beanstream, LLC	Flagstaff	Arizona	aliwofford@gmail.com
Beanstream, LLC	Cottonwood	Arizona	aliwofford@gmail.com
Beanstream, LLC	Prescott Valley	Arizona	aliwofford@gmail.com
Toasty Beans, LLC	Tuscon	Arizona	natalie@thbarizona.com
Vaxman Magic, Inc.	Temecula	California	vaxman14@gmail.com
VTP Coffee, LLC	Visalia	California	fred@vtp.us
Moss Lane Ventures, LLC	Clovis	California	patmitchell209@gmail.com
Moss Lane Ventures, LLC	Fresno	California	patmitchell209@gmail.com
Moss Lane Ventures, LLC	Santa Maria	California	patmitchell209@gmail.com
Verve Beverage and More, LLC	La Mesa	California	anthony@vervebev.com
VTP Coffee, LLC	Porterville	California	fred@vtp.us
VTP Coffee, LLC	Porterville	California	fred@vtp.us
Wellington Coffee Drive-Thru, LLC	Wellington	Colorado	fsherman@frii.com
THB Lake City, LLC	Lake City	Florida	gary@capeam.com
Verschel Enterprises, LLC	Jacksonville	Florida	vshigginbotham@gmail.com
Little Creek Coffee, LLC	Chubbuck	Idaho	theowarner@alumni.uidaho.edu
Tone Bean, LLC	Twin Falls	Idaho	stroop65@hotmail.com
Platinum Grounds 1, LLC	Mattoon	Illinois	nate@teamzimco.com
THB Esat St. LLC	Westfield	Indiana	Jkw1993@aol.com
855e Fort Smallwood Rd., LLC	Pasadena	Maryland	glenn.thehumanbean@gmail.com
HBC No 2, LLC	Las Vegas	Nevada	a3equity@gmail.com
Black Jack Coffee, LLC	Las Vegas	Nevada	ardys@soccleanlv.com



Entity Name	City	State / Province	Email
THB Cary #1, LLC	Cary	North Carolina	gary@Capeam.com
THB Hoffman Village, LLC	Gastonia	North Carolina	gary@capeam.com
THB Waterville Commons, LLC	South Concord	North Carolina	gary@capeam.com
HBOH Perry, LLC	Canton	Ohio	mark.hboh@gmail.com
The Palace of Akron, LLC	Brunswick	Ohio	kyle.nothnagel@gmail.com
HBOH KENT 59, LLC	Kent	Ohio	mark.hboh@gmail.com
HBOH Green, LLC	Uniontown	Ohio	ronw.hboh@gmail.com
JCK Coffee Company Inc	Eugene	Oregon	lauren@teamjck.com
Raevin Inc.	Florence	Oregon	jsrandle@charter.net
Thomason Bean Co., Inc.	Grants Pass	Oregon	danaethomason@gmail.com
Meant 2B Coffee, LLC	Hermiston	Oregon	meant2bcoffee@gmail.com
THB Spring Market, LLC	Reading	Pennsylvania	gary@capeam.com
Jacob Miller and Jacob Moore	San Antonio	Texas	jake@shortstopmarkets.com
Juniper Ventures of Texas, LLC	San Antonino	Texas	kbrumley@junipervot.com
Juniper Ventures of Texas, LLC	New Braunfels	Texas	kbrumley@junipervot.com
Speedy Blue Chocolate with Red Curls	Austin	Texas	cdjohst@gmail.com
Speedy Blue Chocolate with Red Curls	Georgetown	Texas	cdjohst@gmail.com
MJB Bennett Holdings, LLC	South Jordan	Utah	Jacksonwbennett@gmail.com
THB Poquoson Commons, LLC	Poquoson	Virginia	Gary@capeam.com
J&P LLC	Sterling	Virginia	jarrodf@hotmail.com
Golden Springs Coffee, LLC	Everett	Washington	ningj@goldenspringsllc.com
Roast 1, Inc.	Cheyenne	Wyoming	culversofwyoming@yahoo.com

In 2021, no franchisee had an outlet terminated, canceled or not renewed, or has otherwise voluntarily or involuntarily ceased to do business with us under a franchise agreement during the most recently completed fiscal year, or has not communicated with us within 10 weeks of the effective date of this Disclosure Document.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No franchisees are barred from speaking with you about their experience with us by non-disclosure agreements or clauses signed in the last three years, except

to the same extent that our agreements prohibit all of our franchisees from disclosing our Proprietary Information, as defined in the agreements.

As of the date of this Disclosure Document, we are not currently selling a previously-owned franchised outlet now under our control.

**Item 21**  
**FINANCIAL STATEMENTS**

Attached as Exhibit F are our audited financial statements for fiscal years 2020-2019, dated December 31, 2020; and for fiscal years 2019-2018, dated December 31, 2019; and unaudited interim financials for currency as needed. The audited financial statements as of December 31, 2020 are included in Exhibit F.

**Item 22**  
**CONTRACTS**

Copies of all franchise agreements used by the franchisor are attached as exhibits. These documents are as follows:

- Exhibit A - Franchise Agreement, State-specific Rider (if applicable), Guaranty Agreement, Electronic Funds Transfer Authorization, Manager's Confidentiality Agreement, and Form of Release
- Exhibit B - Site Analysis Agreement
- Exhibit G - Area Development Agreement

**Item 23**  
**RECEIPTS**

Exhibit I, the last page of this Disclosure Document, is a detachable document acknowledging your receipt of this Disclosure Document. The Federal Trade Commission requires that you promptly sign and return one copy of the receipt to us. This does not obligate you to purchase a franchise and it does not obligate us to sell you a franchise. Retain the other copy of the receipt for your records.

**RECENT UPDATES**  
**ADDENDUM**

Since the end of our previous fiscal year, the following Items in the Franchise Disclosure Document have changed. Updated Items are listed below, and the specifics are disclosed in the applicable Item. This is a summary of changes in the Franchise Disclosure Document for 2021:

- revised estimated costs of acquiring and operating a franchised outlet;
- updated disclosures relating to our revenues and finances;
- revised list and description of franchised and affiliate-owned outlets;
- updated Item 19; and
- such other information as requires annual updating in the FDD.

## STATE-SPECIFIC RIDERS FOR THE MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF CASEY HAWKINS, INC.

The following are additional disclosures for the Franchise Disclosure Document of Casey Hawkins, Inc. required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.

### California

THE CALIFORNIA FRANCHISE INVESTMENT LAW REQUIRES THAT A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE BE DELIVERED TOGETHER WITH THE DISCLOSURE DOCUMENT.

WE MAINTAIN WEB SITES AT THE FOLLOWING ADDRESSES:

[www.thehumanbean.com](http://www.thehumanbean.com)

[www.thebeandrivethru.com](http://www.thebeandrivethru.com)

OUR WEBSITES HAVE NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THESE WEBSITES MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

The earnings claims figures include averages of our affiliate-owned stores' costs of sales, operating expenses, and other costs or expenses of the kind that must be deducted from your gross revenue or gross sales figures to obtain your net income or profit. You should still conduct an independent investigation of the costs and expenses you will incur in operating your franchise business. Franchisees or former franchisees, listed in the offering circular, may be one source of this information.

1. The following is added to Item 3:

Neither THB nor any person identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling such persons from membership in such association or exchange.

2. The following is added to Item 17:

California Business and Professions Code, Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

i. The franchise agreement provides for possible termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. § 101 et seq.).

ii. The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

iii. YOU MUST SIGN A GENERAL RELEASE IF YOU RENEW OR TRANSFER YOUR FRANCHISE. CALIFORNIA CORPORATIONS CODE §31512 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE INVESTMENT LAW (CALIFORNIA CORPORATIONS CODE §§31000 THROUGH 31516). BUSINESS AND PROFESSIONS CODE §20010 VOIDS A WAIVER OF YOUR RIGHTS UNDER THE FRANCHISE RELATIONS ACT (BUSINESS AND PROFESSIONS CODE §§20000 THROUGH 20043).

iv. The franchise agreement requires binding arbitration. The arbitration will occur at Medford, Oregon with the costs being borne by the non-prevailing party. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside of the State of California.

v. The franchise agreement requires application of the laws of Oregon. This provision may not be enforceable under California law.

vi. Section 31125 of the California Corporations Code requires us to give you a disclosure document, in a form containing the information that the commissioner may by rule or order require, before a solicitation of a proposed material modification of an existing franchise.

### **Connecticut**

#### DISCLOSURES REQUIRED BY CONNECTICUT LAW

The State of Connecticut does not approve, recommend, endorse or sponsor any business opportunity. The information contained in this disclosure has not been verified by the state. If you have any questions about this investment, see an attorney before you sign a contract or agreement.

Name of Franchisor: Casey Hawkins, Inc.

Date of Issuance: On Cover Page

Cross-Reference Sheet:

Information required to be disclosed by Connecticut General Statutes § 36b-63:

1. If we fail to deliver the products, equipment or supplies or fail to render the services necessary to begin substantial operation of the business within forty-five days of the delivery date stated in your contract, you may notify us in writing and demand that the contract be cancelled.

2. The Franchise Disclosure Document includes the remainder of the information required to be disclosed by Connecticut General Statutes § 36b-6, otherwise there is no applicable information to disclose.

### **Maryland**

1. Nothing in the Franchise Agreement or any related agreement will be interpreted to require franchisees or developers to waive, release or be estopped from asserting any claims arising under the Maryland Franchise Registration & Disclosure Law.
2. Nothing in the Franchise Agreement or any related agreement will be interpreted to bar franchisees or developers from seeking injunctive relief in Maryland on any claims arising under the Maryland Franchise Registration & Disclosure Law.
3. If a general release is required as a condition of renewal, sale, assignment or transfer, the release will not apply to any claims arising under the Maryland Franchise Registration & Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration & Disclosure Law must be brought within three (3) years after the grant of the franchise.
5. Provisions in the Franchise Agreement and any related agreement permitting the franchisor to terminate upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 USC § 101 et seq.).

### **Michigan**

The state of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in these franchise documents, the provisions are void and cannot be enforced against you.

- (a) A prohibition on the right of a franchisee to join an association of franchises.
- (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 thirty (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 five (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 six (6) months' advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This

section does not require a renewal provision.

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

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

(i) 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 a Notice of Intent is on file with the Attorney General of Michigan does not constitute approval, recommendation, or endorsement by the Attorney General of this offering. Questions regarding the Notice should be directed to the Attorney General of Michigan by phone at **517-373-7117** or:

**Attorney General, State of Michigan**  
**Consumer Protection Division - Franchise Registration**  
**Att'n: Division Chief, P.O. Box 30213**  
**Lansing, MI 48909**  
**Minnesota**

Minnesota Statute §80C.21 and Minnesota Rule 2860.4400(J) prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring you to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Franchise Disclosure Document, our Franchise Agreement or the related agreements can abrogate or reduce any of your rights as provided for in Minnesota Statutes 1984, Chapter 80C, or your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

The following is added at the end of the charts in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minnesota Statute 80C.14 Subd. 3-5 which 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 non-renewal of the Franchise Agreement; and
- that our consent to the transfer of your franchise will not be unreasonably withheld.

Minnesota considers it unfair to not protect the franchisee's right to use the trademarks. Refer to Minnesota Statute 80C.12 Subd. 1(G). We will protect your rights to use the trademarks, service marks, trade names, logotypes, or other commercial symbols or indemnify you from any loss, costs, or expenses arising out of any claim, suit, or demand regarding the use of the name.

Minnesota Rules 2860.4400(D) prohibits us from requiring you to assent to a general release.

You cannot consent to our obtaining injunctive relief. We may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

Our Limitations of Claims section must comply with Minnesota Statute 80C.17 Subd. 5.

### New York

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SERVICES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21ST FLOOR, NEW YORK, NY 10005 (212) 416-8222. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is to be added at the end of Item 3:

Except as provided above, with regard to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor

allegations.

B. No such party has pending actions, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the 10 year period immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

3. The following is added to the end of the “Summary” sections of Item 17(c), titled **“Requirements for franchisee to renew or extend,”** and Item 17(m), entitled **“Conditions for franchisor approval of transfer”**:

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

4. The following language replaces the “Summary” section of Item 17(d), titled **“Termination by franchisee”**: You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the “Summary” sections of Item 17(v), titled **“Choice of forum”**, and Item 17(w), titled **“Choice of law”**: The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

### **North Dakota**

A form of Addendum for franchisees in North Dakota is included, following the form of Franchise Agreement.

### **Virginia**



Section 14.7 of the Franchise Agreement permits us to terminate the Franchise Agreement if you are in default under any other franchise agreement or other agreement between you and us. In recognition of the restrictions contained in § 13.1-564 of the Virginia Retail Franchising Act (VRFA), the Franchise Disclosure Document of Casey Hawkins, Inc. is amended as follows:

The following is added to Item 17(h):

Under § 13.1-564 of the VRFA, it is unlawful for a franchisor to cancel a franchise without reasonable cause. Accordingly, if any grounds for default or termination stated in the Franchise Agreement or Area Development Agreement does not constitute “reasonable cause” as defined by the VRFA or the laws of Virginia, that provision may not be enforceable. Under the VRFA, the cross-default provisions of the Franchise Agreement (Section 14.7) and Area Development Agreement (Section 4.3.2) may not be enforceable.

### **Washington**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor’s reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee’s earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor’s earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

### **Wisconsin**

The Wisconsin Fair Dealership Law, Wis. Stat. Ch. 135, supersedes any provisions in the Franchise Agreement or related agreements that are inconsistent with that Law.

### **RIDER FOR RECIPIENTS OF SBA-ASSISTED LOANS**

If you qualify for and receive certain loans assisted by the United States Small Business Administration (SBA), the provisions of the SBA Rider to the Franchise Agreement (SBA Form 2462) will apply. The SBA Rider restricts the exercise of our discretion in approving or disapproving a potential transfer of your franchise. The SBA Rider also prevents us from requiring you to sell or lease real estate to us in the event of termination of your franchise. A form of the SBA Rider is included in Exhibit A, following the form of Franchise Agreement.

**EXHIBIT A**

FRANCHISE AGREEMENT

This Franchise Agreement (this “Agreement”) is by and between Casey Hawkins, Inc., an Oregon corporation with an address at 623 Rossanley Drive, Medford, OR 97501 (“THB”) and

(“Franchisee”).

This Agreement is effective as of the date it is first signed by both parties (“Effective Date”).

Drive-Through Address (if known):

\_\_\_\_\_ (“Premises”)

Projected Opening Date: \_\_\_\_\_

RECITALS:

A. Casey Hawkins, Inc. (“THB”) has over a period of time and at considerable expense developed and established a uniform method of operation, customer service, advertising, publicity, processes, techniques, and technical knowledge in connection with its drive-through restaurants specializing in espresso, coffee, and related items. These drive-thrus do business under our registered trademarks, including **THE HUMAN BEAN**. The “THB System” means all these techniques and the processes, methods, specifications, and proprietary marks and information of THB, as summarized in the THB Operations Manual.

B. THB owns certain trademarks and service marks, including “The Human Bean,” U.S. No. 2,493,213. These marks are referred to in this Agreement as the “Proprietary Marks” or “THB Marks” (as listed in Section 4.3 of this Agreement).

C. Franchisee desires to make use of the Proprietary Marks and the THB System, and to establish a drive-through serving espresso, coffee, and related items (the “THB Outlet”) to be operated in accordance with the methods, practices, and procedures set forth from time to time by THB in its operations manual (the “Operations Manual”). THB is willing to grant Franchisee the right to do so under the terms, conditions, and provisions set forth in this Agreement. (This Agreement, along with the Appendices, Addenda, Attachments, and Exhibits attached to it and/or executed with it constitute the Franchise Agreement and are referred to in this Agreement as the “Franchise Agreement” or this “Agreement.”)

## FRANCHISE AGREEMENT

### 1. The Franchise.

- 1.1 **Franchise Grant.** THB grants Franchisee a franchise that includes the right to use the Proprietary Marks and the THB System, as provided in this Agreement, in connection with the operation of a THB Outlet, at the location stated above, or such other location as THB may approve (the “Premises”).
- 1.2 **Territorial Exclusivity.** THB will not establish another THB outlet within a radius of one mile of the above address, unless Franchisee first gives its written consent. Franchisee may relocate the THB Outlet within its granted territory only with THB’s prior written consent and approval of the relocation site. Nothing in this Agreement will be deemed to prevent THB from engaging in any other activities within such one-mile radius, or elsewhere, using any of the Proprietary Marks or any other trademark or service mark. If THB and Franchisee or its affiliate are parties to an Area Development Agreement (ADA), then during the term of the ADA, its provisions regarding territorial rights in the Development Area will supercede the more limited grant of territorial exclusivity for individual units set forth in this Section. If an ADA is terminated and not renewed, extended or replaced, but this Agreement remains effective, then the more limited grant of territorial exclusivity for individual units set forth in this Section will apply.
- 1.3 **Limitation to Outlet Site.** This franchise is granted only for the Premises and, except as provided in Section 1.2, grants no rights outside that site. Except as provided in Section 1.2, THB reserves the sole and unlimited right to establish and operate, or permit others to operate, THB outlets at, or grant THB franchises for, any locations.
- 1.4 **Existence of Various Forms of Franchise Agreements.** Franchisee acknowledges that existing and future franchisees of THB operate under various forms of franchise agreements, and that THB’s obligations and rights with respect to its various franchisees may differ materially in certain instances. The existence of different forms or versions of the Franchise Agreement does not entitle Franchisee to benefit from any such difference, nor does it operate to alter or amend the agreement of the parties set forth in this Agreement.

### 2. Fees.

- 2.1 **Site Analysis Fee.** Upon the execution of this Agreement, THB will apply any Site Analysis Fee paid by Franchisee pursuant to a Site Analysis Agreement between Franchisee and THB to the Initial Franchise Fee, as defined below.
- 2.2 **Initial Franchise Fee.** The fee for the rights granted under this Agreement (the “Initial Franchise Fee”) is Thirty Thousand Dollars (\$30,000), which is due upon execution of this Agreement. If your THB Outlet does not open for business

within eighteen (18) months of the execution of this Agreement, then THB may terminate this Agreement and keep the nonrefundable portion of the Initial Franchise Fee as liquidated damages. THB may extend this deadline, in writing only and in its sole discretion. In case of failure to open, the nonrefundable portion of the Initial Franchise Fee will total Ten Thousand Dollars (\$10,000), including the Site Analysis Fee (\$5,000) and an additional Five Thousand Dollars (\$5,000).

- 2.3 Brand Fee.** THB will collect a fee of one percent (1%) of Franchisee's gross sales revenues, less taxes, promotional discounts, and delivery fees, to be used for a Brand Fund, to be used and accounted for in the manner set out in Sections 8.6.1-8.6.5 below ("Brand Fee"). THB reserves the right to a future increase in the Brand Fee not to exceed two percent (2%) of gross sales revenues. "Gross sales revenues" means the aggregate of all sales of The Human Bean products, other items and services made and rendered in connection with the operation of each drive-thru, including sales made at or away from the premises of your drive-thru, whether for cash or credit, but excluding all promotional discounts, delivery fees, and taxes, meaning federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority. You authorize THB to collect the Brand Fee on a monthly basis using Electronic Funds Transfer or ACH Transfer and will execute such bank authorization forms as are required for such transfers.
- 2.4 Royalty Fee.** THB does not currently charge a royalty fee. Franchisee agrees to purchase all coffee and espresso beans, all coffee bean or espresso bean products, all logo cups and lids, and most other food and non-food supplies as specified in the Operations Manual, all for use in the operation of the THB Outlet, only from THB or its designated supplier, and that Franchisee's purchase of any coffee or espresso beans, coffee bean or espresso bean products, logo cups, lids, or other supplies as specified in the Operations Manual from other sources will constitute a material breach of this Agreement. THB's gross profit margin on coffee beans, coffee products, logo cups, lids, and other supplies sold to Franchisee, exclusive of freight and any applicable taxes, will not exceed forty percent (40%).

### **3. Term and Renewal.**

- 3.1 Initial Term.** The initial term of this Agreement will be ten (10) years from the execution of this Agreement. Provided that Franchisee has met the conditions set forth in Section 3.2, THB will offer Franchisee a successor franchise agreement for another ten (10) years, which will become effective upon the expiration of this Franchise Agreement.
- 3.2 Renewal.** Franchisee may renew the franchise for additional ten-year terms by accepting THB's offer of successor franchise agreements under Section 3.1, provided that all of the conditions in this Section 3.2 are met.


