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BLACK ROCK COFFEE BAR

FRANCHISE DISCLOSURE DOCUMENT

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Black Rock Coffee Bar, Inc
(an Oregon corporation)
16307 NE Cameron Blvd
Portland, OR 97230
(541) 941-0102
www BlackRockCoffeeBar com

Black Rock Coffee Bar, Inc ("***BRCB***") offers this franchise for the operation of a drive-thru, sit-down or combination retail coffee bar ("***Coffee Bar***") selling specialized coffee-based beverages, specialty food items and related products under the brand "Black Rock Coffee Bar " The total investment necessary to begin operation of a Coffee Bar franchise ranges from $162,100-$340,400 (not including possible costs for the purchase of real estate or property improvements) This amount includes up to $25,000 that must be paid to BRCB as the initial franchise fee, as well as a $10,000 Grand Opening deposit See Items 5-7 for more details about the financial requirements

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

You may wish to receive your Disclosure Document in another format that is more convenient to you To discuss the availability of disclosures in different formats, contact Jeff Hernandez at 16307 NE Cameron Blvd , Portland, OR 97230 and (541) 941-0102

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

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

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

The issuance date of this Disclosure Document is September 26, 2016

STATE COVER PAGE

Your state may have a franchise law that requires a franchisor to register or file with a state franchise administrator before offering or selling in your state REGISTRATION OF THIS FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in **Exhibit E** for information about the franchisor, or about franchising in your state

MANY FRANCHISE AGREEMENTS DO NOT ALLOW YOU TO RENEW UNCONDITIONALLY AFTER THE INITIAL TERM EXPIRES YOU MAY HAVE TO SIGN A NEW AGREEMENT WITH DIFFERENT TERMS AND CONDITIONS TO CONTINUE TO OPERATE YOUR BUSINESS BEFORE YOU BUY, CONSIDER WHAT RIGHTS YOU HAVE TO RENEW YOUR FRANCHISE, IF ANY, AND WHAT TERMS YOU MIGHT HAVE TO ACCEPT TO RENEW

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT STATES THAT OREGON LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW YOU MAY WANT TO COMPARE THESE LAWS

2 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN PORTLAND, 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

3 WE HAVE LIMITED FINANCIAL RESOURCES WHICH MAY NOT BE SUFFICIENT TO FUND OUR PRE-OPENING OBLIGATIONS TO EACH FRANCHISEE AND PAY OUR OPERATING EXPENSES

4 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

We may use the services of one or more FRANCHISE BROKERS or referral sources to assist us in selling our franchise A franchise broker or referral source represents us, not you We pay this person a fee for selling our franchise or referring you to us You should be sure to do your own investigation of this franchise

As of December 31, 2015, we had $75,270 in current assets and $3,087 in current liabilities This means that for every dollar of liabilities due within one year, we had $24 38 in current assets From inception through December 31, 2015, we earned $96,282 and as of that date, we had a net worth of $99,282

The franchisee will be required to make an estimated initial investment ranging from $162,100 to $340,400 This amount exceeds the Franchisor's stockholders equity as of December 31, 2015, which is $99,282

The effective dates of this Disclosure Document are set forth on **Exhibit E**

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Item 1
THE FRANCHISE

To simplify the language in this Disclosure Document, "we," "our," "us," "BRCB" or "Black Rock Coffee Bar" means Black Rock Coffee Bar, Inc , the franchisor "You" means the person, corporation, partnership, or other legal entity, including your owners, who buys a franchise, the franchisee 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 guarantee its obligations

Our Business

We are an Oregon corporation which was incorporated on May 16, 2007 Our principal business address is 16307 NE Cameron Blvd , Portland, Oregon 97230, and our telephone number is (541) 941-0102 We conduct business under our corporate name, Black Rock Coffee Bar, Inc , and Black Rock Coffee Bar We do not conduct business under any other name

Our business includes the offer and sale of BRCB franchises A BRCB franchise is a license to operate a BRCB drive-thru, sit-down or combination retail Coffee Bar ("***Coffee Bar***") under the terms of the Franchise Agreement, a copy of which is attached hereto as **Exhibit A** to this Disclosure Document Our agents for service of process in the various states where we do business are listed on **Exhibit D** to this Disclosure Document