- 3.2.1 Franchisee is in substantial compliance with the term of this Agreement and the then-current Operations Manuals;
- 3.2.2 Franchisee has not received more than three (3) written notices of default or breach of this Agreement during its term, and no more than two (2) such notices during the five (5) years immediately preceding the effective date of the proposed renewal;
- 3.2.3 Franchisee gives THB written notice of Franchisee's desire to renew not less than sixty (60) days or more than one hundred eighty (180) days before this Agreement expires;
- 3.2.4 Franchisee pays a renewal fee of Two Thousand Dollars (\$2,000) to THB;
- 3.2.5 Franchisee signs the then-current form of the Franchise Agreement, provided however that changes from the form of this Agreement will be restricted to THB's implementing any reasonable system-wide changes relating to its operations, products or administration, and also limited by THB's obligations of good faith and fair dealing, together with any ancillary or third-party agreements then being required of new franchisees, and returns these agreements (validly executed by Franchisee) before the expiration of this Agreement;
- 3.2.6 Franchisee refurbishes or remodels the Premises as THB reasonably directs, or commits to do so by a certain date that is agreeable to THB, provided however that Franchisee will not be required to spend more than sixty-five thousand dollars (\$65,000) per drive-thru unit to satisfy all such requirements for refurbishment or remodeling;
- 3.2.7 Franchisee is current on all financial obligations to THB and its approved vendors; and
- 3.2.8 Franchisee releases all past and present claims against THB, to the maximum extent permitted by applicable law.


#### **4. License and Use of Proprietary Marks.**

- 4.1 Ownership of Proprietary Marks.** Franchisee acknowledges and agrees that "The Human Bean" and the other Proprietary Marks are trademarks or service marks owned by THB; that these marks together with any other marks that may be acquired by THB in the future, constitute part of the THB System; that valuable goodwill is associated with and attached to the Proprietary Marks; and that any and all goodwill associated with the Proprietary Marks, including any goodwill that might be deemed to have arisen through Franchisee activities, inures directly and exclusively to the benefit of THB. Franchisee will not, directly or indirectly, apply to register, register or otherwise seek to own or control any of the Proprietary Marks, or any confusingly similar form or variation, in any place or jurisdiction either within or outside the United States, nor will Franchisee assist

any others to do so. Franchisee will not directly or indirectly contest or aid in contesting the validity or ownership of the Proprietary Marks, and such obligation will survive the termination of this Agreement.

- 4.2 License.** For the life of and subject to the terms of this Agreement, Franchisee is granted a nonexclusive license, in accordance with the methods, practices, and procedures as set forth from time to time in the Operations Manual, to (1) operate a THB Outlet at the premises under the trade name “The Human Bean,” and (2) to use the Proprietary Marks in connection with the THB System (collectively, the “License”). Franchisee has no right to grant any sublicense of any of the Proprietary Marks. The License is transferable only in the sense that a purchaser of the franchised business may, pursuant to Section 12 of this Agreement, be granted a similar license under its own Franchise Agreement with THB. The License is nonexclusive and relates solely to the THB Outlet. THB, in its sole discretion, has the right, subject to Section 1.2 of this Agreement, to operate or franchise other THB outlets and to grant other licenses in, and to, any or all of the Proprietary Marks; in each case at such location and on such terms and conditions as THB deems acceptable.
- 4.3 List of Proprietary Marks.** The Proprietary Marks or THB Marks include the following, and such other marks as THB may, in its sole discretion, add by amendment of the Operations Manuals:

<i>Trademark or Service Mark</i>	<i>United States Patent &amp; Trademark Office Registration Number</i>
<i>“The Human Bean”</i>	<i>2,493,213</i>
<i>“The Human Bean Espresso Coffee Etc.”</i>	<i>2,760,822</i>
<i>“The Human Bean Drive Thru”</i>	<i>2,805,579</i>
<i>H2B</i>	<i>3,264,873</i>
	<i>5,545,858</i>

	<b>5,545,866</b>
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- 4.1 List of Proprietary Marks Subject to Change.** Franchisee acknowledges that THB does not represent that it has exclusive rights to the Proprietary Marks, that no one else has any rights to such marks, or that use of such marks in any particular location will not violate the rights of third parties. If it becomes advisable at any time in the sole discretion of THB to modify or discontinue use of any of the Proprietary Marks, including “The Human Bean,” or to use one or more additional substitute trade or service marks, Franchisee agrees to comply with THB’s direction to modify or discontinue use of such mark or use one or more additional or substitute trade or service marks within a reasonable time after notice to Franchisee, and THB’s liability to the Franchisee in such event will be limited to the reasonable cost of replacement of signs, supplies, and other materials bearing the discontinued mark.
- 4.2 Limitations on Use of Proprietary Marks.** Franchisee may use the Proprietary Marks only in conformity with the standards and requirements that THB has established or may establish from time to time as set forth in the Operations Manuals. Franchisee acknowledges and agrees that any unauthorized use, or continued use of the Proprietary Marks after the termination or expiration of this Agreement, will constitute trademark infringement causing irreparable harm to THB, subject to injunctive relief. Franchisee will submit all printed matter, including stationery, business cards, purchase orders, and invoices to THB for its written approval before Franchisee may use these items. Franchisee will not use “The Human Bean” or any other of the Proprietary Marks, or any term confusingly similar to the Proprietary Marks, as a corporate, quasi-corporate, L.L.C., partnership or top-level domain name except as permitted by Section 4.10 of this Agreement.
- 4.3 Maintenance of THB’s Good Will.** Franchisee agrees to refrain from performing any act or engaging in any conduct, either directly or indirectly, that is or may be injurious or prejudicial to the goodwill associated with the Proprietary Marks or the THB System. Franchisee acknowledges that any such acts or conduct will cause irreparable harm to THB and will entitle THB to seek and obtain injunctive relief.
- 4.4 Trade Dress.** Franchisee acknowledges that certain portions of the Premises décor and design constitute unique and protectable images to the consumer that are identified with THB and that are part of the goodwill associated with the THB System. This “trade dress” is exclusively owned by THB, and this Agreement does not grant any ownership interest in the trade dress to Franchisee. Usage of



the trade dress by Franchisee, and any goodwill established by that usage, inures to the exclusive benefit of THB.

- 4.5 Infringement of Proprietary Marks.** Franchisee will immediately refer to THB (1) any infringement or challenge of which Franchisee becomes aware to the validity or ownership of the trade name and trademark “The Human Bean” or any other of the Proprietary Marks; (2) any complaints of which Franchisee becomes aware made by customers to the media or the public, including use of the Internet in connection with the use of these names and the Proprietary Marks; or (3) any acts of unfair competition of which Franchisee becomes aware, whether by Franchisee or by third parties, that interfere with the relationship of the parties to this Agreement or the relationship between THB and other franchisees. The notification must include all information that is available to Franchisee concerning the infringements or acts of unfair competition.
- 4.6 Enforcement of Proprietary Marks.** Franchisee will cooperate with THB in any legal action against third parties brought by THB relating to this Agreement, or to its trade names, trademarks, trade dress, or Proprietary Marks, by providing to THB information or evidence available to Franchisee as THB may request. THB will have full and complete control of any legal or informal action to stop acts of unfair competition or infringement of its Proprietary Marks or trade dress, and THB alone will decide whether any legal action will be taken.
- 4.7 Franchisee Web Sites.** THB maintains an online platform for Franchisee web sites, integrated with THB’s primary customer-facing site and using sub-domains of its domain, that allows franchisees to customize the content of their individual sites within a branded frame. Franchisee will not maintain any separate website nor use a domain name containing or confusingly similar to any of the Proprietary Marks. Content posted to the franchisee web site will comply with brand content guidelines, as in Section 4.9 below and the Operations Manual.
- 4.8 Social Media.** All social media posts by you relating to the franchised business must be through the THB website or an official THB-branded social media account, as described in the Operations Manual. THB does not allow franchisees to promote the franchised location using unreviewed postings on websites or social media accounts other than the THB official website or social media account. Use of the THB Marks by you in connection with unapproved online advertising or social media posts is a violation of the terms of this Franchise Agreement and an unlicensed use of the Marks.
- 4.9 Brand Content Guidelines.** Franchisee and its owners will keep their business and personal communications strictly separate, and will not use official or unofficial THB-branded web sites or social media accounts to express personal views about controversial social, political or other issues not reasonably related to promoting the franchised business. The provisions of this Section do not apply to your personal accounts. Online content should be reasonably calculated to appeal to the public. THB may review and require revisions, deletions or retractions of

online content in the franchisee web pages and official social media accounts. THB's right to edit such online material is inextricably linked with protection of the THB brand and the Proprietary Marks. Franchisee's web pages and social media accounts will include all hyperlinks or other links that THB reasonably requires. Franchisee will not post any material in which any third party has any direct or indirect ownership interest (including video clips, photographs, sound bites, copyrighted text, trademarks or service marks, or any other text or image in which any third party may claim intellectual property ownership interests) without authorization from the owner of the rights and from THB. Franchisee may maintain one or more e-mail addresses and may conduct e-mail communications and online business-to-business transactions without THB's prior written approval, provided that the address and communications comply with all of the requirements (including those pertaining to the use of the Proprietary Marks) contained in this Agreement and any brand usage guidelines in the Operations Manual. Franchisee will comply with all applicable laws and regulations restricting the use of unsolicited calls, emails, faxes and messaging for marketing purposes and regarding the privacy and security of personally identifiable data.

- 4.10 Use of Proprietary Marks in Corporate Name.** Franchisee will not use, as part of its corporate or other business entity name, any of the Proprietary Marks or any other name which, in the judgment of THB, is likely to cause third parties to be confused or mistaken with respect to the separate entities of THB and Franchisee. If required to do so by law, regulation, or ordinance, Franchisee will, before beginning operation of the franchised business, register with the proper local (*i.e.*, city, county, and/or state) authorities its trade or assumed business name, which may, if so required, consist of, or include, a designation that it is doing business as "The Human Bean" or "The Human Bean of Anytown, USA". THB will, if necessary, execute appropriate consents. No such consent may be construed as a relinquishment of THB's exclusive ownership in the name "The Human Bean" or any other of the Proprietary Marks, but will be given only to permit Franchisee to comply with local laws regarding the use of an assumed or fictitious business name. Franchisee consents to the filing or recording by THB or by other franchisees or licensees of THB of the name "The Human Bean" so as to enable operation of other espresso drive-thrus using the name "The Human Bean." Upon expiration, termination or cancellation of this Agreement for any reason, Franchisee will, upon THB's request, execute and have properly filed and recorded documents necessary or desirable to effect the cancellation and termination by Franchisee of any filings or recordings by Franchisee of any document containing the name "The Human Bean."

## **5. Confidentiality.**

- 5.1 Definition of Proprietary Information.** THB's Proprietary Information means all elements of the THB System that are not publicly known, whether or not entitled to protection as a trade secret, including without limitation:
- (1) ingredients, recipes, and methods of preparing food and drink products;
  - (2) methods of operation of THB outlets;
  - (3) information about products,

supplies, services, or procedures; (4) the entire contents of the Operations Manual; (5) any ideas, concepts, formulas, recipes, methods and techniques (including drive-thru building plans) relating to the development or operation of a drive-thru espresso business conceived or developed by you or your employees during the term of the Franchise Agreement; and (5) any other information disclosed to Franchisee through confidential notifications from THB. Franchisee acknowledges that THB is the sole owner of the Proprietary Information. Franchisee hereby assigns to Franchisor all right, title and interest in and to any such ideas, concepts, formulas, recipes, methods and techniques (including drive-thru building plans) relating to the development or operation of a drive-thru espresso business conceived or developed by Franchisee or its employees during the term of the Franchise Agreement, to the extent that such assignment is permitted by applicable law.

- 5.2 Use and Protection of Proprietary Information.** Franchisee agrees not to disclose any of THB's Proprietary Information to any person, other than to Franchisee's employees, and then only to the extent necessary for the operation of the THB Outlet. Franchisee will require its General Manager, as defined in Section 9.1 of this Agreement, to execute a Manager's Confidentiality Agreement substantially in the form attached to this Agreement, unless Franchisee's General Manager is the same person as Franchisee or an owner of at least a one-half undivided ownership interest in Franchisee. Franchisee will keep the Operations Manual and all other tangible records of Proprietary Information in a secure location at the THB Outlet, and will take reasonable precautions to prevent the disclosure of any of the Proprietary Information to any unauthorized person. Franchisee will not make copies of any of the Proprietary Information fixed in any medium. Franchisee will be responsible to THB for any misuse or publication of THB's Proprietary Information by any of Franchisee's employees.
- 5.3 Operations Manual.** Franchisee agrees to adhere to the policies, procedures and specifications of the THB System as set forth in the Operations Manual, as it may be revised by THB from time to time in the sole discretion of THB, provided that such revisions will not effect any material change in the terms of this Agreement. In the event of any dispute as to the contents of the Operations Manual, or any of them, the terms of the copy maintained by THB will be controlling. Franchisee's authorized copy or copies of the Operations Manual remain at all times the property of THB.
- 5.4 Irreparable Harm.** Franchisee acknowledges that any violation of the terms of this Section 5 will cause irreparable harm to THB, entitling THB to injunctive relief.

## **6. Covenants Against Competition and Competitive Solicitation.**

- 6.1 Definition of Competition.** For purposes of this Section 6, "competition" means the operation of or assisting in the operation of a coffee shop, the same as or similar to a THB Outlet, and within a geographical area consisting of (1) during

the term of this Agreement, anywhere, and (2) after termination of this Agreement, a ten (10) mile radius from the location of any THB-branded outlet then operated by THB or its licensees or franchisees, including the Premises of the outlet licensed by this Agreement.

- 6.2 Blue Pencil.** If a judicial or quasi-judicial authority called upon to enforce this Section 6 deems any of its provisions to be unenforceable by reason of its scope or extent, the parties intend that such authority should enforce such provision to the maximum extent permitted by applicable law.
- 6.3 Noncompete and Nonsolicitation Covenants.** During the term of this Agreement, and for a period of two (2) years after its expiration or termination, Franchisee will not (a) engage in any business in competition with any THB outlet, except as authorized in writing by THB, or (b) employ or seek to employ any employee of THB or of any THB franchisee or developer for a period of at least one (1) year following the non-employment of such employee. The one and two-year terms set forth in this Section 6.3 will be extended by any time consumed in litigation or arbitration required to enforce it, including any appeals. For purposes of this Section 6.3, “engage in business” means in any capacity, including as a franchisee, sole proprietor, partner, limited partner, member, employer, franchisor, stockholder, officer, director, or employee, except in the capacity of shareholder of less than five percent (5%) beneficial interest in the stock of any publicly traded corporation.
- 6.4 Irreparable Harm.** Franchisee acknowledges that any violation of the terms of this Section 6 will cause irreparable harm to THB, entitling THB to injunctive relief.

## **7. Establishment of the Franchise.**

- 7.1 Layout and Design.** THB has prototype building designs from which the franchisee may choose. If Franchisee desires to build or remodel to a design other than one of the THB prototypes, then Franchisee will submit plans or blueprints for all such construction, improvements and remodeling to THB for its approval, and will make such changes in the plans or blueprints as THB reasonably requests. Expenditure of funds on design or drafting by Franchisee does not obligate THB to approve the plans. THB reserves the right to approve or disapprove the design or plans, in its sole discretion. All such construction, improvements and remodeling of the Premises will meet or exceed any applicable building codes and any other regulations of any local governing body (city, county, or state).
- 7.2 Landscaping and Site Improvements.** All plans for the development and landscaping of the site of the THB Outlet, including drive-thru directional striping and parking spaces, must be submitted to THB for its approval in writing before the plans are implemented.

- 7.3 **Licenses and Permits.** Franchisee will obtain any licenses or permits required for any construction, improvement, or remodeling of the premises of the THB Outlet, and for the operation of the THB Outlet.
- 7.4 **Equipment.** Franchisee will acquire equipment to be used in the operation of The Human Bean drive-thru from THB or from approved suppliers only. Certain equipment must be purchased from THB, as specified in the Operations Manual. Any and all equipment used in the operation of the drive-thru must be in accordance with the standards and specifications set forth by THB in the Operations Manual or other documents provided or approved by THB as they presently exist or may exist in the future. THB will have independent access to all user-accessible information on your POS System. THB may at its option require you to upgrade your POS and enter into ongoing contracts for the use of the POS software, and for additional software and hardware, if required for marketing, advertising, or operations, and for maintenance, upgrading and repair of the POS system. You will not be required to spend more than \$8,000 to fulfill this obligation in any three-year period.
- 7.5 **Signage.** Franchisee must acquire signs for advertising and identifying the Franchisee's business as a THB Outlet from a THB-approved supplier, or according to the Alternative Approval Procedure set forth in Section 8.1. All signs and menu boards must be in accordance with the standards and specifications of THB and any applicable laws or regulations. Franchisee acknowledges that quality control is essential to protect and promote THB's Marks, standards, and uniform image.
- 7.6 **Communications.** Franchisee will be required to maintain a telephone number, and an Internet service provider account, which includes the ability to send and receive e-mail; provided, however, that in no case will Franchisee be required to pay any fee to THB for the use of such hardware or software.

## 8. Operation of the THB Outlet.

- 8.1 **Operations Manual and Alternative Approval Procedure.** Franchisee acknowledges that uniformity in all aspects of the operation of the THB Outlet is necessary to protect THB's good will in the THB Marks, and that such uniformity will be achieved by Franchisee's strict compliance with all provisions of the Operations Manual. Except as provided in this Section 8.1, Franchisee will strictly comply with the menus, procedures, standards, recipes, and provisions set forth in the Operations Manual, and will not sell any product at the THB Outlet that is not authorized by the Operations Manual or otherwise approved by THB. Franchisee may make a request in writing to deviate from any of the requirements set forth in the Operations Manual, including the specifications relating to equipment, supplies, recipes, and other aspects of operation. THB will evaluate all such requests and either approve or disapprove, in its sole discretion, within thirty (30) days of its receipt of the request (the "Alternative Approval Procedure"). If THB fails to respond to any request made pursuant to this

Section 8.1 within the prescribed time period, the request will be deemed disapproved. Advertising materials are handled as stated in Section 8.6.

- 8.2 Restricted Use of the Premises.** The Premises will be used only for the operation of the THB Outlet. Franchisee will not conduct any other businesses or activities on the Premises. Franchisee will not wholly or partially let or sublet the Premises without THB's prior written consent.
- 8.3 Supplies.** You must purchase all food, beverage and other supplies, as specified in the Operations Manual, from our designated supplier or other approved supplier, only if approved according to the procedure set forth in Section 8.1, and further provided that you use only supplies and ingredients that are in compliance with the standards as set forth in the Operations Manual or other documents provided or approved by THB as they presently exist or may exist in the future. THB will assist you during the initial phase of your operations in procuring necessary supplies (as well as equipment, signs, fixtures, and opening inventory) by providing you with written specifications for these items, names of approved suppliers for these items, and contact information useful in establishing customer relationships with suppliers for these items. The purchase and use of unapproved supplies at your THB Outlet is a violation of this Agreement.
- 8.4 Coffee and Coffee Beans.** Franchisee will purchase only from THB's approved distributor all of Franchisee's requirements for coffee and espresso beans, as specified in the Operations Manual, or other documents provided or approved by THB as they presently exist or may exist in the future. No coffee or espresso may be served at the THB Outlet that is not purchased through the THB-designated supplier. Franchisee acknowledges that THB's coffee and espresso bean blends and roasts are trade secrets of THB, and that Franchisee's breach of this Section 8.4 will be grounds for immediate termination of this Agreement by THB without opportunity to cure. Franchisee will pay THB-designated coffee or espresso bean vendors within vendor terms.
- 8.5 Logo Cups and Lids.** Franchisee will purchase only from THB or THB's approved distributor all of Franchisee's requirements for logo cups and lids, as specified in the Operations Manual. The purchase and use of unapproved cups or lids at your THB Outlet is a violation of this Agreement.
- 8.6 Advertising and Promotions.** Franchisee will use its best efforts to promote and advertise the opening of the THB Outlet. THB recommends that Franchisee spend at least Five Thousand Dollars (\$5,000) on local advertising within the first six (6) months following the opening of the THB Outlet. Advertising materials made available to Franchisee by THB pursuant to Section 10.6 of this Agreement are approved if used without change. All other advertising and promotional content to be offered or published by or for Franchisee in any medium, including without limitation print, radio, television and Internet advertising, will be submitted to THB for approval or disapproval in advance of its use, and no such advertisement or promotion will be used by Franchisee unless it has first been

approved by THB. THB will evaluate all proposed advertising and promotions and either approve or disapprove within fifteen (15) days of its receipt of the request. We will not unreasonably withhold approval for use of proposed advertising materials. We may withdraw a previous approval if we deem it necessary to conform with the THB System or avoid a violation of applicable laws. If THB fails to respond to any request for evaluation of proposed advertising or promotion within the prescribed time period, the proposed advertisement or promotion will be deemed disapproved. Approval is not a representation or guarantee by THB that an advertisement proposed by you complies with applicable law. Menu boards are advertisements for purposes of this Agreement.