We began offering BRCB franchises in September 2007 We have not offered franchises in any other line of business We have not operated a Coffee Bar or similar business in the past, but may in the future own and operate Coffee Bars The first BRCB-franchised Coffee Bar opened in Beaverton, Oregon in February, 2008

Our Parents, Predecessors and Affiliates

We do not have any parent or predecessor companies

Black Rock Roasting Company, an Oregon corporation ("***BRRC***") is an affiliate of ours that was formed in September, 2009 to supply franchisees with coffee products, supplies and branded merchandise The principal business address for BRRC is 16307 NE Cameron Blvd , Portland, Oregon 97230 BRRC does not do business under any name other than its full legal name, has never conducted a business similar to the franchises offered under this Disclosure Document, and has never offered franchises

Classic Investors, Inc , owned by one of our officers, John Hagler, is an affiliate of ours and may provide products to franchisees Classic Investors manufactures pre-fabricated structures and distributes coffee and espresso equipment, and is an authorized vendor to our Coffee Bars, and has conducted this business since 2001 Classic Investors is located at 836 Mason Way, Medford, Oregon 97501, and has never offered franchises

The Franchise

BRCB offers you a franchise that includes the right to operate a drive-thru, sit-down or combination retail Coffee Bar under the trade name "Black Rock Coffee Bar" using the business format established by BRCB and identified by BRCB's trademarks Your Coffee Bar must be a freestanding structure, and must be located in an area which meets BRCB's site selection criteria Your Coffee Bar 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

As a franchisee, you will have a right of first refusal to open other Coffee Bars within a specified radius of your location ranging from one-half mile to two miles, depending on population density and traffic patterns Additionally, subject to certain conditions, you may also acquire the right and obligation to develop a number of Coffee Bars within a development area under our Geographic Territory Agreement (**Exhibit G**) The exact number of Coffee Bars to be developed will be determined by you and us before the Geographic Territory Agreement is signed You must sign our then-current form of Franchise Agreement for each Coffee Bar you develop within the development area, except that the initial franchise fee will be reduced by the amount you have prepaid as described in Item 5

General Market and Competition

The market for espresso drinks and other coffee products is generally a developed market The coffee products offered by Coffee Bars compete with other coffee products offered by nationally and regionally franchised retailers, as well as independent and/or local retailers of coffee products The coffee products offered by Coffee Bars are sold to the general public

Industry-Specific Laws and Regulations

In addition to laws and regulations that apply to businesses generally, Coffee Bars are subject to various federal, state, and local governmental regulations, including those related to site location and building construction, storage, preparation and sale of food products including dairy products, and health, sanitation and safety regulations relating to food service You should consult with a local attorney or business advisor about the laws, regulations and ordinances that may affect operation of your Coffee Bar

Item 2
BUSINESS EXPERIENCE

Chief Executive Officer and President Jeffrey R Hernandez

Jeff Hernandez is a founder of BRCB, and served as Vice President of Business Development until he was appointed President and CEO Between 2008 and the present, Mr Hernandez has formed the following limited liability companies with other principals of BRCB and certain third parties for the purpose of operating Coffee Bar franchises in Oregon, Washington, and Arizona Double J & R Development, LLC, Double J & R Washington, LLC, BR Chandler LLC, Hopi

Coffee Co LLC and Owyhee Coffee Co LLC From 2000 to 2008, Mr Hernandez was a project engineer and safety officer for S&B James Construction Co , a White City, Oregon construction company

Chief Operating Officer and Corporate Secretary Daniel J Brand

Daniel Brand is a founder of BRCB and has been Chief Operating Officer since the formation of the company In 2008 Mr Brand began operating Coffee Bar franchisees through Brand Fam Corporation, with his father Jack Brand In 2016, Mr Brand formed BD3 LLC for the purpose of operating Coffee Bar franchises in Arizona From 1999 to 2006, Mr Brand was operations manager for Oregon Mountain Coffee Company, a Medford, Oregon based coffee products wholesaler and retailer