- 8.6.1 **Brand Fee and Fund.** Your contribution to the Brand Fund in the amount of 1% of your gross sales receipts less taxes, promotional discounts, and delivery fees (Brand Fee) will be made monthly during the term of this Agreement. THB will collect the Brand Fee via Electronic Funds Transfer (EFT), maintain the Brand Fund in a dedicated bank account, and keep it separate from THB's operating funds and other accounts.
- 8.6.2 **Annual Reporting to Franchisees.** An unaudited financial statement of the Brand Fund will be made available on request to all contributing franchisees annually, not more than 120 days after our fiscal year end, along with underlying data showing how proceeds were raised and spent in the previous fiscal year. The Brand Fund will pay reasonable costs for preparing and furnishing its annual report.
- 8.6.3 **Restrictions on Use of Brand Fund.** The Brand Fund will primarily be used to pay an independent advertising agency for the creation of content for use in advertising, promotion, and marketing of the THB-branded products/services; and for the administration of the Brand Fund, including its costs for collection of unpaid Brand Fees, provided that (i) not more than twenty-five percent (25%) of the Brand Fund will be used for administrative costs in any fiscal year; and (ii) neither THB nor its affiliates will receive any payments for providing goods or services to the Brand Fund, apart from reimbursement of expenses. The Brand Fund may be used for the design or maintenance of THB websites or global social media marketing campaigns, so long as the website, campaign or promotion promotes the branded products/services, and even if it also solicits potential franchisees. The Brand Fund will not be used for any advertising primarily aimed at soliciting prospective franchisees for THB. The Brand Fund will not be used for any placement of advertising content in any local market.
- 8.6.4 **Administration of Brand Fund.** THB does not hold the Brand Fund in trust for you, and will have no fiduciary duty to you relating to the Brand Fund. The Brand Fund will be administered by THB, and THB will have final authority over expenditures from the Brand Fund, but (i) THB's

obligations of good faith and fair dealing will apply to its decisions about expenditures from the Brand Fund, and (ii) THB will consider the views of the Franchisee Advisory Committee regarding expenditures from the Brand Fund.

8.6.5 Franchisee Advisory Committee. In light of the views of the Franchisee Advisory Committee, we will decide using our reasonable business judgment how to spend contributions to the Brand Fund.

8.7 **Continued Operation of the THB Outlet.** After Franchisee has begun full operation of the drive-thru, Franchisee may not discontinue operation of the drive-thru without THB's prior written consent. If THB, in its sole discretion, consents to a temporary discontinuance of operation, then Franchisee must reopen the drive-thru no later than the date designated by THB in its written consent.

8.8 **Hours of Operation.** Unless otherwise agreed to in writing by THB, Franchisee will keep its THB Outlet open for business to the public and lighted and staffed seven days per week at least from 6 a.m. to 6 p.m. local time or during the hours THB may designate from time to time in the Operations Manual. Franchisee's drive-thru will not be closed more than three (3) days in any calendar year during the term of this Agreement, except that closures of up to ten (10) days are allowed for extreme weather events or similar disabling external factors.

8.9 **General Operating Requirements.** Franchisee will operate the THB Outlet in accordance with THB's standards of drink quality, cleanliness, and customer service and will conduct and maintain the THB Outlet and the Premises so as not to distract from or interfere with the integrity and standards of THB. Franchisee will at all times comply with the provisions of the Operations Manual and all applicable laws, rules, ordinances, and regulations of governmental authorities pertaining to the operation of the THB Outlet. Franchisee will at all times maintain the building, equipment, fixtures, and the Premises to the standards of THB.

## 9. Franchisee's Designated Manager and Structure.

9.1 **General Manager.** Franchisee will appoint an individual with primary overall responsibility for the day-to-day operations of the THB Outlet (the "General Manager"). The General Manager will personally oversee the day-to-day operations of the THB Outlet, use best efforts and constant personal attention in the day-to-day operations of the THB Outlet, and reside in the area where the THB Outlet is located. Franchisee's General Manager will have authority to ensure that the THB Outlet is operated according to the terms of this Agreement and the procedures set forth in the Operations Manual. Franchisee will identify the General Manager to THB, and the General Manager will undergo training in the THB system pursuant to Section 10.1 of this Agreement. The General Manager must be capable, in the opinion of THB, of communicating with employees, customers, and suppliers.



**9.2 No Undisclosed Equity Owners.** If Franchisee is a legal entity, Franchisee represents and warrants that all of the natural persons with an ownership interest in such entity have been disclosed to THB as potential guarantors, and will remain for the entire term of this Agreement, the only persons entitled to share in the profits from the THB Outlets, unless there is an approved Transfer pursuant to Section 12 below.

## **10. Services Provided by THB.**

- 10.1 Initial Training.** THB has developed a training program for the THB System. THB will provide initial training, and such additional training as THB may in its sole discretion deem necessary from time to time during the term of this Agreement, to two (2) people designated by Franchisee, one of whom should be the General Manager. There will be no fee for this training, however, Franchisee will bear the costs of transportation, lodging, and meals to the extent such costs are incurred. Franchisee acknowledges that the training described in this Section 10.1 is necessary to the operations of the THB Outlet, and agrees that the two designated persons will undergo the training required by this Section. If, in THB's reasonable business judgment, either of the two designated persons is unable to successfully complete the initial training, THB may require that the training be repeated or supplemented, and if such additional training is required, THB may impose a reasonable fee for such training. Nothing contained in this Agreement will be deemed to limit or restrict THB's right to modify or alter its training programs and offerings in any way.
- 10.2 Supplemental Training.** Franchisee or its General Manager will participate in any continuing training program provided by THB through the medium of bulletins, manuals, and other literature, and will comply with the directives and instructions contained in those documents, or delivered by THB during or after inspections. This Section 10.2 will not be interpreted to require THB to provide any training beyond the initial training.
- 10.3 Operations Manual.** THB will loan to Franchisee one THB Operations Manual for each THB Outlet. THB may, but is not obligated to, update and revise the Operations Manual from time to time during the term of this Agreement as it deems appropriate.
- 10.4 Assistance at Opening.** THB will provide, at THB's expense, on-site assistance to Franchisee for the opening of the THB Outlet in the form of a representative of THB familiar with the THB System. The on-site assistance will be available on the day of the opening of the THB Outlet.
- 10.5 On-Site Assistance.** THB will provide reasonable ongoing support to the THB Outlet, at Franchisee's request, during the term of this Agreement. THB will meet its obligation under this Section 10.5 by responding in a reasonably prompt manner to written or telephonic queries from Franchisee. THB will, upon Franchisee's request, make a representative of THB available for on-site

assistance at the THB Outlet (in addition to the on-site assistance provided at the opening of the THB Outlet), and THB will charge a fee for such on-site assistance. THB may require Franchisee to accept on-site assistance, at Franchisee's expense, if in THB's reasonable business judgment Franchisee requires such assistance to operate in accordance with this Agreement and the Operations Manual. Currently the fee is four hundred dollars (\$500) per day. In addition, Franchisee will bear the costs of transportation, lodging and meals for the THB representative providing the on-site assistance.

- 10.6 Advertising and Point-of-Sale Materials.** THB will make available to Franchisee, without charge (apart from the Brand Fee), certain advertising, promotional, and point-of-sale display materials prepared by or for THB. Franchisee may use any such advertising materials in its own local advertising, provided that Franchisee submits any proposed modifications to THB for evaluation according to the procedure set forth in Section 8.6 of this Agreement. Franchisee will be required to use such point-of-sale materials in the THB Outlet as THB may direct. Nothing in this Section 10.6 will be interpreted to require THB to provide Franchisee with any specific or on-demand advertising, promotional, or point-of-sale display materials.

## **11. Inspections, Audits and Accounting.**

- 11.1 THB's Right To Inspect.** Representatives or agents of THB have the right to enter and examine or inspect the THB Outlet, or any part of the premises, at any time during normal business hours, and to remove samples of food or non-food items in sufficient quantities for testing to ensure compliance with THB standards and specifications. No payment by THB will be required for such samples. At the time of such examination or inspection, THB or its representatives or designees may give advice and assistance to Franchisee to assist in the management and operation of the espresso drive-thru, without charge. Franchisee must remedy any curable deficiencies found by the inspector in a timely manner as provided in Section 14.5 of this Agreement. THB's right to inspect extends to any facility or equipment other than the premises of the THB Outlet used in connection with the operation of the franchised business.
- 11.2 THB's Right to Audit.** At all times, representatives of THB will be given free access to Franchisee's books and records pertaining to the franchised business (including through the POS software, and any third-party platform such as for delivery services), and they may audit those books and records if THB, in its sole discretion, deems an audit necessary. THB may, in its sole discretion, conduct such test and inspections, as it deems necessary to verify gross sales and compliance with this Agreement. If an audit results from Franchisee's failure to prepare, deliver, or preserve statements, reports, or records required by this Agreement, or if any inspection or audit reveals that Franchisee has underreported sales or purchases by more than two percent (2%) during the period covered by the audit, Franchisee will, within thirty (30) days, pay to THB, or reimburse THB for, (1) all of the costs and expenses incurred by THB in conducting the audit or

inspection, including attorneys' and accounting fees and costs, (2) all revenue otherwise due THB in relation to inventory and/or supplies not purchased from approved vendors, and (3) interest on applicable revenue at a rate of eighteen percent (18%) per annum or the highest permissible rate, whichever is less. These payments will be without prejudice to any other remedies THB may have under this Agreement or the law, including the right to terminate this Agreement, without opportunity to cure, in the case of intentional underreporting of gross sales or purchases, or purchasing inventory or supplies from other than an approved vendor.

**11.3 Provision of Monthly and Annual Financial Records.** Franchisee will keep full, complete, and accurate books and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed below or as from time to time further prescribed by THB. Franchisee agrees to submit the following reports and data to THB electronically, using the equipment, software and protocols specified in the Operations Manual:

11.3.1 Not later than thirty (30) days after the end of each calendar month, on a THB-approved form, a profit and loss statement of the THB Outlet for the preceding calendar month prepared in accordance with generally accepted accounting principles;

11.3.2 Not later than thirty (30) days after the end of each calendar year, commencing with the opening date of the THB Outlet, on a THB-approved form, a profit and loss statement for the year and a balance sheet (including a statement of retained earnings or partnership accounts) as of the end of the period; and

11.3.3 At the times required, such other periodic forms, reports, and information as may from time to time be prescribed by THB. If Franchisee fails to submit the profit and loss statements required by this Section 11.3 on a timely basis, then THB will be entitled to pursue injunctive relief granting specific performance of this obligation. Franchisee acknowledges that THB will be irreparably harmed by the failure to receive timely reports. Pursuit of these remedies by THB does not constitute a waiver by THB of its right to pursue any and all other remedies available to it, including termination of this Agreement.

**11.4 Preservation of Business Records.** Franchisee will preserve all accounting records and supporting documents relating to the Franchisee's operation of the THB Outlet, including:

- (a) Cash disbursement journal (2 years);
- (b) Monthly bank statements and check registers (2 years);
- (c) Supplier invoices (paid and unpaid) (6 years); and

(d) Such other records as THB may from time to time request.

**11.5 Tax Returns.** Franchisee will file all federal and state tax returns for the franchised business on a timely basis. THB may require that tax returns from the Franchisee and all shareholders, members, or partners of Franchisee be provided to THB if THB determines, in accordance with the provisions of Section 11.1 of this Agreement, that an audit is necessary.

## **12. Assignment, Transfer and Sale.**

**12.1 Definition of Transfer.** “Transfer” means any act or circumstance by which ownership or control in Franchisee is shifted in whole or in part from any individual or entity to another, including, if Franchisee is a corporation, any changes to the present ownership of the stock of Franchisee (as of the Effective Date) or the issuance of additional stock of Franchisee and, if Franchisee is a partnership, L.L.C., or L.L.P., any change in or addition of partners or members.

**12.2 No Transfer Without THB’s Consent.** THB is entering into this Agreement based upon its knowledge of and faith in the ability of Franchisee. Therefore, this Agreement and all the rights granted by it are personal to Franchisee and may not be assigned or transferred by Franchisee without the prior written consent of THB. Any attempt to assign or transfer any right under this Agreement, or any interest in any entity holding an interest in this Agreement, without the prior written consent of THB, will be null and void and will give THB the right to terminate this Agreement and Franchisee’s rights under it, in addition to any remedies that THB may have for the breach of this covenant by reason of an attempted assignment or transfer. Notwithstanding the foregoing, THB’s consent is not required for transfers of less than 50% to certain insiders, if control does not shift, as follows. The transfer fee provided for in Section 12.4.6 will be waived by THB, and no consent will be required, nor will THB enjoy the right of first refusal under Section 12.3, in the case of (i) a transfer in any single transaction of up to 49% of the equity interest in Franchisee to an employee or officer of Franchisee who has been directly involved in the operation of the outlet on a full-time basis for at least one year as of the time of the proposed transfer, or (ii) a transfer of up to 49% of the equity interest in Franchisee to any person owning shares of common voting stock or other ownership interest coupled with voting rights in Franchisee, provided, however, that in either case such transfer, when combined with all other transfers that have occurred since Franchisee will first have become a franchisee of THB, does not exceed 49.9% of the total equity interest in Franchisee or otherwise effect a change in control of Franchisee. If the transfer is to one of the types of insider named in this Section 12.2 and does effect a change of control, THB’s consent is required, but the transfer fee and right of first refusal are waived.

**12.3 Advance Notice of Proposed Terms and Right of First Refusal.** If Franchisee, or any shareholder, member, or partner of Franchisee, has received and desires to accept a signed bona fide written offer from a third party to purchase Franchisee’s

franchised business, then before making any binding commitment regarding such transfer, Franchisee will notify THB and provide THB with a complete copy of the offer, which must include for every proposed transferee: (1) name, address and telephone number; (2) business experience and present occupation; and (3) credit rating and financial status. Franchisee must also include information as to the identity of all who will own an interest in the franchised business after the completion of the transfer, their respective interests, and the proposed terms and conditions of sale and payment.

THB will have the right and option, exercisable within thirty (30) days after the date THB receives its copy of the offer, to purchase the interest proposed to be transferred, at the price and upon the same terms and conditions specified on the notice.

If THB does not exercise this option, and the terms of the unaccepted offer are altered, THB must, in each such instance, be notified by Franchisee of the changed offer, and THB will again have thirty (30) days to exercise its right to purchase on the altered terms. If THB does not exercise the option, the transfer may take place on the terms and price set forth in the notice, provided (1) THB gives its written consent, (2) the transfer takes place no later than six (6) months from the receipt of THB's written refusal to exercise its option to purchase, and (3) all the conditions set forth in Section 12.4 of this Agreement are satisfied.

**12.4 Requirements for Consent to Transfer.** If a transfer of all or a partial interest in this Agreement or in the franchise business is proposed and THB does not exercise its right to purchase pursuant to the preceding Section, then THB will not unreasonably withhold consent to the transfer provided that each of the following conditions is met:

12.4.1 Each transferee is, in the reasonable business judgment of THB, (a) financially acceptable, (b) not associated with a competitor of THB, (c) of good moral character and reputation, and (d) otherwise in accordance with THB's criteria, which include work experience and aptitude, ability to devote time and best efforts to the franchised business, residence in the locality where the franchised business is located, equity interest in the franchise, absence of conflicting interests, and other criteria and conditions that THB reasonably applies to new franchisees;

12.4.2 Following an analysis of the terms and conditions of the proposed transfer, THB, in the exercise of its reasonable business judgment, concludes that the terms will not interfere with the financial feasibility or future operation of the franchise;

12.4.3 If necessary, in THB's reasonable business judgment, transferee obtains training by THB and pay THB a training fee in the amount of Four Thousand Dollars (\$4,000), with transferee bearing any travel and room and board expenses;

- 12.4.4 Each transferee enters into THB's then-current form of the Franchise Agreement and all other forms of agreements then being required of new franchisees (but all such forms are subject to the same restrictions as set out in Section 3.2.5 above). This Agreement is not assignable, and any assignment of this Agreement will be null and void.
- 12.4.5 Transferee agrees to complete all remodeling and improvements as required by THB, within the time period specified by THB;
- 12.4.6 Franchisee or transferee pays to THB its then current transfer fee. The transfer fee applicable as of the Effective Date of this Agreement is Four Thousand Dollars (\$4,000);
- 12.4.7 Franchisee is in full compliance with this Agreement and has paid all amounts owing to THB and its approved vendors;
- 12.4.8 Franchisee has executed a general release, in a form satisfactory to THB, of any and all claims against THB or its officers, directors, agents, or employees, to the maximum extent permitted by applicable law; and
- 12.4.9 If Franchisee or any owners of Franchisee finance any part of the sale price of the transferred interest, Franchisee or such entity owners have agreed that all obligations of transferee under any promissory notes, agreements, or security interests will be subordinate to transferee's obligations to THB.

**12.5 Death or Incapacity of Franchisee.** In the event of the death or incapacity of an individual Franchisee, or of any shareholder, partner, or member in a franchise that is a business entity, the legal representative of the individual Franchisee, or of the surviving shareholders, partners, or members in case of a business entity, may for a period of ninety (90) days from the date of death or incapacitation continue to operate the franchise, provided that the operation is conducted in accordance with the terms of this Agreement and any other agreements with THB.

If the legal representative of Franchisee desires to continue the operation of the franchise beyond the ninety (90) day period, then before the expiration of this period, the legal representative of the individual Franchisee or the shareholder, partner, or member in a franchise that is a business entity, must apply jointly with all surviving shareholders, partners, or members in writing for the right to transfer the franchise (or the interest of the deceased or incapacitated shareholder, partner, or member in the franchise in the case of a business entity), to the person or persons (whether spouse, heir, devisee, purchaser, surviving shareholder, partner, member, corporation, or any other person), as the legal representative and the surviving shareholder, partners, or members may specify. The application for transfer will be treated in the same manner as any other proposed transfer under this Agreement.

If the legal representative of Franchisee and all surviving shareholders, partners, or members of a business entity do not comply with the provisions of this

Section 12.5 or do not propose a transferee acceptable to THB under the standards set forth in this Agreement, all rights licensed to Franchisee under this Agreement will immediately terminate and automatically revert to THB. THB will have the right and option, exercisable upon such termination, to purchase the building, fixtures, equipment, and supplies and inventory at a price to be agreed upon by the parties or, if no agreement as to the price is reached by the parties, at such price as may be determined by the appraisal process described in Section 15.7 of this Agreement. THB will give notice of its intent to exercise the option no later than twenty-one (21) days before termination.

**12.6 Internal Transfers.** If a proposed transfer is to an immediate family member of Franchisee or any shareholder, member, or partner of Franchisee, then the provisions of Section 12.4.6 (transfer fee) and Section 12.3 (right of first refusal) will not apply; provided, however, that the other provisions of Section 12.4 will apply to such transfers. The transfer fee provided for in Section 12.4.6 of this Agreement will also be waived by THB in the case of a transfer by an individual Franchisee to a corporation or other legal entity owned or controlled by the individual Franchisee, and no consent is required for such transfer, nor will THB enjoy the right of first refusal under Section 12.3, provided that the transfer is made within one hundred twenty (120) days of the Effective Date of this Agreement.

**12.7 Sale or Assignment by THB.** This Agreement will inure to the benefit of the successors and assigns of THB. THB has the right to assign its rights and obligations under this Agreement to any person or entity, provided that the assignee agrees in writing to assume, at minimum, all obligations and liabilities of THB to Franchisee that arise after the closing date of the assignment of this Agreement by THB. Upon such assignment and assumption, THB will be under no further obligation under this Agreement, except for accrued liabilities, if any, not assumed by THB's assignee.

### **13. Indemnification and Insurance.**

**13.1 Indemnity.** Franchisee will indemnify and hold THB and its officers, directors, and employees harmless from and against all fines, suits, proceedings, claims, causes of action, demands, or liabilities of any kind or of any nature arising out of or in connection with the construction or operation of Franchisee's THB Outlet.

**13.2 Insurance.** Franchisee, at its sole expense, will at all times keep in force an insurance policy or policies, in a form approved by THB, which approval will not unreasonably be withheld, insuring THB and its officers, directors, and employees and Franchisee against any and all loss, liability, or expense whatsoever arising from the construction, ownership, or operation of Franchisee's THB Outlet. The policies must have limits as may be from time to time prescribed by THB, but not less than Two Million Dollars (\$2,000,000) coverage per occurrence. This insurance must include, without limitation, coverage of product liability, fire, personal injury, death, and property damage. A certificate of insurance,

evidencing coverage amounts and proof of payment of premium, together with the proof of renewal when applicable, must be promptly furnished to THB by Franchisee. All policies must (1) provide that they can be canceled only after at least thirty (30) days' prior written notice to THB, (2) show THB as a named "insured," (3) contain provisions denying to the insured the acquisition by subrogation of rights of recovery against THB, and (4) provide that coverage is not limited in any way by reason of any insurance that may be maintained by THB.

#### **14. Defaults and Opportunities to Cure.**

- 14.1 Default for Insolvency.** Franchisee will be in default if Franchisee becomes insolvent or makes an assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or if such a petition is filed against and consented to by Franchisee or is not dismissed within thirty (30) days; if Franchisee is adjudicated as bankrupt; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and is consented to by Franchisee or is not dismissed within thirty (30) days; if a receiver or other custodian is appointed, or if proceeding for composition with the creditors under any state or federal law is instituted by or against Franchisee; or if the real or personal property of Franchisee is sold at levy thereupon by any sheriff, marshal, or constable. Each of the foregoing is an "Insolvency Event."
- 14.2 Default for Material Breach of the Franchise Agreement.** Franchisee will be in default if Franchisee fails to perform, observe, or comply with any of Franchisee's material duties and obligations under this Agreement.
- 14.3 Default for Material Breach of Other Agreements.** Franchisee will be in default if Franchisee fails to carry out in all respects its obligations under any lease, mortgage, equipment agreement, promissory note, conditional sales contract, or other contract materially affecting the THB Outlet to which Franchisee is a party or by which Franchisee is bound, whether or not THB is a party thereto, including but not limited to the Area Development Agreement, if any, or any other franchise agreement between Franchisee and THB, or if Franchisee's lease for the Premises is terminated for reason of default by Franchisee.
- 14.4 Default for Violation of Health and Safety Standards.** Franchisee will be in default if THB or any government agency determines that a serious health or safety problem exists at the THB Outlet.
- 14.5 Cure Periods.** Except as otherwise provided in this Section 14.5, Franchisee will have the right to cure any default under this Agreement within thirty (30) days after written notice of default from THB is received or refused, as the case may be. Notwithstanding the foregoing, the following lesser periods will apply under the circumstances described, in each case starting from notice:



- 14.5.1 **Seven-Day Cure Period**—A seven (7) day cure period will apply if Franchisee fails to maintain the insurance coverage required by Section 13.2 of this Agreement, or to pay any amounts due to THB, or if the Franchisee ceases to operate the THB Outlet for a period of more than seventy-two (72) hours without the prior written consent of THB.
- 14.5.2 **Two Day Cure Period**—A two (2) day cure period will apply to any violation of health, safety or sanitation standards, whether prescribed by law, regulation, agency order, or the THB Operations Manual.
- 14.5.3 **No Cure Period**—No cure period will be available, and THB may terminate this Agreement, if Franchisee (1) fails to complete both initial and (if required) supplemental training, to THB’s reasonable satisfaction; (2) does not open the drive-thru within eighteen (18) months of the effective date; (3) passes off unapproved third-party products as genuine THB or THB-approved products, or is in default under or breaches its covenants or obligations under Sections 5.2 or 6.3 of this Agreement; (4) Abandons the THB Outlet; (5) commits an act of fraud with respect to its rights or obligations under this Agreement; (6) causes the lease for the Premises of the THB Outlet to be terminated; (7) repeatedly fails to comply with this Agreement or the Operations Manual, whether or not subsequently cured; (8) having twice previously cured a default or breach of this Agreement, commits the same breach or default again; or (9) undergoes an Insolvency Event. Abandoning the THB Outlet means ceasing to operate it for a period of more than seventy-two (72) hours without the prior written consent of THB, and then failing to cure within seven (7) days.
- 14.5.4 **Statutory Cure Period**—If a statute in the state in which the THB Outlet is located requires application of that state’s law, and that state’s statute requires a cure period for the applicable default that is longer than any cure period specified in this Section 14, the statutory cure period will apply.

#### **14.6 Remedies for Defaults Not Cured.**

- 14.6.1 **Interests and Costs**—If Franchisee fails to cure a default, following notice, within the applicable time period set forth in Section 14.5, or if this Agreement is terminated as a result of Franchisee’s default, Franchisee will pay to THB all damages, costs, and expenses incurred by THB as a direct result of Franchisee’s default, including, without limitation, interest at eighteen percent (18%) per annum, or the maximum rate allowable under applicable law, whichever is less, and reasonable attorneys’ fees and costs, and the interest and all damages, costs, and expenses, including reasonable attorneys’ fees, may be included in and form part of the judgment awarded to THB in any proceedings brought by THB against Franchisee.

14.6.2 **Appointment of Receiver**—If this Agreement is terminated by reason of Franchisee’s default, THB will have the right, at its option, to have a receiver appointed to take possession, manage and control the assets, collect the profits, and make all other necessary arrangements for the operation of the THB Outlet, as ordered by a court of competent jurisdiction. The right to appoint a receiver will be available regardless of whether waste or danger of loss or destruction of the assets exists and without the necessity of notice to Franchisee.

14.7 **Cross-Default.** If there are multiple franchise agreements in effect between Franchisee (or its affiliate) and THB, any default by Franchisee under this Agreement will be deemed a default of all franchise agreements between Franchisee (or its affiliate) and THB. A default by Franchisee under any other franchise agreement between THB and Franchisee will be deemed a default under this Agreement. A default by the guarantor(s) of this Agreement under this Agreement or any other guaranty related to this Agreement will be deemed a default of this Agreement.

## 15. Termination.

15.1 **Termination for Default.** If Franchisee defaults or (as applicable) fails to cure any default timely, THB may, in addition to all other remedies at law or in equity or as otherwise set forth in this Agreement, immediately terminate this Agreement. This termination will be effective immediately upon receipt of a written notice of termination from THB. Notwithstanding the foregoing, absent an express waiver in writing and signed by THB, this Agreement will immediately terminate upon the occurrence of any event set forth in Section 14.5.3. Upon termination or expiration of this Agreement, THB may advise all suppliers of THB proprietary products and other supplies bearing THB’s trademarks or service marks to cease delivering the items and products to Franchisee.

15.2 **Discontinuation of Use of THB System and Proprietary Marks.** Upon termination or expiration of this Agreement, Franchisee will immediately cease to use any and all parts of the THB System and any and all THB Marks, trade secrets, confidential information, operating manuals, slogans, signs symbols, or devices used in connection with the operation of the THB Outlet. The prohibition on use of the THB Marks after termination or expiration applies to the use of the words “formerly,” “former,” “formerly associated,” or any words conveying similar meaning and used in conjunction with the THB Marks. Franchisee agrees that any such unauthorized use or continued use of the THB Marks after the termination of this Agreement will constitute willful trademark infringement by Franchisee, causing irreparable harm to THB.

15.3 **De-Identification of the Premises.** Franchisee will, within thirty (30) days after termination or expiration of this Agreement, provide THB with pictures of the entire interior and exterior of the Premises showing that all signs, posters, menu

boards, wall hangings, and other items bearing any of the THB Marks or constituting an element of the trade dress of THB have been removed. These pictures will be signed and dated on the back by Franchisee. If Franchisee fails to provide pictures showing the entire interior and exterior of the Premises within this time period, THB may send a representative of THB, or other person, to the Premises to take the pictures. In this case, Franchisee will reimburse THB for its reasonable expenses incurred in getting the pictures, including travel expenses of THB's employee or representative. If THB is not satisfied that Franchisee has de-identified the Premises, THB may, at its option, require Franchisee to (1) repaint the interior and/or exterior of the Premises in colors and schemes acceptable to THB and (2) make alterations in the Premises, including in the layout of the interior of the building, to de-identify the Premises. THB may enter the Premises without being guilty of trespass or any other tort to satisfy itself that the Premises have been de-identified to its satisfaction and may remove and retain any items and make changes necessary in its sole opinion to de-identify the Premises. Any expenses incurred by THB in removing any signs, insignia, or other material from the Premises, or making the changes required, will be paid to THB by Franchisee upon demand, together with interest upon the expenses at the highest lawful rate from the date of expenditure until paid. THB will also have any other remedy for a breach available at law or in equity.

- 15.4 Return of Operations Manual and Other Proprietary Information.** Upon termination or expiration of this Agreement, Franchisee will immediately return to THB any and all copies of the Operations Manual issued to Franchisee, and all other Proprietary Information in Franchisee's possession in whatever form, including without limitation plans, specifications, recipes, and menus.
- 15.5 Survival of Covenants Against Competition and Solicitation.** The provisions relating to confidentiality set forth in Section 5 of this Agreement, and the covenants against competition and solicitation set forth in Section 6 of this Agreement, will survive any expiration or termination of this Agreement.
- 15.6 Transfer of Telephone Numbers, Dedicated Accounts and Other Listings.** Upon termination or expiration of this Agreement, Franchisee will cease using all Listings, and at THB's election execute all forms and documents required by THB and any service provider at any time to transfer such service and any related Listings to THB, and refrain from entering into any "call forwarding" or similar instruction with a service provider that has the effect of circumventing the unconditional obligation of Franchisee to surrender and cease using all Listings. For purposes of this Agreement, "Listings" means and includes, as related to the THB Outlet, telephone or facsimile numbers and Yellow Pages listings/advertisements or other business listings or directories, as well as any account on any social media or publishing platform, and any internet site or domain name registration linked to the THB Marks. Upon termination, THB will have the immediate right to the Listings and to have the associated services transferred to THB. Franchisee appoints THB its true and lawful agent and attorney in fact with full power and authority for the sole purpose of taking such

action as is necessary to complete this assignment. The obligation of this Section 15.6 and this power of attorney will survive the termination of this Agreement. Franchisee or its officers, shareholders, partners, and members will not thereafter use the Listings at or in connection with any subsequent business owned or operated by Franchisee or its officers, shareholders, partners, or members or for any other purpose.

- 15.7 Right to Purchase Assets.** Upon termination or expiration of this Agreement, THB will have the right, but not the obligation, to purchase from Franchisee any and all tangible assets or property used in the operation of the THB Outlet that THB may specify, at fair market value as of the time of termination, exclusive of personalized materials with no value to THB and inventory and supplies not reasonably required in the operation of the business. If Franchisee and THB cannot agree upon a purchase price, then the purchase price will be the average of three (3) independent appraisals. THB and Franchisee will each select one (1) appraiser qualified to evaluate a business of this kind, and the third appraiser will be one chosen and agreed upon by the other two (2) appraisers. If a price cannot be arrived at within sixty (60) days after the termination of this Agreement, then THB may withdraw its election to exercise its option under this Section 15.7.
- 15.8 Assignment of Leasehold Interest to THB.** If Franchisee is a party to a lease assignment or lease option agreement covering the Premises, Franchisee will, upon THB's written request, do whatever is necessary to effectuate and complete the assignment to THB of Franchisee's lease for the Premises. If Franchisee is not a party to a lease assignment or lease option agreement covering the Premises, Franchisee will, upon THB's written request, do whatever is necessary to assign Franchisee's lease for the Premises to THB. Franchisee will, in the latter case, make its best efforts to obtain the lessor's consent to the assignment to THB of Franchisee's lease for the Premises.
- 15.9 Cross-Termination.** If this Agreement is terminated as a result of a default by Franchisee, THB may, at its option, elect to terminate any or all other franchise agreements between Franchisee (or its affiliate) and THB. If any other franchise agreement between Franchisee (or its affiliate) and THB is terminated as a result of a default by Franchisee, THB may, at its option, elect to terminate this Agreement. An incurable or uncured default under this Agreement or any other franchise agreement between Franchisee and THB will be grounds for termination of this Agreement and/or any and all franchise agreements between Franchisee (or its affiliate) and THB without additional notice or opportunity to cure.

## **16. Miscellaneous Provisions.**

- 16.1 Independent Contractors.** The relationship between THB and Franchisee is that of independent contractors. Franchisee is in no way to be deemed a partner, joint venturor, agent, employee, or servant of THB. Franchisee has no authority to bind THB to any contractual obligation or incur any liability for or on behalf of THB. Franchisee will identify itself as an independent owner of the THB Outlet

in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others. Franchisee will place such notices of this independent ownership on signs, forms, stationery, advertising, and other materials as THB may at any time require.

- 16.2 Illegality and Survival.** The parties intend that if any of the terms, conditions, or provisions of this Agreement violates applicable law, such term, condition, or provision will be deemed not a part of this Agreement, and the remainder of this Agreement will remain in full force and effect.
- 16.3 Governing Law and Dispute Resolution.** This Agreement will be governed by the substantive law of the State of Oregon, USA, without regard to conflicts-of-law rules and without regard to the United Nations Convention on Contracts for International Sale of Goods; provided, however, that the Federal Arbitration Act will govern the provisions respecting arbitration and arbitrability. If this Agreement is translated into a language other than English for any reason, this English version of the Agreement will be the controlling translation. All disputes and controversies arising out of or relating in any way to the performance or interpretation of this Agreement, or the transactions incidental to this Agreement, which dispute or controversy cannot be settled by mutual agreement of the parties, other than an application for a temporary restraining order, preliminary injunction or similar emergency injunctive relief to prevent irreparable harm, will be finally and conclusively settled in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the “AAA Rules”); provided, however, that: (a) the arbitration will take place in Medford, Oregon; (b) there will be a panel of three (3) arbitrators (collectively, the “Tribunal”), with each party selecting one (1) arbitrator and the third arbitrator to be appointed by the other two arbitrators in accordance with the Rules; (c) the arbitration will be conducted in the English language; (d) the Tribunal will use reasonable efforts to schedule all matters regarding the arbitration so that the arbitration progresses in a timely fashion; (e) subject to legal privileges, each party will be entitled to discovery in accordance with the Federal Rules of Civil Procedure; (f) at the arbitration hearing, each party may make written and oral presentations to the Tribunal, present testimony and written evidence and examine witnesses; (g) the Tribunal will not have the power to award punitive damages; (h) the Tribunal will issue a written decision explaining the basis for such decision; (i) the Tribunal may not make any award that is inconsistent with any express term of this Agreement and may not use the equitable powers provided by the Rules to modify the express terms of this Agreement in any way; (j) such decision will be final, binding and enforceable in any court of competent jurisdiction; (k) the parties will share equally any fees and expenses of the Tribunal and of the American Arbitration Association, provided that the Tribunal will have the authority to award, as part of the arbitrator’s decision, to the prevailing party its costs and expenses of the arbitration proceeding, including but not limited to the Tribunals’ own fees, and the prevailing party’s reasonable attorneys’ and experts’ fees; and (l) the parties agree that the arbitration proceedings and any decision and award of

the arbitrator will be kept confidential and not be disclosed to third parties, except as necessary to enforce or effectuate the terms of such decision or award.

- 16.4 Notices.** All notices specified by this Agreement or required by law must be in writing and given by personal delivery or sent by certified mail, return receipt requested to the address(es) set forth at the beginning of this Agreement or to such other address(es) as the parties may designate in writing before the giving of any notice. Notices to Franchisee may also be given at the location of the Premises, at the residence of Franchisee (if an individual), or at the residence of the principal shareholder(s), partner(s), or member(s) of Franchisee (if a business entity). Notices will be deemed to be “delivered” when actually left in the custody of an adult agent, employee, or resident at a place of business or residence if given by personal delivery or, if given by certified mail, when deposited with the U.S. Postal Service with proper address and postage paid. Franchisee will provide THB with Franchisee’s current business and residential addresses, other than the address of the Premises. Each party will provide the other with updated contact information whenever changes occur.
- 16.5 No Waivers.** Failure of a party to insist upon the strict performance of any term, covenant, or condition contained in this Agreement will not constitute or be construed as a waiver or relinquishment of that party’s rights to enforce thereafter any such term, covenant, or condition and it will continue in full force and effect.
- 16.6 Entire Agreement.** This Agreement constitutes the entire agreement between the parties as to its subject matter and supersedes all prior communications, representations, and agreements, oral or written, of the parties with respect to its subject matter. No oral or other written understandings or agreements exist between the parties relating to the subject matter of this Agreement. In entering into this Agreement, Franchisee agrees that it did not rely on any promises, representations, or agreements not expressly contained in this Agreement. Any modifications to this Agreement must be in writing and signed by all of the parties to this Agreement. Nothing in this Agreement is intended to disclaim the representations made by THB in the Franchise Disclosure Document.
- 16.7 Interpretation.** The table of contents, and the section and paragraph headings of this Agreement, are for the convenience of the reader only, and are not intended to act as a limitation of the scope or meaning of the sections and paragraphs themselves. This Agreement is not to be construed against the drafting party. Words in the singular number include the plural when the sense requires (and vice versa).
- 16.8 Approvals.** Except when this Agreement expressly obligates THB reasonably to approve or not unreasonably to withhold its approval of any action or request by Franchisee, THB has the absolute right to refuse any request by Franchisee or to withhold its approval of any action that requires its approval.

**16.9 Effective Date.** This Agreement will become effective when signed by both parties.

**17. Representations & Warranties.**

**17.1 Execution by Authorized Parties.** Each party represents and warrants that the person(s) signing this Agreement have full power and authority to do so and that entering into this Agreement is not a breach of or contrary to any other agreement. Franchisee represents that all owners of Franchisee are signing this Agreement.

**17.2 Future Results.** Franchisee acknowledges that the success of the franchised outlet is not guaranteed, that all representations by THB related to the potential success of the franchised outlet are within the Franchise Disclosure Document, and that Franchisee has not relied on any representation (express or implied) by THB as to the likely future profitability of the franchised outlet.

In witness whereof, the parties hereto have executed and delivered this Franchise Agreement effective on the date stated above or when signed by both parties, whichever is first.

FOR CASEY HAWKINS, INC.

FOR FRANCHISEE (All owners should sign, and also print name next to the word Signature)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

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Date

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Signature

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Date

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## SBA ADDENDUM TO FRANCHISE AGREEMENT

**THIS ADDENDUM** (“Addendum”) is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between Casey Hawkins, Inc. (“Franchisor”), located at 623 Rossanley Drive, \_\_\_\_\_ Medford, \_\_\_\_\_ Oregon \_\_\_\_\_ 97501, \_\_\_\_\_ and \_\_\_\_\_ (“Franchisee”), located at \_\_\_\_\_ . Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_, (such Agreement, together with any amendments, the “Franchise Agreement”). Franchisee is applying for a loan (“Loan”) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”). SBA requires the execution of this Addendum as a condition for obtaining the SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement:

### **CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor’s consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

### **FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

### **COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor may not record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions.

**EMPLOYMENT**

- Franchisor will not directly control (hire, fire or schedule) Franchisee’s employees.

This Addendum automatically terminates on the earlier to occur of the following: (i) the Loan is paid in full; or (ii) SBA no longer has any interest in the Loan.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

**FRANCHISOR:**

**FRANCHISEE:**

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

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

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

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

**Note to Parties: This Addendum only addresses “affiliation” between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.**

SBA Form 2462  
*Must be accompanied by SBA Form 58*

**FRANCHISE AGREEMENT**

**MARYLAND ADDENDUM**

1. Nothing in the Franchise Agreement or any related agreement will be interpreted to require franchisees or developers to waive, release or be estopped from asserting any claims arising under the Maryland Franchise Registration & Disclosure Law.
2. Nothing in the Franchise Agreement or any related agreement will be interpreted to bar franchisees or developers from seeking injunctive relief in Maryland on any claims arising under the Maryland Franchise Registration & Disclosure Law.
3. If a general release is required as a condition of renewal, sale, assignment or transfer, the release will not apply to any claims arising under the Maryland Franchise Registration & Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration & Disclosure Law must be brought within three (3) years after the grant of the franchise.
5. Provisions in the Franchise Agreement and any related agreement permitting the franchisor to terminate upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 USC § 101 et seq.).

The undersigned acknowledges receipt of this Maryland Addendum to the Franchise Agreement.

FRANCHISOR NAME: CASEY HAWKINS, INC. (The Human Bean)

For Casey Hawkins, Inc.

For Franchisee

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date

\_\_\_\_\_

Date

**FRANCHISE AGREEMENT  
NEW YORK ADDENDUM**

Any provision to the contrary in the franchise agreement notwithstanding, the following shall apply for all franchisees in the State of New York:

1. To the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.
2. You may terminate the Franchise Agreement on any grounds available by law.
3. No assignment of your Franchise Agreement will be made by the franchisor except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor's obligations under the Franchise Agreement.
4. The Franchise Agreement's choice-of-law provision is not a waiver of any right conferred upon the franchisor or upon the franchisee by Article 33 of the General Business Law of the State of New York.

For Casey Hawkins, Inc.

For Franchisee

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date

Date

Contact Information for NY Administrator:

NYS Department of Law, Investor Protection Bureau  
28 Liberty Street, 21st Floor  
New York, NY 10005  
212-416-8222

**FRANCHISE AGREEMENT  
ADDENDUM FOR FRANCHISEES IN NORTH DAKOTA  
CASEY HAWKINS, INC.**

Any provision to the contrary in the Franchise Agreement notwithstanding, the following shall apply for all franchisees in the State of North Dakota:

- 1. Restrictive Covenants.** Any restrictive covenants set forth in the Franchise Agreement will be subject to NDCC Section 9-08-06, and will not be enforceable to the extent they may conflict with North Dakota law.
- 2. Place of Arbitration.** The parties will arbitrate disputes as set forth in the Franchise Agreement at a mutually convenient location, not remote from the Franchisee's place of business.
- 3. Applicable Law.** The Franchise Agreement will be governed by the law of the State of North Dakota.
- 4. Damages.** The Franchise Agreement will not prohibit an award of exemplary or punitive damages to a North Dakota franchisee.
- 5. No General Release.** The North Dakota franchisee will not be required to sign a general release upon renewal of the Franchise Agreement.

FOR CASEY HAWKINS, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

FOR FRANCHISEE

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**FRANCHISE AGREEMENT  
WASHINGTON ADDENDUM  
CASEY HAWKINS, INC.**

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and

unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The undersigned acknowledges receipt of this Washington Addendum to the Franchise Agreement.

FRANCHISOR NAME: CASEY HAWKINS, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## GUARANTY OF AGREEMENT

This Guaranty of Agreement (“Guaranty”) is effective as of the date it is first signed by both parties or on the following date: \_\_\_\_\_.

**Obligated Party (Franchisee’s legal name):**

**Guarantors (Individual owners of Franchisee):**

**Obligee (Franchisor):** Casey Hawkins, Inc., an Oregon corporation with an address at 623 Rossanley Drive, Medford, OR 97501.

The Guaranteed Agreement means that Franchise Agreement, of even date herewith and as it may be amended, between the Obligated Party and the Obligee. The Guarantor is referred to as “you” and like terms.

- 1. Guaranty.** For good and valuable consideration, you unconditionally guarantee to THB, and to its successors and assigns, the full, complete, and timely payment and performance of each and all of the terms, covenants, and conditions of the Guaranteed Agreement to be kept and performed during its term by the Obligated Party, including the payment of all royalties, rents, fees, and other charges accruing pursuant to the Guaranteed Agreement.
- 2. Insolvency of Obligated Party.** This Guaranty will continue unchanged by the occurrence of any Insolvency Event as defined at Section 14.1 of the Guaranteed Agreement, with respect to the Obligated Party or any assignee or successor of the Obligated Party or by any disaffirmance or abandonment of the Guaranteed Agreement by a trustee in bankruptcy of the Obligated Party. Neither your obligation to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for the enforcement of this Guaranty will be impaired, modified, changed, released, or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Obligated Party or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.
- 3. Waivers.** Your liability under this Guaranty is primary and independent of the liability of the Obligated Party. You waive any right to require THB to proceed against any other person or to proceed against or exhaust any security held by THB at any time or to pursue any right of action accruing to THB under the Guaranteed Agreement. THB may proceed against you and the Obligated Party jointly and severally or may, at its option, proceed against you without having commenced any action, or having obtained any judgment, against the Obligated Party. You waive the defense of the statute of limitations in any action under this Guaranty or for the



collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty.

4. **Attorney Fees.** In the event of collections action or litigation arising from this Guaranty, the prevailing party will be entitled to its attorneys fees and costs, and related expenses both at trial and on appeal.

5. **Notice.** You waive notice of any demand by THB, any notice of default in the payment of rents or any other amounts contained or reserved in the Guaranteed Agreement, or any other notice of default under the Guaranteed Agreement. You expressly agree that the validity of this Guaranty and your obligations will in no way be terminated, affected, or impaired by reason of any waiver by THB; by its successors or assigns; by the failure of THB to enforce any of the terms, covenants, or conditions of the Guaranteed Agreement or this Guaranty; or by the granting of any indulgence or extension of time to the Obligated Party, all of which may be given or done without notice to you.

6. **Binding on Assigns.** This Guaranty will extend, in full force and effect, to any assignee or successor of THB and will be binding upon you and your successors and assigns.

7. **Subrogation.** Until all obligations of the Obligated Party to THB have been paid or satisfied in full, you have no remedy or right of subrogation and you waive any right to enforce any remedy that THB has or may in the future have against the Obligated Party and any benefit of, and any right to participate in, any security now or in the future held by THB.

8. **Subordination.** All existing and future indebtedness of the Obligated Party to you is hereby subordinated to all indebtedness and other obligations guaranteed in this Guaranty and, without the prior written consent of THB, will not be paid in whole or in part, nor will you accept any payment of or on account of any such indebtedness while this Guaranty is in effect.

9. **Choice of Law.** This Guaranty will be construed in accordance with the laws of the state of Oregon, without giving effect to its conflict-of-laws principles.

[Intentionally Blank]

In witness whereof, the Guarantor(s) have executed this Guaranty of Agreement:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

## Electronic Funds Transfer Authorization

Location Number or Name: \_\_\_\_\_

Federal Tax ID:		
Legal Business Name:		
Location address:		
City:	State:	ZIP Code:
Phone:	Fax:	E-mail:
Restaurant Contact:		Contact E-mail:

BANKING INFORMATION / VOIDED CHECK	
Bank Name:	Routing Number:
DDA / Account Number:	Account Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings

Franchisee hereby authorizes THB and its designated agents to initiate credits and debits, as applicable, to the bank account listed above or such substitute bank account as Franchisee may designate (“Bank Account”) through the automated clearing house (“ACH”) network. THB or its designated agents will initiate credits and debits to the Bank Account solely in accordance with the Franchisee Agreement between Franchisee and THB. This authority will remain in effect until five (5) business days after THB receives written notice from Franchisee of its change of Bank Account. If the account information provided above changes, Franchisee will provide the current account information to THB within five (5) business days. THB may charge a fee up to \$50 per transaction for rejected ACH debits.

ATTACH VOIDED CHECK HERE

\_\_\_\_\_  
 Authorized Signature: Date: \_\_\_\_\_

\_\_\_\_\_  
 Print Name/Title:

## MANAGER'S CONFIDENTIALITY AGREEMENT

FRANCHISEE:

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(drive-thru location)

MANAGER:

\_\_\_\_\_  
(name)

\_\_\_\_\_  
(address)

Manager has been designated as the Franchisee's Manager for the drive-thru espresso coffee outlet identified above and branded The Human Bean.

1. Manager acknowledges that Manager's designation will require Franchisee to share with Manager certain valuable information (the "Proprietary Information" as defined below) that is the property of Casey Hawkins, Inc., the franchisor of Franchisee's drive-thru espresso coffee outlet identified above and branded The Human Bean (the "THB Outlet").
2. The Proprietary Information means all aspects of the system of operations used in Franchisee's THB Outlet that are not publicly known, whether or not entitled to protection as a trade secret, including without limitation: (1) ingredients, recipes, and methods of preparing food and drink products; (2) methods of operation; (3) information about products, supplies, services, or procedures; (4) the entire contents of the Operations Manual; and (5) any other information disclosed to Franchisee through confidential notifications from Casey Hawkins, Inc.
3. Manager agrees not to disclose any of the Proprietary Information to any person, other than to Franchisee's other employees, and then only to the extent necessary for the operation of the THB Outlet. Manager will keep the Operations Manual and all other tangible records of Proprietary Information in a secure location at the THB Outlet, and will take reasonable precautions to prevent the disclosure of any of the Proprietary Information to any unauthorized person. Manager will not make copies of any of the Proprietary Information.
4. Manager's obligations of confidentiality under this Agreement will survive the termination of Manager's designation as Manager by Franchisee. Manager acknowledges that any violation of the terms of this Agreement will cause irreparable harm to the owner of the Proprietary Information. The parties acknowledge that Casey Hawkins Inc. is intended to be a third-party beneficiary of this Agreement, with the right to enforce the terms of this Agreement.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_.

\_\_\_\_\_  
(Manager's Signature)

## Form of Release Agreement

The release to be executed in connection with a transfer of the franchised outlet will be in the following form:

Franchisee and its subsidiaries, parent corporations, affiliates, officers, directors, employees, shareholders, agents, representatives, attorneys, insurers, heirs, and assigns hereby absolutely and unconditionally release and forever discharge Franchisor and its respective subsidiaries, parent corporations, affiliates, officers, directors, employees, shareholders, agents, representatives, attorneys, insurers, heirs, and assigns from any and all actions, suits, proceedings, claims, complaints, charges, judgments and executions, whether liquidated or unliquidated, known or unknown, suspected or unsuspected (collectively, "Claims"), which each ever had, now has, or may have or claim to have arising out of or in any way relating to the business relationship between the parties, provided, however, that such release will not apply to claims alleging violation of the franchise disclosure, registration, or relationship laws of any state, including but not limited to the California Franchise Investment Law, Illinois Franchise Disclosure Act, Maryland Franchise Registration and Disclosure Law, and Washington Franchise Investment Protection Act. Nothing in this Release Agreement will serve to release future Claims, if any, for breach of this Agreement, or to release future Claims, if any, for any acts or omissions of the parties that occur after the effective date of this Agreement.

EXHIBIT B  
SITE ANALYSIS AGREEMENT

This Site Analysis Agreement (this “Agreement”) is made and entered into by and between Casey Hawkins, Inc. (“THB”) and \_\_\_\_\_ (“Prospective Franchisee”) on this date, \_\_\_\_\_ (the “Effective Date”).

RECITALS

Prospective Franchisee has received and reviewed the THB Franchise Disclosure Document, describing THB’s franchised drive-thru espresso and coffee business. Prospective Franchisee is applying to become a THB franchisee. In consideration of Prospective Franchisee’s payment of Five Thousand Dollars (\$5,000), THB is willing to analyse sites proposed by Prospective Franchisee for Prospective Franchisee’s THB outlet.

TERMS

1. Prospective Franchisee acknowledges that the THB Franchise Disclosure Document, together with a copy of this Agreement, was received by Prospective Franchisee on \_\_\_\_\_.

2. Together with a signed copy of this Agreement, Prospective Franchisee attaches a completed copy of THB’s Site Analysis Form, with all documents and information required for each site to be evaluated by THB. Prospective Franchisee may submit multiple proposed sites for evaluation by THB up to a maximum of ten (10) sites, provided that each of the proposed sites is within fifty (50) miles of each of the other proposed sites.

3. THB acknowledges receipt of the sum of Five Thousand Dollars (\$5,000) from Prospective Franchisee (the “Site Analysis Fee”). If THB, in the exercise of its reasonable business judgment, deems one or more of Prospective Franchisee’s proposed sites suitable for a THB outlet, THB will apply the Site Analysis Fee to the Initial Franchise Fee of Thirty Thousand Dollars (\$30,000) payable by Prospective Franchisee upon the execution of a franchise agreement with THB, provided that Prospective Franchisee signs the franchise agreement within ninety (90) days of receipt of the site approval from THB.

4. The Site Analysis Fee is nonrefundable. If THB and Prospective Franchisee are unable to agree on a site for the THB outlet, or on the terms of the franchise agreement, or if for any other reason Prospective Franchisee does not enter into a franchise agreement with THB, the Site Analysis Fee will be deemed fully earned by THB and will not be refunded.

5. If THB approves one or more of the proposed sites, Prospective Franchisee will have ninety (90) days from the receipt of notice of site approval to enter into a franchise agreement with THB. If Prospective Franchisee does not enter into a franchise agreement with THB within the allotted time, the Site Analysis Fee will be deemed fully earned by THB and will not be refunded, even if a franchise agreement is entered into at a later time. Nothing in this Agreement will be construed to require either party to enter into a franchise agreement with the other party.

6. The rights and liabilities of the parties arising out of or relating to this Agreement will be governed by the laws of the state of Oregon, and any dispute arising out of or relating to this Agreement will be submitted to binding arbitration in Medford, Oregon, pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Judgment on the award may be entered in any court of competent jurisdiction; provided, however, that either party may seek preliminary injunctive or other equitable relief pending arbitration to prevent irreparable harm. The prevailing party in any arbitration or litigation will be entitled to recover all reasonable expenses thereof, including attorneys' fees in connection with such proceedings or any appeal thereof. Any court proceedings authorized under this Section will be conducted exclusively in state or federal courts located in Jackson County, Medford, Oregon. The parties hereby waive to the fullest extent permitted by law any right to or claim of any consequential, punitive, or exemplary damages against the other and agree that in the event of a dispute between them each will be limited to the recovery of any actual damages sustained by it.

7. If any provision of this Agreement is deemed by operation of law altered or void, all other provisions of this Agreement will remain in full force and effect.

8. Failure of a party to insist upon the strict performance of any term, covenant, or condition contained in this Agreement will not constitute or be construed as a waiver or relinquishment of that party's rights to enforce thereafter any such term, covenant, or condition and it will continue in full force and effect.

In witness whereof, the parties hereto have executed and delivered this Site Analysis Agreement effective on the date stated above.

FOR CASEY HAWKINS, INC.

FOR FRANCHISEE (All owners should sign, and also print name next to the word Signature)

_____	_____
Signature	Date
_____	_____
Signature	Date
_____	_____
Signature	Date
_____	_____
Signature	Date

**EXHIBIT C**

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**EXHIBIT D**

Our agent for service of process in California is:

Commissioner of Financial Protection and Innovation  
California Department of Financial Protection and Innovation  
One Sansome St., Ste. 600  
San Francisco, CA 94104  
(415) 972-8559

Our agent for service of process in Hawaii is:

Commissioner of Securities  
Dept. of Commerce & Consumer Affairs  
335 Merchant Street  
Honolulu, HA 96813  
(808) 586 2722

Our agent for service of process in Indiana is:

Commissioner of Securities  
Office of Secretary of State  
302 West Washington, Room E-111  
Indianapolis, IN 46204  
(317) 232 6681

Our agent for service of process in Illinois is:

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

Our agent for service of process in Maryland is:

Securities Commissioner  
Division of Securities  
200 St. Paul Place, 20th Floor  
Baltimore, Maryland 21202-2020  
(410) 576 6360

Our agent for service of process in Minnesota is:

Commerce Commissioner  
Minnesota Dept. of Commerce  
85 7th Place East, Suite 280  
St. Paul, MN 55101  
651-539-1600

Our agent for service of process in New York is:

Secretary of State  
99 Washington Avenue  
Albany, NY 12231  
212-416-8222

Our agent for service of process in North Dakota is:

Securities Commissioner  
State Capitol, 5th Floor, Dept. 414  
600 E. Boulevard Ave.  
Bismarck, ND 58505  
(701) 328-4712

Our agent for service of process in South Dakota is:

Director, Division of Securities  
118 West Capitol Ave.  
Pierre, SD 57501-2017  
(605) 773 4013

Our agent for service of process in Virginia is:

Clerk of the State Corporation Commission  
1300 E. Main St., 1st Floor  
Richmond, VA 23219  
(804) 371-9051

Our agent for service of process in Washington is:

Administrator of Securities  
150 Israel Road SW  
Tumwater WA 98501  
(360) 902-8760

Our agent for service of process in Wisconsin is:

Director of the Dept. of Financial Institutions  
201 West Washington Ave.  
Madison, WI 53703  
(608) 266 0448

**EXHIBIT E**  
**LIST OF STATE ADMINISTRATORS**

<p><u>California</u> Commissioner of Financial Protection and Innovation Dept. of Financial Protection and Innovation One Sansome St., Ste. 600 San Francisco, CA 94104 (866) 275-2677</p>	<p><u>North Dakota</u> North Dakota Securities Dept. State Capitol, 5th Floor, Dept. 414 600 E. Boulevard Ave. Bismarck, ND 58505 (701) 328-4712</p>
<p><u>Hawaii</u> Franchise &amp; Securities Division Dept. of Commerce &amp; Consumer Affairs 335 Merchant Street Honolulu, HA 96813 (808) 586-2722</p>	<p><u>Oregon</u> Corporate Securities Section Dept. of Insurance &amp; Finance Labor &amp; Industries Bldg. Salem, OR 97310 (503) 378-4387</p>
<p><u>Illinois</u> Franchise Bureau Office of Attorney General 500 South Second Street Springfield, IL 62706 (217) 782-4465</p>	<p><u>Rhode Island</u> Dept. Business Regulation 1511 Pontiac Ave., Bldg. 69-1 Cranston, RI 02920 (401) 277-3048</p>
<p><u>Indiana</u> Franchise Division Office of Secretary of State 302 West Washington, Room E-111 Indianapolis, IN 46204 (317) 232-6681</p>	<p><u>South Dakota</u> Franchise Office Division of Securities 118 West Capitol Ave. Pierre, SD 57501-2017 (605) 773-4013</p>
<p><u>Maryland</u> Office of the Attorney General Division of Securities 200 St. Paul Place, 20<sup>th</sup> Floor Baltimore, Maryland 21202-2020 (410) 576-6360</p>	<p><u>Virginia:</u> Securities &amp; Retail Franchising Div. State Corporation Commission 1300 E. Main St. Richmond, VA 23219 (804) 371-9051</p>
<p><u>Michigan</u> Consumer Protection Division, Franchises Office of Attorney General 670 Law Building Lansing, MI 48913 (517) 373-7117</p>	<p><u>Washington</u> Dept. of Financial Institutions Securities Division 150 Israel Road SW Tumwater WA 98501 (360) 902-8760</p>
<p><u>Minnesota</u> Securities Unit Department of Commerce 85 7<sup>th</sup> Place East, Suite 280. St. Paul, MN 55101 651-539-1600</p>	<p><u>Wisconsin</u> Wisconsin Dept. of Financial Institutions 201 West Washington Ave. Madison, WI 53703 (608) 266-0448</p>

<u>New York</u> NYS Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, NY 10005 212-416-8222	
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**EXHIBIT F**  
**AUDITED FINANCIALS**  
**2020-2018**



**CASEY HAWKINS, INC.**  
**AUDIT REPORT**  
**For the Years Ended**  
**December 31, 2020 and 2019**

**RICHARD W. BREWSTER, CPA, PC**  
CERTIFIED PUBLIC ACCOUNTANT  
MEDFORD

**CASEY HAWKINS, INC.**  
*December 31, 2020 and 2019*

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**RICHARD W. BREWSTER, CPA, PC**

CERTIFIED PUBLIC ACCOUNTANT

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Shareholders  
CASEY HAWKINS, INC.

I have audited the accompanying financial statements of Casey Hawkins, Inc., (an Oregon S-Corporation), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of income, and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**


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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casey Hawkins, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

  
Richard W. Brewster  
Certified Public Accountant

March 2, 2021

**CASEY HAWKINS, INC.**  
**Balance Sheets**  
*December 31, 2020 and 2019*

**ASSETS**

<b>ASSETS</b>	<b>2020</b>	<b>2019</b>
Current assets		
Cash and cash equivalents	\$ 1,311,630	\$ 235,645
Prepaid insurance	4,666	7,505
Accounts receivable	576,921	510,191
Inventories	482,406	350,477
<b>Total current assets</b>	<b>2,375,623</b>	<b>1,103,818</b>
Property and equipment		
Furniture and equipment	350,159	251,980
Improvements	359,245	245,845
Vehicle	97,304	46,912
Total property and equipment	806,708	544,737
Less accumulated depreciation	(205,272)	(147,021)
<b>Net property and equipment</b>	<b>601,436</b>	<b>397,716</b>
Other assets		
Trademark (net of amortization)	165,000	165,000
<b>TOTAL ASSETS</b>	<b>\$ 3,142,059</b>	<b>\$ 1,666,534</b>

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Balance Sheets**  
*December 31, 2020 and 2019*

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>LIABILITIES</b>	<b>2020</b>	<b>2019</b>
Current liabilities		
Accounts payable and other accrued expenses	\$ 595,744	\$ 152,142
Payroll liabilities	150,845	108,472
Refundable franchise fees	615,000	477,500
Current portion long-term debt	16,276	-
<b>Total current liabilities</b>	<b>1,377,865</b>	<b>738,114</b>
<b>Long-term debt, less current portion</b>	<b>34,116</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,411,981</b>	<b>738,114</b>
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' equity		
Contributed capital	203,938	203,938
Common stock, 1,000 shares authorized; 100 shares issued and outstanding	1,000	1,000
Retained earnings	1,525,140	723,482
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>1,730,078</b>	<b>928,420</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 3,142,059</b>	<b>\$ 1,666,534</b>

See notes to financial statements.

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**CASEY HAWKINS, INC.**  
**Statements of Income and Retained Earnings**  
*For the Years Ended December 31, 2020 and 2019*

	<u>2020</u>	<u>2019</u>
<b>SALES</b>		
Equipment and buildings	\$ 1,781,496	\$ 1,084,500
Product sales	684,831	560,622
Bean and allied product rebates	3,782,218	2,759,094
Franchise fees	500,000	234,500
Area development fees	180,000	15,000
Equipment repairs and parts	125,189	159,093
Miscellaneous income	2,618	3,306
Total sales	<u>7,056,352</u>	<u>4,816,115</u>
<b>COST OF GOODS SOLD</b>		
Purchases	<u>2,140,161</u>	<u>1,458,646</u>
Gross profit	<u>4,916,191</u>	<u>3,357,469</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Payroll expense	1,311,267	761,024
Compensation of officers	119,208	114,598
Payroll tax expense	94,216	82,227
Employee benefits	100,855	48,310
Advertising	554,849	331,333
Bank charges	9,302	5,001
Depreciation and amortization	58,251	20,458
Dues	6,273	5,839
Insurance expense	6,190	10,440
Legal and professional fees	98,266	50,367
Meeting expense	7,340	111,494
Office supplies	172,435	61,826
Postage and delivery	20,470	12,698
Printing	4,420	2,540
Product testing	320	990
Rent	189,507	76,247
Repairs and maintenance	55,253	44,013
Software management	37,545	28,984
Supplies	18,363	18,364
Taxes and licenses	9,105	9,112
Telephone	3,593	4,403
Training	10,862	20,707
Travel and entertainment	60,485	51,411
Utilities	23,827	17,085
Vehicle expense	9,261	13,796
Total general and administrative expenses	<u>2,981,463</u>	<u>1,903,267</u>
<b>NET INCOME FROM OPERATIONS</b>	<u>1,934,728</u>	<u>1,454,202</u>
<b>OTHER INCOME AND (EXPENSE)</b>		
Loss on sale of assets	-	(4,512)
Donations	(35,227)	(8,750)
Other expense	-	(550)
Total other income and (expense)	<u>(35,227)</u>	<u>(13,812)</u>
<b>NET INCOME</b>	1,899,501	1,440,390
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	723,482	592,357
Distributions to shareholders	(1,097,843)	(1,309,265)
<b>RETAINED EARNINGS, END OF YEAR</b>	<u>\$ 1,525,140</u>	<u>\$ 723,482</u>

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Statements of Cash Flows**  
*For the Years Ended December 31, 2020 and 2019*

	<b>2020</b>	<b>2019</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,899,501	\$ 1,440,390
Adjustments needed to reconcile to net cash provided by operating activities		
Depreciation and amortization	58,251	20,458
Loss on sale of asset	-	4,512
Changes in		
Receivables	(66,730)	(97,668)
Prepaid	2,839	(430)
Inventory	(131,929)	(202,515)
Accounts payable	443,602	53,340
Payroll liabilities	42,373	26,390
Refundable franchise fees	137,500	477,500
Net cash provided by operating activities	2,385,407	1,721,977
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(261,971)	(422,094)
Proceeds from sale of assets	-	16,000
Net cash provided by (used in) investing activities	(261,971)	(406,094)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	50,392	-
Distributions to shareholders	(1,097,843)	(1,309,265)
Net cash provided by (used in) financing activities	(1,047,451)	(1,309,265)
<b>NET INCREASE (DECREASE) IN CASH</b>	1,075,985	6,618
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	235,645	229,027
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	\$ 1,311,630	\$ 235,645
<b>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</b>		
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	\$ -	\$ -
Income taxes	\$ 160	\$ 150

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
*For the Years Ended December 31, 2020 and 2019*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

Casey Hawkins, Inc., (the Company) was incorporated in the State of Oregon on February 4, 2002. The Company sells equipment, espresso, and other coffee products used in the operation of drive-thru retail coffee operations. The Company also offers franchises for the operation of drive-thru retail coffee outlets under the registered trademark "The Human Bean." Due to franchise laws, franchises are offered in most, but not all, states. The Company receives rebates on the sale of coffee products, paper products, related supplies, and advertising incentives from the suppliers to the Human Bean outlets.

***Cash and Cash Equivalents***

Cash and cash equivalents consists of a deposit checking account.

***Fair Value of Financial Instruments***

The fair values of the Company's financial instruments, which include cash and cash equivalents, approximate their carrying values because of the short-term nature of these instruments. The Company places its cash with qualified FDIC insured financial institutions.

***Accounts Receivable***

Accounts receivable are generally due within 30 days and are stated at the carrying balances of customer accounts on the balance sheet date. Management closely monitors outstanding accounts receivable and charges off to expense all balances that are determined to be uncollectible. As of December 31, 2020, management believes that all accounts are fully collectible. Accordingly, there was no allowance for doubtful accounts. As of December 31, 2020, \$36,628 of the \$576,921 receivables were over 90 days past due. On December 31, 2019, \$12,206 of the \$510,191 receivables were past due over 90 days.

***Inventory***

Inventory consisting of coffee mugs, loyalty cards and other coffee related items are valued at the lower of cost, as identified by specific cost, or market.

***Fixed Assets***

Significant expenditures for fixed assets are capitalized at cost less accumulated depreciation. The cost of repairs and maintenance are expensed when incurred while the expenditures for refurbishments or improvements that significantly add to or extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the following estimated useful asset lives:

Vehicles	5 years
Equipment	5 years
Furniture	7 years
Improvements	39 years

***Advertising***

The Company expenses advertising costs as they are incurred. Total advertising costs for the years ended December 31, 2020 and 2019 were \$554,849 and \$331,333, respectively.



**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
For the Years Ended December 31, 2020 and 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***New Accounting Pronouncement***

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective January 1, 2019. Topic 606 was adopted on a modified retrospective basis, and the Company determined that there was no cumulative effect to retained earnings as of January 1, 2019 that was required to be disclosed as a result of adopting the standard.

Topic 606 provides a five-step model for recognizing revenue from contracts:

- Identify the contract with the customer
- Identify the performance obligation within the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognize revenue when (or as) the performance obligations are satisfied

***Revenue Recognition***

The Company has determined that the pre-opening activities contain distinct goods and services. Management reviews the Company's recognition of initial franchise fees and revenue relating to the grant of franchisees with area franchise rights at a point in time. The Company evaluates the substantial obligations to the franchisee of each agreement in order to determine the amount of revenue to be recorded from the initial franchise fee at the end of each reporting period. The adoption resulted in the recognition of a refundable franchise fees liability related to the right of return if a location is not opened within one year.

***Estimates and Assumptions***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions.

***Income Taxes***

The Company and its shareholders have elected to be taxed as an S-Corporation. As an S Corporation, the Company passes through items of income and deductions to its shareholders each year as earned, and thus pays no federal corporation income tax itself. The Company pays an annual state excise tax of \$150.

***Compensated Absences***

The Company's personnel policy provides employees with regular leave for any approved personal reasons. Holidays, leaves of absence, jury duty, or military duty service is not considered personal leave and is not counted against employees accrued leave. Employees with at least one year of service accrue 80 hours of leave on January 1. Any unused leave of absence as of December 31, is paid to the employee, on their first check in January.

Included in payroll liabilities at year-end is unused leave that is included on employee's paychecks in January.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
For the Years Ended December 31, 2020 and 2019

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Trademark**

In November 2002, the Company acquired a federal trademark registration for "The Human Bean," for \$7,000. In June 2005, the Company settled a Colorado lawsuit involving alleged unregistered rights in the trademark, "The Human Bean Company," by a payment of \$165,000. The value of any rights acquired in the settlement is not being amortized. The Company believes that no material impairment of trademark carrying values exists at December 31, 2020 and 2019, respectively.

**2. PROPERTY AND EQUIPMENT**

	2020	2019
Furniture and equipment	350,159	\$ 251,980
Improvements	359,245	245,845
Vehicle	97,304	46,912
	<u>806,708</u>	<u>544,737</u>
Total property and equipment		
	806,708	544,737
Less accumulated depreciation	(205,272)	(147,021)
Net property and equipment	<u>\$ 601,436</u>	<u>\$ 397,716</u>

Depreciation expense was \$58,251 and \$20,341 for the years ended December 31, 2020 and 2019, respectively.

**3. FRANCHISE AND AREA DEVELOPMENT ARRANGEMENTS**

**Franchise and Area Development Activities**

During the year ending December 31, 2020, the Company entered into 19 new or transferred franchise agreements and three new or transferred area development agreements. At December 31, 2020, a total of 113 drive-thru outlets were in operation. Of those, 13 were affiliate-owned drive-thrus and 100 were franchised drive-thrus. At December 31, 2019, a total of 98 drive-thru outlets were in operation. Of those, 13 were affiliate-owned drive-thrus and 85 were franchised drive-thrus.

**Terms of Franchise Agreements**

The Company offers "The Human Bean" espresso drive-thru franchises and area development agreements. The fee for a single store franchise agreement is \$30,000. \$10,000 of the fee is non-refundable. In the event the store does not open within a year of signing the Franchise Agreement, \$20,000 may be refunded. \$20,000 is recognized when all material services or conditions relating to the location have been substantially performed or satisfied, which is typically when the franchise store begins operations. Refundable franchise fees were \$615,000 and \$477,500 for the years ended December 31, 2020 and 2019, respectively.

The Company charges an advertising fee in the amount of one percent (1%) of gross sales.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
*For the Years Ended December 31, 2020 and 2019*

**4. REBATES AND ALLOWANCES**

The Company requires its franchisees to purchase all coffee, espresso beans and bean products, food, logo cups and other specified products and equipment from the Company or other approved vendors. The franchise agreements have a ten-year term with an option to renew for an additional ten-year period subject to certain terms and conditions. During the years ending December 31, 2020 and 2019, the Company received income either in the form of direct profit from the resale of products or by means of rebates or allowances paid to the Company from its approved vendors. Total income from sales, rebates, and allowances received for the years ending December 2020 and 2019 were \$3,782,218 and \$2,759,094, respectively.

**5. LONG-TERM DEBT**

Long-term debt consists of the following at December 31, 2020:

Note payable to Mercedes-Benz Financial, bearing interest at the rate of 2.898%, payable in monthly installments of \$1,464.82 until December 15, 2023. This note is secured by the vehicle.	\$ 50,392
Less current portion	<u>(16,276)</u>
Total long-term portion	<u>\$ 34,116</u>

---

	2021	\$ 16,276
	2022	16,811
	2023	<u>17,305</u>
	Total	<u>\$ 50,392</u>

**6. LEASING ARRANGEMENTS**

The Company leases space for its training center from Tom Casey and Dan Hawkins. Lease payments for that location totaled \$64,800 for each year ended December 31, 2020 and 2019, respectively.

On September 15, 2019, the Company entered into a five-year operating lease with Tom Casey and Dan Hawkins for office and storage space and re-located its corporate headquarters. The lease commenced on October 1, 2019 and continues through September 30, 2024. Base rent is set at \$13,300 per month and increases \$250 per year for the initial term. Future lease payments are as follows:

	2021	\$ 159,850
	2022	160,100
	2023	160,350
	2024	<u>160,660</u>
	Total	<u>\$ 640,960</u>

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
*For the Years Ended December 31, 2020 and 2019*

**7. RELATED PARTIES**

The Company conducts business with various entities affiliated by common ownership of Tom Casey and Dan Hawkins, the shareholders of the Company. The affiliated entities own and operate 13 drive-thru retail coffee outlets under the registered trademark "The Human Bean" in Oregon. During the years ending December 31, 2020 and 2019, there were numerous sales to these drive-thrus as part of the ordinary course of business. In total, \$252,005 in 2020 and \$208,675 in 2019 of sales (recorded at cost) occurred from Casey Hawkins, Inc., to these drive-thrus. In addition, these entities are not required to pay franchising fees.

Tom Casey and Dan Hawkins, the shareholders of the Company, own 30% of Portland Roasting Company. Portland Roasting Company supplies the Human Bean drive-thrus with various coffee blends. In total, during the years ending December 31, 2020 and 2019, \$1,245,751 and \$836,688 of rebates were received from Portland Roasting Company by Casey Hawkins, Inc., respectively. This rebate is included in the bean and allied product rebates on the Statement of Income and Retained Earnings.

**8. RETIREMENT PLAN**

The Company has a Profit Sharing and Safe Harbor 401k plan for all its employees administered by Northwest Retirement Plans, Inc. The Company will make a safe harbor matching contribution equal to 100% of what the employee contributes up to 3% of the employees pay, plus 50% of what is contributed, up to the next 2%. All contributions are fully vested when made. Total Company contributions to this plan for the years ending December 31, 2020 and 2019 were \$21,941 and \$13,461, respectively.

**9. CONCENTRATION OF RISK**

Balances at bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances were \$1,072,755 and \$166,152 in excess of federally insured limits at December 31, 2020 and 2019, respectively.

**10. SUBSEQUENT EVENTS**

On March 11, 2020 the World Health Organization characterized COVID-19 as a pandemic. There has been minimal impact to the Company's operations. Future potential impacts may include continued disruptions or restriction on the Company's ability to obtain products and supplies. Future effects of these events are unknown at this time.

The Company has evaluated subsequent events through March 2, 2021, which is the date of the audit report. The report was available to be issued on March 12, 2021.

**CASEY HAWKINS, INC.**  
**AUDIT REPORT**  
**For the Years Ended**  
**December 31, 2019 and 2018**

**RICHARD W. BREWSTER, CPA, PC**  
CERTIFIED PUBLIC ACCOUNTANT  
MEDFORD

**CASEY HAWKINS, INC.**  
*December 31, 2019 and 2018*

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## **RICHARD W. BREWSTER, CPA, PC**

CERTIFIED PUBLIC ACCOUNTANT

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### **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Shareholders  
CASEY HAWKINS, INC.

I have audited the accompanying financial statements of Casey Hawkins, Inc., (an Oregon S-Corporation), which comprise the balance sheets as of December 31, 2019 and 2018, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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, I 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 financial statements.

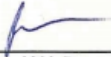
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

#### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Casey Hawkins, Inc. as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Report on Restatement Adjustments to Financial Statements**

As part of my audit of the financial statements, I also audited the adjustments described in Note 8 that were applied to restate the 2019 financial statements. Based on my audit, I'm not aware of any material modifications that should be made to the adjustments that were applied to restate the 2019 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.



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Richard W. Brewster  
Certified Public Accountant  
February 17, 2020  
Updated – April 6, 2020



**CASEY HAWKINS, INC.**  
**Balance Sheets**  
*December 31, 2019 and 2018*

**ASSETS**

<b>ASSETS</b>	<b>2019</b>	<b>2018</b>
Current assets		
Cash and cash equivalents	\$ 235,645	\$ 229,027
Prepaid insurance	7,505	7,075
Accounts receivable	510,191	412,523
Inventories	350,477	147,962
<b>Total current assets</b>	<b>1,103,818</b>	<b>796,587</b>
Property and equipment		
Furniture and equipment	251,980	90,231
Improvements	245,845	8,765
Vehicle	46,912	46,912
Total property and equipment	544,737	145,908
Less accumulated depreciation	(147,021)	(128,904)
<b>Net property and equipment</b>	<b>397,716</b>	<b>17,004</b>
Other assets		
Trademark (net of amortization)	165,000	164,588
<b>TOTAL ASSETS</b>	<b>\$ 1,666,534</b>	<b>\$ 978,179</b>

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Balance Sheets**  
*December 31, 2019 and 2018*

**LIABILITIES AND SHAREHOLDERS' EQUITY**

<b>LIABILITIES</b>	<b>2019</b>	<b>2018</b>
Current liabilities		
Accounts payable and other accrued expenses	\$ 152,142	\$ 98,802
Payroll liabilities	108,472	82,082
Refundable franchise fees	477,500	-
	<b>738,114</b>	<b>180,884</b>
<b>Total current liabilities</b>		
	<b>738,114</b>	<b>180,884</b>
<b>TOTAL LIABILITIES</b>		
	<b>738,114</b>	<b>180,884</b>
<b>SHAREHOLDERS' EQUITY</b>		
Shareholders' equity		
Contributed capital	203,938	203,938
Common stock, 1,000 shares authorized; 100 shares issued and outstanding	1,000	1,000
Retained earnings	723,482	592,357
	<b>928,420</b>	<b>797,295</b>
<b>TOTAL SHAREHOLDERS' EQUITY</b>		
	<b>928,420</b>	<b>797,295</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
	<b>\$ 1,666,534</b>	<b>\$ 978,179</b>

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Statements of Income and Retained Earnings**  
*For the Years Ended December 31, 2019 and 2018*

	<b>2019</b>	<b>2018</b>
<b>SALES</b>		
Equipment and buildings	\$ 1,084,500	\$ 922,463
Product sales	560,622	442,114
Bean and allied product rebates	2,759,094	2,278,182
Franchise fees	234,500	357,333
Area development fees	15,000	-
Equipment repairs and parts	159,093	187,924
Miscellaneous income	3,306	5,183
Total sales	4,816,115	4,193,199
<b>COST OF GOODS SOLD</b>		
Purchases	1,458,646	1,266,943
Gross profit	3,357,469	2,926,256
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Payroll expense	761,024	558,285
Compensation of officers	114,598	108,861
Payroll tax expense	82,227	55,673
Employee benefits	48,310	38,853
Advertising	331,333	364,656
Bank charges	5,001	4,198
Depreciation and amortization	20,458	15,711
Dues	5,839	3,580
Insurance expense	10,440	6,323
Legal and professional fees	50,367	48,054
Meeting expense	111,494	56,942
Office supplies	61,826	18,943
Postage and delivery	12,698	9,539
Printing	2,540	1,609
Product testing	990	204
Rent	76,247	62,400
Repairs and maintenance	44,013	21,442
Software management	28,984	22,749
Supplies	18,364	9,544
Taxes and licenses	9,112	5,809
Telephone	4,403	5,683
Training	20,707	14,284
Travel and entertainment	51,411	37,348
Utilities	17,085	10,695
Vehicle expense	13,796	17,956
Total general and administrative expenses	1,903,267	1,499,341
<b>NET INCOME FROM OPERATIONS</b>	1,454,202	1,426,915
<b>OTHER INCOME AND (EXPENSE)</b>		
Loss on sale of assets	(4,512)	-
Donations	(8,750)	(10,300)
Other expense	(550)	(224)
Total other income and (expense)	(13,812)	(10,524)
<b>NET INCOME</b>	1,440,390	1,416,391
<b>RETAINED EARNINGS, BEGINNING OF YEAR</b>	592,357	449,272
Distributions to shareholders	(1,309,265)	(1,273,306)
<b>RETAINED EARNINGS, END OF YEAR</b>	\$ 723,482	\$ 592,357

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Statements of Cash Flows**  
*For the Years Ended December 31, 2019 and 2018*

Initial application date 1/1/2019	<u>2019</u>	<u>2018</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 1,440,390	\$ 1,416,391
Adjustments needed to reconcile to net cash provided by operating activities		
Depreciation and amortization	20,458	15,711
Loss on sale of assets	4,512	-
Changes in		
Receivables	(97,668)	(113,111)
Prepaid	(430)	(2,645)
Inventory	(202,515)	(16,536)
Accounts payable	53,340	77,264
Payroll liabilities	26,390	7,159
Refundable franchise fees	477,500	-
Net cash provided by operating activities	<u>1,721,977</u>	<u>1,384,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	(422,094)	-
Proceeds from sale of assets	16,000	-
Net cash provided by (used in) investing activities	<u>(406,094)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on loan	-	(7,291)
Distributions to shareholders	(1,309,265)	(1,273,306)
Net cash provided by (used in) financing activities	<u>(1,309,265)</u>	<u>(1,280,597)</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	6,618	103,636
<b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	<u>229,027</u>	<u>125,391</u>
<b>CASH AND CASH EQUIVALENTS END OF YEAR</b>	<u>\$ 235,645</u>	<u>\$ 229,027</u>
<b>SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION</b>		
<b>CASH PAID DURING THE YEAR FOR:</b>		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ 150</u>	<u>\$ 150</u>

See notes to financial statements.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
For the Years Ended December 31, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

Casey Hawkins, Inc., (the Company) was incorporated in the State of Oregon on February 4, 2002. The Company sells equipment, espresso, and other coffee products used in the operation of drive-thru retail coffee operations. The Company also offers franchises for the operation of drive-thru retail coffee outlets under the registered trademark "The Human Bean." Due to franchise laws, franchises are offered in most, but not all, states. The Company receives rebates on the sale of coffee products, paper products, related supplies, and advertising incentives from the suppliers to the Human Bean outlets.

**Cash and Cash Equivalents**

Cash and cash equivalents consists of demand deposit accounts.

**Fair Value of Financial Instruments**

The fair values of the Company's financial instruments, which include cash and cash equivalents, approximate their carrying values because of the short-term nature of these instruments. The Company places its cash with qualified FDIC insured financial institutions.

**Accounts Receivable**

Accounts receivable are generally due within 30 days and are stated at the carrying balances of customer accounts on the balance sheet date. Management closely monitors outstanding accounts receivable and charges off to expense all balances that are determined to be uncollectible. As of December 31, 2019, management believes that all accounts are fully collectible. Accordingly, there was no allowance for doubtful accounts. As of December 31, 2019, \$12,206 of the \$510,191 receivables was past due by over 90 days. On December 31, 2018, \$59,114 of the \$412,523 receivables was past due by over 90 days.

**Inventory**

Inventory consisting of coffee mugs, loyalty cards and other coffee related items are valued at the lower of cost, as identified by specific cost, or market.

**Fixed Assets**

Significant expenditures for fixed assets are capitalized at cost less accumulated depreciation. The cost of repairs and maintenance are expensed when incurred while the expenditures for refurbishments or improvements that significantly add to or extend the useful life of an asset are capitalized. Depreciation is computed using the straight-line method over the following estimated useful asset lives:

Vehicles	5 years
Equipment	5 years
Furniture	7 years
Improvements	39 years

**Advertising**

The Company expenses advertising costs as they are incurred. Total advertising costs for the years ended December 31, 2019 and 2018 were \$331,333 and \$364,656, respectively.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
*For the Years Ended December 31, 2019 and 2018*

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***New Accounting Pronouncement***

The Company adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606) effective January 1, 2019. Topic 606 was adopted on a modified retrospective basis, and the Company determined that there was no cumulative effect to retained earnings as of January 1, 2019 that was required to be disclosed as a result of adopting the standard.

Topic 606 provides a five-step model for recognizing revenue from contracts:

- Identify the contract with the customer
- Identify the performance obligation within the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations
- Recognize revenue when (or as) the performance obligations are satisfied

***Revenue Recognition***

The Company has determined that the pre-opening activities contain distinct goods and services. Management reviews the Company's recognition of initial franchise fees and revenue relating to the grant of franchisees with area franchise rights at a point in time. The Company evaluates the substantial obligations to the franchisee of each agreement in order to determine the amount of revenue to be recorded from the initial franchise fee at the end of each reporting period. The adoption resulted in the recognition of a refundable franchise fees liability related to the right of return if a location is not opened with one year.

***Estimates and Assumptions***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions.

***Income Taxes***

The Company and its shareholders have elected to be taxed as an S-Corporation. As an S Corporation, the Company passes through items of income and deductions to its shareholders each year as earned, and thus pays no federal corporation income tax itself. The Company pays an annual state excise tax of \$150.

***Compensated Absences***

The Company's personnel policy provides employees with regular leave for any approved personal reasons. Holidays, leaves of absence, jury duty, or military duty service is not considered personal leave and is not counted against employees accrued leave. Employees with at least one year of service accrue 80 hours of leave on January 1. Any unused leave of absence as of December 31, is paid to the employee, on their first check in January.

Included in payroll liabilities at year-end is unused leave that is included on employee's paychecks in January.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
For the Years Ended December 31, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Trademark**

In November 2002, the Company acquired a federal trademark registration for "The Human Bean," for \$7,000. In June 2005, the Company settled a Colorado lawsuit involving alleged unregistered rights in the trademark, "The Human Bean Company," by a payment of \$165,000. The value of any rights acquired in the settlement is not being amortized. The Company believes that no material impairment of trademark carrying values exists at December 31, 2019 and 2018, respectively.

**2. PROPERTY AND EQUIPMENT**

	2019	2018
Furniture and equipment	251,980	\$ 90,231
Improvements	245,845	8,765
Vehicle	46,912	46,912
	<u>544,737</u>	<u>145,908</u>
Total property and equipment		
	544,737	145,908
Less accumulated depreciation	(147,021)	(128,904)
Net property and equipment	<u>\$ 397,716</u>	<u>\$ 17,004</u>

Depreciation expense was \$20,341 and \$15,709 for the years ended December 31, 2019 and 2018, respectively.

**3. FRANCHISE AND AREA DEVELOPMENT ARRANGEMENTS**

**Franchise and Area Development Activities**

During the year ending December 31, 2019, the Company entered into 32 new or transferred franchise agreements and one new or transferred area development agreement. At December 31, 2019, a total of 98 drive-thru outlets were in operation. Of those, 13 were affiliate-owned drive-thrus and 85 were franchised drive-thrus. At December 31, 2018, a total of 81 drive-thru outlets were in operation. Of those, 13 were affiliate-owned drive-thrus and 68 were franchised drive-thrus.

**Terms of Franchise Agreements**

The Company offers "The Human Bean" espresso drive-thru franchises and area development agreements. The fee for a single store franchise agreement is \$30,000. \$7,500 of the fee is non-refundable. In the event the store does not open within a year of signing the Franchise Agreement, \$22,500 may be refunded. \$22,500 is recognized when all material services or conditions relating to the location have been substantially performed or satisfied, which is typically when the franchise store begins operations. At December 31, 2019, refundable franchise fees were \$477,500.

The Company does not currently charge an advertising fee but reserves the right to do so in the future.

**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
*For the Years Ended December 31, 2019 and 2018*

**4. REBATES AND ALLOWANCES**

The Company requires its franchisees to purchase all coffee, espresso beans and bean products, food, logo cups and other specified products and equipment from the Company or other approved vendors. These agreements have a ten-year term with an option to renew for an additional ten-year period subject to certain terms and conditions. During the years ending December 31, 2019 and 2018, the Company received income either in the form of direct profit from the resale of products or by means of rebates or allowances paid to the Company from its approved vendors. Total income from sales, rebates, and allowances received for the years ending December 2019 and 2018 were \$2,759,094 and \$2,278,182, respectively.

**5. RETIREMENT PLAN**

The Company has a Profit Sharing and Safe Harbor 401(k) plan for all its employees administered by Northwest Retirement Plans, Inc. The Company will make a safe harbor matching contribution equal to 100% of what the employee contributes up to 3% of the employees pay, plus 50% of what is contributed, up to the next 2%. All contributions are fully vested when made. Total Company contributions to this plan for the years ending December 2019 and 2018 were \$14,277 and \$13,461, respectively.

**6. LEASING ARRANGEMENTS**

The Company has an operating lease with Tom Casey and Dan Hawkins for office and storage space the Company was previously occupying, expiring December 31, 2019. The lease agreement has been extended and the Company will continue paying rent until a new tenant leases the space. Lease payments for that location totaled \$64,800 and \$62,400 for the years ending 2019 and 2018, respectively.

On September 15, 2019, the Company entered into a five-year operating lease with Tom Casey and Dan Hawkins for office and storage space and re-located their corporate headquarters. The lease commences on October 1, 2019 and continues through September 30, 2024. Base rent is set at \$13,300 per month and shall increase \$250 per year for the initial term. At December 31, 2019, the discounted lease payments amounted to \$11,447.

Future lease payments are as follows:

2020	\$ 159,600
2021	159,850
2022	160,100
2023	160,350
2024	<u>160,600</u>
Total	<u>\$ 800,500</u>



**CASEY HAWKINS, INC.**  
**Notes to Financial Statements**  
*For the Years Ended December 31, 2019 and 2018*

**7. RELATED PARTIES**

The Company conducts business with various entities affiliated by common ownership of Tom Casey and Dan Hawkins, the shareholders of the Company. The affiliated entities own and operate 13 drive-thru retail coffee outlets under the registered trademark "The Human Bean" in Oregon. During the years ending December 31, 2019 and 2018, there were numerous sales to these drive-thrus as part of the ordinary course of business. In total, \$208,675 in 2019 and \$198,917 in 2018 of sales (recorded at cost) occurred from Casey Hawkins, Inc. to these drive-thrus. In addition, these entities are not required to pay franchise fees.

Tom Casey and Dan Hawkins, the shareholders of the Company, own 30% of Portland Roasting Company. Portland Roasting Company supplies The Human Bean drive-thrus with various coffee blends. In total, during the years ending December 31, 2019 and 2018, \$836,688 and \$775,406 of rebates were received from Portland Roasting Company by Casey Hawkins, Inc., respectively. This rebate is included in the bean and allied product rebates on the Statement of Income and Retained Earnings.

**8. RESTATEMENT OF FINANCIAL STATEMENTS**

After the audit report was issued on February 17, 2020, management became aware of an error in the financial statements from the implementation of FASB ASC 2014-09. Refundable franchise fees were understated by \$477,500. The financial statements have been adjusted to reflect the correct balance of the liability as of December 31, 2019.

**9. SUBSEQUENT EVENTS**

Management evaluated subsequent events as of February 17, 2020, the date of the Independent Auditor's Report. Management has re-evaluated subsequent events as of April 6, 2020 which is the date of the updated Independent Auditor's Report. The updated financial statements were available for issue on April 8, 2020.

**10. CONCENTRATION OF RISK**

Balances at bank institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash balances were \$166,152 and \$169,782 in excess of federally insured limits at December 31, 2019 and 2018, respectively.

## **Supplemental Unaudited Financial Statements**

These financial statements are prepared without an audit. Prospective franchisees or sellers of franchises should be advised that no certified public accountant had audited these figures or expressed his/her opinion with regard to the content or form.

**CASEY HAWKINS, INC.**  
**Balance Sheet**  
December 31, 2021

<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 1,360,227
Prepaid insurance	-
Accounts receivable	905,629
Inventories	707,940
<b>Total Current Assets</b>	<u>2,973,796</u>
<b>Property and equipment</b>	
Furniture and equipment	404,861
Improvements	421,838
Vehicle	49,462
Total property and equipment	<u>876,161</u>
Less accumulated depreciation	<u>(248,246)</u>
<b>Net property and equipment</b>	<u>627,915</u>
<b>Other Assets</b>	
Trademark (net of amortization)	<u>165,000</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,766,711</u></u>
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 728,608
Customer refundable deposits	590,000
Accrued payroll and liabilities	173,895
<b>Total current liabilities</b>	<u>1,492,503</u>
<b>Long-term Liabilities</b>	
Note Payable Sprinter Van	<u>\$ 34,105</u>
<b>Total Liabilities</b>	<u>\$ 1,526,608</u>
<b>SHAREHOLDERS' EQUITY</b>	
Contributed capital	203,938
Common stock, 1,000 shares authorized; 100 shares issued and outstanding	1,000
Retained earnings	2,035,165
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u>2,240,103</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><u>\$ 3,766,711</u></u>

Unaudited

**CASEY HAWKINS, INC.**  
**Statement of Income and Retained Earnings**  
**Year Ended December 31, 2021**

<b>SALES</b>	
Equipment and buildings	\$ 2,183,884
Product sales	1,084,280
Bean and allied product rebates	4,508,181
Franchise fees	831,928
Area development	20,000
Equipment repairs and parts	137,559
Finance charge	1,973
Total sales	<u>8,767,805</u>
<b>COST OF GOODS SOLD</b>	
Purchases	<u>2,773,929</u>
Gross profit	<u>5,993,876</u>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	
Payroll expense	1,952,263
Payroll tax expense	123,874
Employee benefits	143,062
Advertising	550,133
Amazon	15,848
Bank charges	14,321
Depreciation	90,816
Dues and subscriptions	5,841
Franconnect	65,209
Insurance expense	7,856
Legal and professional fees	114,274
Market research and development	632
Meeting expense	586
Office supplies	171,194
Postage and delivery	18,272
Product test	965
Relocation expense	17,000
Rent	221,596
Repairs and maintenance	59,582
Supplies	34,214
Taxes and licenses	44,777
Telephone	4,174
Training	5,122
Travel and entertainment	114,036
Utilities	31,271
Vehicle expense	13,346
Total general and administrative expenses	<u>3,820,264</u>
<b>NET INCOME FROM OPERATIONS</b>	<u>2,173,612</u>
<b>OTHER INCOME AND (EXPENSE)</b>	
Gain (loss) on sale of asset	10,500
Interest expense	(1,292)
Other expenses	(7,300)
Total other income and (expense)	<u>1,908</u>
<b>NET INCOME</b>	2,175,520
<b>RETAINED EARNINGS, BEGINNING OF PERIOD</b>	1,525,140
Distributions to shareholders	(1,665,495)
<b>RETAINED EARNINGS, END OF PERIOD</b>	<u>\$ 2,035,165</u>

Unaudited

## EXHIBIT G

### AREA DEVELOPMENT AGREEMENT

This AREA DEVELOPMENT AGREEMENT (this “Agreement”) is made and entered into as of \_\_\_\_\_ (the “Effective Date”) by and between Casey Hawkins, Inc., an Oregon corporation (“THB”) and \_\_\_\_\_ (“Developer”).

#### RECITALS

THB and Developer intend to execute a Franchise Agreement, pursuant to which Developer will operate its first THB outlet in the Development Area (the “Franchise Agreement”). Developer wishes to operate said outlet and also to develop additional THB outlets in the Development Area (as defined below), according to the terms and conditions set forth below.

#### 1. Definitions.

Any capitalized terms used herein but not defined herein will have the meanings assigned to them in the Franchise Agreement. Unless otherwise stated, a reference to a “Section” is to a section of this Agreement, and a reference to an “Exhibit” or “Schedule” is to an exhibit or schedule to this Agreement. All definitions are equally applicable to plural and singular defined terms.

#### 2. Area Development Right.

- 2.1 Grant of Area Development Right. THB grants to Developer the right to develop THB outlets, solely within the Development Area and during the term of this Agreement, both as set forth on Exhibit 2.1. To the extent that the Development Area is defined according to any city, county or political subdivision, the Development Area is fixed as of the Effective Date, and any subsequent change in the boundaries of such city, county or political subdivision will not effect a change in the Development Area.
- 2.2 Limits on Grant of Area Development Right. The grant of the area development right under Section 2.1 does not include any license to use the Proprietary Marks or the THB System, such license being granted only pursuant to the individual franchise agreements executed for each THB outlet.
- 2.3 Effect on Franchised Locations. As stated in the Franchise Agreement, during the term of this Agreement, the Area Development Right supercedes the more limited grant of territorial exclusivity associated with each individual franchised location.
- 2.4 Exclusivity of Area Development Right. During the term of this Agreement, THB will not operate, or grant a license or franchise to a third party to operate, a THB outlet within the Development Area; provided, however, that any THB

outlet already in operation within the Development Area on the Effective Date may continue to operate during the term of this Agreement. Nothing in this Agreement will in any way restrict THB's right to (a) own or operate, or grant a franchise to operate, THB outlets outside the Development Area, (b) advertise products and services using the Proprietary Marks in any medium as part of a national, regional, or local advertising campaign, or (c) to produce, license, distribute or market products using the Proprietary Marks, including without limitation prepackaged food and beverage products, clothing, souvenirs and novelty items, at or through any location or outlet other than a THB outlet (whether or not located within the Development Area), and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail, Internet marketing and other distribution channels.

### **3. Development Obligation.**

- 3.1** Development of New THB Outlets. During the term of this Agreement, Developer will acquire the rights to premises for, equip, and open at least the number of THB outlets specified on Exhibit 2.1, within the Development Area. Developer will satisfy the requirements of this Section if premises have been leased or purchased, and a franchise agreement has been signed, for the last THB outlet necessary to meet Developer's obligation, no later than 90 days before the end of the term of this Agreement.
- 3.2** Force Majeure. If Developer is unable to satisfy the development obligation under Section 3.1 due to strike, riot, civil disorder, war, failure of supply, fire, flood, earthquake, natural catastrophe or other similar events beyond Developer's control, then upon notice to THB, the term of this Agreement will be extended for a corresponding period, not to exceed 180 days.
- 3.3** No Right to Open Additional Outlets. The Developer may not, without express agreement in writing by THB, open THB outlets in the Development Area in excess of the number specified on Exhibit 2.1.

### **4. Term and Termination.**

- 4.1** Term. This Agreement will be coterminous with the Development Period, as set forth on Exhibit 2.1.
- 4.2** Expiration. The term of this Agreement will expire upon the execution of the franchise agreement for the last THB outlet necessary to meet Developer's obligation under Section 3.1, unless THB has agreed in writing to extend the term to permit the development of additional THB outlets in the Development Area pursuant to Section 3.3.
- 4.3** Termination for Cause. This Agreement may also be terminated for cause following a material breach. A material breach includes, but is not limited to, any of the following:

- 4.3.1 Developer's failure to identify and secure the rights to an acceptable location for the first THB outlet in the Development Area, and execute the Franchise Agreement for said outlet, within ninety (90) days of the Effective Date;
  - 4.3.2 A material breach of any franchise agreement between THB and Developer or its affiliated franchisee, resulting in for-cause termination of said agreement;
  - 4.3.3 A failure to meet the development obligation set out on Exhibit 2.1;
  - 4.3.4 Any breach of the covenants of noncompetition and nonsolicitation set out in Section 8;
  - 4.3.5 Any unapproved transfer in violation of Section 9.2;
  - 4.3.6 Commission of an act of fraud by Developer with respect to its rights or obligations under this Agreement; or
  - 4.3.7 Any Insolvency Event.
- 4.4 Franchise Agreements May Survive Expiration. Each of the franchise agreements between the parties is governed by its own provisions as to term, Section 4.3.1 of this Agreement notwithstanding, and although a for-cause termination of this Agreement may entitle THB to terminate any and all franchise agreements with Developer, the expiration of this Agreement pursuant to Section 4.2 will not effect the termination of the franchise agreements between the parties.

## 5. Site Selection and Approval Process.

- 5.1 Site Proposal. Developer will initiate the process for opening a new THB outlet by proposing at least one, but not more than ten, potential sites within the Development Area, using the site approval form provided by THB. THB will evaluate the proposed site(s) and determine, in its sole discretion, whether any proposed site(s) is/are acceptable. Developer will not enter into an agreement to lease or purchase a proposed site unless and until the site has been approved pursuant to Section 5.3.
- 5.2 No Site Analysis Fee. As to sites proposed by Developer, THB will waive the Site Analysis Fee, and THB will not charge a fee to evaluate proposed sites for THB outlets in the Development Area. Area Developer will not be required to execute a Site Analysis Agreement or pay the Site Analysis Fee. If the location of the first THB Outlet to be opened by Area Developer has not been determined or approved by THB as of the Effective Date of this Agreement, then the location of the first THB Outlet to be opened in the Development Area is the Premises for purposes of the Franchise Agreement.

- 5.3 Prompt Decision on Proposed Sites. THB will respond to a site proposal by approving, disapproving, or requesting additional information within thirty days of receipt of the proposal. If THB does not respond to a site proposal within thirty days of its receipt of the proposal or additional information thereto, the proposal is deemed rejected. Developer agrees that approval of a proposed site by THB does not constitute a representation by THB that a THB outlet at the proposed site will be successful or profitable, and Developer will not rely on THB's approval as such a representation.
- 5.4 Execution of Franchise Agreement. Area Developer will execute the Franchise Agreement for the first THB Outlet to be opened by Area Developer at the same time as Area Developer executes this Agreement. For subsequent Outlets, following approval of a proposed site within the Development Area, Developer will enter into THB's then-current form of franchise agreement for the THB Outlet to be located at that site, provided however that differences between the Franchise Agreement and the then-current form of franchise agreement will be restricted to THB's implementing any reasonable system-wide changes relating to its operations, products or administration, and also limited by THB's obligations of good faith and fair dealing.
- 5.5 Opening of THB Outlet. Developer must equip and open the new THB outlet on the approved site, or another approved site, within one year of the execution of the franchise agreement for that site.

## 6. Franchise Fees.

- 6.1 33.7% Due on Signing. One third of the Franchise Fee (\$10,000) is due and payable upon execution of this Agreement for each outlet to be opened in fulfillment of Developer's obligations under Section 3.1, except that the full Franchise Fee (\$30,000) is due on the execution of the franchise agreement for the first such THB outlet. The 33% down payment on the locations to be developed is deemed fully earned when paid and is non-refundable.
- 6.2 66.3% Due on Execution of Individual Franchise Agreements. The balance of the Franchise Fee (\$20,000) for each outlet to be opened in fulfillment of Developer's obligations under Section 3.1 is due on execution of the franchise agreement for each such location. THB reserves the right to increase the Franchise Fee for outlets in excess of the number of outlets set forth on Exhibit 2.1, if THB agrees to allow Developer to open such additional outlets.

## 7. Training and Opening Assistance.

- 7.1 Training for the First THB Outlet. Training and opening assistance for the first THB outlet to be opened by Developer will be as set forth in the Franchise Agreement.
- 7.2 Training for Subsequent THB Outlets. For each subsequent THB outlet, THB will, at Area Developer's Option, provide training for a designated store manager,



on the terms set forth in the Franchise Agreement, but THB will not be obligated to assist with the opening.

## **8. Noncompetition.**

- 8.1** Definition of Competition. For purposes of this Section 8, “competition” means (a) diverting business to any competitor of THB, by direct or indirect inducement or otherwise; (b) performing any other act injurious or prejudicial to the goodwill associated with the the THB Marks or the THB System; and (c) the operation of, or assisting in the operation of, a drive-thru coffee store the same as or similar to a THB Outlet, other than pursuant to a franchise agreement with THB, within a geographical area consisting of (1) during the term of this Agreement, anywhere, and (2) after termination of this Agreement, a ten (10) mile radius from the location of any THB espresso drive-thru now or hereafter operated by THB or its licensees or franchisees.
- 8.2** Blue Pencil. If a judicial or quasi-judicial authority called upon to enforce this Section 8 deems any of its provisions to be unenforceable by reason of its scope or extent, the parties intend that such authority should enforce such provision to the maximum extent permitted by applicable law.
- 8.3** Noncompete and Nonsolicitation Covenants. During the term of this Agreement, and for a period of two (2) years after its expiration or termination, Developer will not engage in competition with THB, or engage in any business in competition with any THB outlet, except as authorized in writing by THB, or (b) employ or seek to employ any employee of THB or of any THB franchisee or developer for a period of at least one (1) year following the non-employment of such employee. The one and two-year terms set forth in this Section 8.3 will be extended by any time consumed in litigation or arbitration required to enforce it, including any appeals. For purposes of this Section 8.3, “engage in business” means in any capacity, including as a franchisee, sole proprietor, partner, limited partner, member, employer, franchisor, stockholder, officer, director, or employee, except in the capacity of shareholder of less than five percent (5%) beneficial interest in the stock of any publicly traded corporation.
- 8.4** Irreparable Harm. Developer acknowledges that any violation of the terms of this Section 8 will cause irreparable harm to THB, entitling THB to injunctive relief. Developer agrees that the existence of any claims it may have against THB will not constitute a defense to the enforcement by THB of the provisions of this Section 8.

## **9. Assignment and Transfer.**

- 9.1** Definition of Transfer. “Transfer” means any act or circumstance by which ownership or control is shifted in whole or in part from any individual or entity to another, including, if Developer is a corporation, any changes in the present ownership of the stock of Developer (as of the date of this Agreement) or the

issuance of additional stock of Developer and, if Developer is a partnership, L.L.C., or L.L.P., any change in or addition of partners or members. Any assignment, transfer or other disposition by Developer of an individual THB outlet will be governed by the provisions of the franchise agreement applicable to such outlet.

- 9.2 Buy-Sell Agreement for Corporate Ownership of Developer. If Developer is a corporation, partnership, limited liability company or other similar business entity, then upon the dissolution of such entity, or upon any decree of divorce between parties that are also shareholders, partners, or members, ownership of the shares affected will be transferred, for agreed-upon consideration, to that shareholder, partner or member having primary responsibility for operations, sales and marketing activities. The form and content of the buy-sell agreement will be submitted to THB for its approval before execution.
- 9.3 Assignment of Area Development Rights. THB is entering into this Agreement based upon its knowledge of and faith in the ability of Developer. Therefore, this Agreement and all the rights granted by it not transferable by Developer, except with the prior consent in writing of THB, not to be unreasonably withheld.
- 9.4 Assignment by THB. This Agreement will inure to the benefit of the successors and assigns of THB. THB has the right to assign its rights and obligations under this Agreement to any person or entity, provided that the assignee agrees in writing to assume, at minimum, all obligations and liabilities of THB to Developer that arise after the closing date of the assignment of this Agreement by THB. Upon such assignment and assumption, THB will be under no further obligation under this Agreement, except for accrued liabilities, if any, not assumed by THB's assignee.

## 10. General Provisions.

- 10.1 Indemnity. Developer will indemnify and hold THB and its officers, directors, and employees harmless from and against all third-party suits, proceedings, claims, causes of action, demands, or liabilities of any kind or of any nature arising out of or in connection with Developer's operations or those of its affiliate franchisees, unless caused by the gross negligence or willful misconduct of THB.
- 10.2 Independent Contractors. The relationship between THB and Developer is that of independent contractors. Developer is not a partner, joint venturor, agent, or employee of THB. Developer has no authority to bind THB to any contractual obligation or incur any liability for or on behalf of THB. Developer will identify itself as independent in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others. Developer will place notices of its independent ownership (or that of its affiliated franchisees) on its forms, stationery, advertising, and other business materials.

- 10.3** Governing Law & Dispute Resolution. This Agreement will be governed by the substantive law of the State of Oregon without regard to conflicts-of-law rules; provided, however, that the Federal Arbitration Act will govern the provisions respecting arbitration and arbitrability. Any dispute arising out of or relating to this Agreement which cannot be settled by mutual agreement of the parties, other than an application for a temporary restraining order, preliminary injunction or similar emergency injunctive relief to prevent irreparable harm, will be finally and conclusively settled in accordance with the Commercial Arbitration Rules of the American Arbitration Association (“Rules”); provided, however, that: (a) the arbitration will take place in Portland, Oregon; (b) there will be a panel of three (3) arbitrators (collectively, the “Tribunal”), with each party selecting one (1) arbitrator and the third arbitrator to be appointed by the other two arbitrators in accordance with the Rules; (c) the arbitration will be conducted in the English language; (d) the Tribunal will use reasonable efforts to schedule all matters regarding the arbitration so that the arbitration progresses in a timely fashion; (e) subject to legal privileges, each party will be entitled to discovery in accordance with the Federal Rules of Civil Procedure; (f) at the arbitration hearing, each party may make written and oral presentations to the Tribunal, present testimony and written evidence and examine witnesses; (g) the Tribunal will not have the power to award punitive damages; (h) the Tribunal will issue a written decision explaining the basis for such decision; (i) the Tribunal may not make any award that is inconsistent with any express term of this Agreement and may not use the equitable powers provided by the Rules to modify the express terms of this Agreement in any way; (j) such decision will be final, binding and enforceable in any court of competent jurisdiction; (k) the parties will share equally any fees and expenses of the Tribunal and of the American Arbitration Association, provided that the Tribunal will have the authority to award, as part of the arbitrator’s decision, to the prevailing party its costs and expenses of the arbitration proceeding, including reasonable attorneys’ and experts’ fees; and (l) the parties agree that the arbitration proceedings and any decision and award of the arbitrator will be kept confidential and not be disclosed to third parties, except as necessary to enforce or effectuate the terms of such decision or award.
- 10.4** Notices. All notices must be in writing, to the other party’s last-known preferred address, and email or other electronic message is a writing for purposes of notice. Printed notices will be delivered using a method reasonably calculated to create proof of delivery (such as courier service or certified mail), and email is presumed received when sent unless the sender receives a notice in reply stating that the email was not deliverable. Each party will provide the other with its current address, and updated contact information whenever changes occur.
- 10.5** Compliance with the Laws. The parties intend that the terms of this Agreement and their relationship should comply with all applicable laws, ordinances, and regulations. Further, during the term of and with respect to their performance under this Agreement, each party will remain in compliance with all applicable laws, ordinances and regulations.

- 10.6** Integration and Priority. This Agreement, together with the Franchise Agreement and subsequent franchise agreements, constitutes the entire agreement between the parties as to its subject matter and supersedes all prior communications, representations, and agreements, oral or written, of the parties with respect to its subject matter. No oral or other written understandings or agreements exist between the parties relating to the subject matter of this Agreement. In the event of a conflict between this Agreement and the Franchise Agreement or any other franchise agreement between the parties, the terms of this Agreement will be controlling. Nothing in this Agreement or any related agreement is intended to disclaim representations made in the Franchise Disclosure Document.
- 10.7** Modification. No modification or extension of this Agreement will be valid unless in writing and signed by both parties.
- 10.8** Interpretation. The section and paragraph headings of this Agreement are for the convenience of the reader only, and are not intended to act as a limitation of the scope or meaning of the sections and paragraphs themselves. This Agreement will not be construed against the drafting party.
- 10.9** Approvals. Except when this Agreement expressly obligates THB reasonably to approve or not unreasonably to withhold its approval of any action or request by Developer, THB has the absolute right to refuse any request by Developer or to withhold its approval of any action that requires its approval.
- 10.10** Severability and Waiver. The invalidity of any term or provision of this Agreement will not affect the validity of any other provision. The parties intend that if any of the terms, conditions, or provisions of this Agreement violates applicable law, such terms, conditions, or provisions will be deemed not a part of this Agreement, and the remainder of this Agreement will remain in full force and effect. Waiver by any party of strict performances of any provision of this Agreement will not be a waiver of or prejudice any party's right to require strict performance of the same provision in the future or of any other provision of this Agreement.
- 10.11** No Third Party Beneficiaries. Except as set forth in the Guaranty of Area Development Agreement (Exhibit 10.11), this Agreement creates no third party rights or obligations between THB or Developer and any other person. It is understood and agreed that the parties do not intend that any third party should be a beneficiary of this Agreement.
- 10.12** Counterparts. This Agreement may be executed in multiple counterparts, all of which together will constitute one agreement, even though all parties do not sign the same counterpart.

## **11. Representations & Warranties.**

- 11.1** Execution by Authorized Parties. Each party represents and warrants that the person(s) signing this Agreement have full power and authority to do so and that

entering into this Agreement is not a breach of or contrary to any other agreement. Developer represents that all owners of Developer are signing this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this AREA DEVELOPMENT Agreement to be duly executed as of the Effective Date.

FOR CASEY HAWKINS, INC.

FOR DEVELOPER (All owners should sign, and also print name next to the word Signature)

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Exhibit 2.1 to Area Development Agreement

Development Area: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Term \_\_\_\_\_ years from the Effective Date of this Agreement

Development Obligation \_\_\_\_\_ THB outlets by halfway through the term  
\_\_\_\_\_ THB outlets by the end of the term (total number of  
required outlets)

Exhibit 10.11  
Guaranty of Area Development Agreement

GUARANTY OF AGREEMENT

This Guaranty of Area Development Agreement (“Guaranty”) is effective as of the date it is first signed by both parties or on the following date: \_\_\_\_\_.

**Obligated Party (Developer)**

**Guarantor(s)**

**Obligee (Franchisor)**

Casey Hawkins, Inc. (an Oregon corporation)

623 Rossanley Drive

Medford, OR 97501

The Guaranteed Agreement means that Area Development Agreement, of even date herewith and as it may be amended, between the Obligated Party and the Obligee. The Guarantor is referred to as “you” and like terms.

1. **Guaranty.** For good and valuable consideration, you unconditionally guarantee to THB, and to its successors and assigns, the full, complete, and timely payment and performance of each and all of the terms, covenants, and conditions of the Guaranteed Agreement to be kept and performed during its term by the Obligated Party, including the payment of all royalties, rents, fees, and other charges accruing pursuant to the Guaranteed Agreement.

2. **Insolvency of Obligated Party.** This Guaranty will continue unchanged by the occurrence of any Insolvency Event as defined at Section 14.1 of the Guaranteed Agreement, with respect to the Obligated Party or any assignee or successor of the Obligated Party or by any disaffirmance or abandonment of the Guaranteed Agreement by a trustee in bankruptcy of the Obligated Party. Neither your obligation to make payment or render performance in accordance with the terms of this Guaranty nor any remedy for the enforcement of this Guaranty will be impaired, modified, changed, released, or limited in any manner whatsoever by any impairment, modification, change, release, or limitation of the liability of the Obligated Party or its estate in bankruptcy or of any remedy for the enforcement thereof, resulting from the operation of any

present or future provision of the U.S. Bankruptcy Act or other statute, or from the decision of any court or agency.

3. **Waivers.** Your liability under this Guaranty is primary and independent of the liability of the Obligated Party. You waive any right to require THB to proceed against any other person or to proceed against or exhaust any security held by THB at any time or to pursue any right of action accruing to THB under the Guaranteed Agreement. THB may proceed against you and the Obligated Party jointly and severally or may, at its option, proceed against you without having commenced any action, or having obtained any judgment, against the Obligated Party. You waive the defense of the statute of limitations in any action under this Guaranty or for the collection of any indebtedness or the performance of any obligation guaranteed pursuant to this Guaranty.

4. **Attorney Fees.** In the event of collections action or litigation arising from this Guaranty, the prevailing party will be entitled to its attorneys fees and costs, and related expenses both at trial and on appeal.

5. **Notice.** You waive notice of any demand by THB, any notice of default in the payment of rents or any other amounts contained or reserved in the Guaranteed Agreement, or any other notice of default under the Guaranteed Agreement. You expressly agree that the validity of this Guaranty and your obligations will in no way be terminated, affected, or impaired by reason of any waiver by THB; by its successors or assigns; by the failure of THB to enforce any of the terms, covenants, or conditions of the Guaranteed Agreement or this Guaranty; or by the granting of any indulgence or extension of time to the Obligated Party, all of which may be given or done without notice to you.

6. **Binding on Assigns.** This Guaranty will extend, in full force and effect, to any assignee or successor of THB and will be binding upon you and your successors and assigns.

7. **Subrogation.** Until all obligations of the Obligated Party to THB have been paid or satisfied in full, you have no remedy or right of subrogation and you waive any right to enforce any remedy that THB has or may in the future have against the Obligated Party and any benefit of, and any right to participate in, any security now or in the future held by THB.

8. **Subordination.** All existing and future indebtedness of the Obligated Party to you is hereby subordinated to all indebtedness and other obligations guaranteed in this Guaranty and, without the prior written consent of THB, will not be paid in whole or in part, nor will you accept any payment of or on account of any such indebtedness while this Guaranty is in effect.

9. **Choice of Law.** This Guaranty will be construed in accordance with the laws of the state of Oregon, without giving effect to its conflict-of-laws principles.



In witness whereof, the Guarantor has executed this Guaranty of Area Development Agreement:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**AREA DEVELOPMENT AGREEMENT  
MARYLAND ADDENDUM**

1. Nothing in the Area Development Agreement or any related agreement will be interpreted to require franchisees or developers to waive, release or be estopped from asserting any claims arising under the Maryland Franchise Registration & Disclosure Law.
2. Nothing in the Area Development Agreement or any related agreement will be interpreted to bar franchisees or developers from seeking injunctive relief in Maryland on any claims arising under the Maryland Franchise Registration & Disclosure Law.
3. If a general release is required as a condition of renewal, sale, assignment or transfer, the release will not apply to any claims arising under the Maryland Franchise Registration & Disclosure Law.
4. Any claims arising under the Maryland Franchise Registration & Disclosure Law must be brought within three (3) years after the grant of the franchise.
5. Provisions in the Area Development Agreement and any related agreement permitting the franchisor to terminate upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 USC § 101 et seq.).

The undersigned acknowledges receipt of this Maryland Addendum to the Area Development Agreement.

FRANCHISOR NAME: CASEY HAWKINS, INC. (The Human Bean)

For Casey Hawkins, Inc.

For Area Developer

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

## Washington Rider to Area Development Agreement

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 may supersede the Area Development Agreement in your relationship with the franchisor including the areas of termination and renewal. There may also be court decisions which may supersede the Area Development Agreement in your relationship with the franchisor including the areas of termination and renewal.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Area Development Agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those which unreasonably restrict or limit the statute of limitations period for claims under the Act, or rights or remedies under the Act such as a right to a jury trial, may not be enforceable.

Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Area Development Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the Area Development Agreement or elsewhere are void and unenforceable in Washington.

The undersigned acknowledges receipt of this addendum.

FRANCHISOR NAME: CASEY HAWKINS, INC.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

### Exhibit H -- State Effective Dates

The following states have franchise laws that require that the Franchise Disclosure Document be registered or filed with the states, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, and Wisconsin.

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

State	Effective Date
California	20 April 2021
Florida	17 December 2021
Hawaii	19 October 2021
Indiana	2 February 2022
Illinois	23 April 2021
Kentucky	On File
Maryland	17 May 2021
Michigan	25 November 2021
Minnesota	5 May 2021
New York	15 July 2021
North Dakota	20 November 2021
South Dakota	5 December 2021
Texas	On File
Utah	12 August 2021
Virginia	22 May 2021
Washington	27 January 2022
Wisconsin	3 March 2021

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

EXHIBIT I

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 an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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 the appropriate state agency as listed on Exhibit E.

FTC Issuance Date: February 23, 2021

Tom Casey, Dan Hawkins, Scott Anderson, Scott Sayre, Jean Schneider, Angela Beeks and Justin Hawkins (the people listed in Item 2) are the only people authorized to offer or sell this franchise. Each of them can be reached at:

Casey Hawkins, Inc.  
623 Rossanley Drive  
Medford, OR 97501  
Telephone: (888) 262-2215  
Email: applications@thehumanbean.com

We authorize the respective state agencies identified on Exhibit E to receive service of process for us in the particular state. You acknowledge receiving a Franchise Disclosure Document including the following Exhibits:

A. Franchise Agreement; B. Site Analysis Agreement; C. Operations Manual Table of Contents; D. Agents for Service of Process; E. List of State Administrators; F. Financial Statements; and G. Area Development Agreement.

Signer's Name: \_\_\_\_\_ Date: \_\_\_\_\_  
Signature: \_\_\_\_\_ Signer's Title: \_\_\_\_\_

RECEIPT (RETURN THIS COPY TO US)

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all 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 an affiliate in connection with the proposed franchise sale. New York requires you to receive this Franchise Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreement or the payment of any consideration that relates to the franchise relationship.

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 the appropriate state agency as listed on Exhibit E.

FTC Issuance Date: February 23, 2021

Tom Casey, Dan Hawkins, Scott Anderson, Scott Sayre, Jean Schneider, Angela Beeks and Justin Hawkins (the people listed in Item 2) are the only people authorized to offer or sell this franchise. Each of them can be reached at:

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Email: [applications@thehumanbean.com](mailto:applications@thehumanbean.com)

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A. Franchise Agreement; B. Site Analysis Agreement; C. Operations Manual Table of Contents; D. Agents for Service of Process; E. List of State Administrators; F. Financial Statements; and G. Area Development Agreement.

Signer's Name: \_\_\_\_\_

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

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

Signer's Title: \_\_\_\_\_