John C Hagler

John Hagler is a founder of BRCB and previously served as its Chief Financial Officer Since 2001, Mr Hagler has been president of Classic Investors, Inc , a Medford, Oregon based company that manufactures pre-fabricated structures and distributes coffee and espresso equipment Mr Hagler is also a part owner of Double J & R Development, LLC and Double J & R Washington, LLC, both of which operate Coffee Bar franchises

Jack M Brand

Jack Brand is a founder of BRCB, and was the Chief Executive Officer from its formation until that role was assumed by Jeff Hernandez In 2008, Mr Brand's company, Brand Fam Corporation, acquired and began operating Coffee Bar franchises in Beaverton, Oregon Mr Brand is also a part owner of BD3 LLC From 2002 to 2006, Mr Brand was president of Oregon Mountain Coffee Company, a Medford, Oregon coffee products wholesaler and retailer

Robert C Hernandez

Robert Hernandez is a founder of BRCB and previously served as its Vice President of Real Estate Development Since 1995, Mr Hernandez has been president of S&B James Construction Co , a White City, Oregon construction company Mr Hernandez is also a part owner of Double J & R Development, LLC, Double J & R Washington, LLC, and Owyhee Coffee Co LLC, all of which operate Coffee Bar franchises

Ryan C Hagler

Ryan Hagler is a founder of BRCB In 2008, Mr Hagler formed Double J & R Development, LLC with Jeff Hernandez, a Medford, Oregon company that operates Coffee Bar franchises In 2009, Mr Hagler formed Double J & R Washington, LLC with Jeff Hernandez to operate Coffee Bar franchises in Vancouver, Washington From 2005 to 2008, Mr Hagler was a marketing manager for Classic Investors, Inc , a Medford, Oregon based company that manufactures pre-fabricated structures and distributes coffee and espresso equipment

Item 3
LITIGATION

No litigation is required to be disclosed in this Disclosure Document

Item 4
BANKRUPTCY

No person or legal entity previously identified in Items 1 and 2 of this Disclosure Document has been involved as a debtor in proceedings under the U S Bankruptcy Code

Item 5
INITIAL FEES

The Initial Franchise Fee is (i) $25,000 for your first Coffee Bar, (ii) $20,000 for your second Coffee Bar, and (iii) $15,000 for each Coffee Bar thereafter The Initial Franchise Fee includes a non-refundable Site Evaluation Fee of $1,000 if all proposed sites are located within 100 miles of our principal business address at 16307 NE Cameron Blvd , Portland, Oregon 97230, and $2,500 if one or more proposed sites are located more than 100 miles from our principal business address When you have paid the Site Evaluation Fee, signed the Site Evaluation Agreement (**Exhibit B**), and submitted all the required information about the proposed site(s), BRCB will evaluate up to ten (10) proposed sites You may not sign a Franchise Agreement with BRCB until BRCB has approved a site for your Coffee Bar If BRCB does not approve any of your proposed sites, BRCB will retain the Site Evaluation Fee to cover its costs of evaluating the proposed sites If you and BRCB agree on a site, BRCB will apply the Site Evaluation Fee to the Initial Franchise Fee when you sign the Franchise Agreement, and the remaining Initial Franchise Fee will be due and payable in full, in a lump sum only, within ten days of the earlier of your signing of a lease agreement for your site or acquisition of a building permit for your Coffee Bar, and in no instance later than one year following your signing of the Franchise Agreement See state-specific riders for possible differences in your state

If within one year after signing the Franchise Agreement you do not open the Coffee Bar for any reason, including your failure to satisfactorily complete the training program, or to lease, purchase or otherwise obtain an approved premises for a Coffee Bar, the Franchise Agreement will terminate In that case, BRCB will retain $5,000 of the Initial Franchise Fee and refund the remainder to you

Your license to use the trademark "Black Rock Coffee Bar" does not become effective and you may not open and operate a "Black Rock Coffee Bar" 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 of the Coffee Bar

If you sign a Geographic Territory Agreement, you pay the Initial Franchise Fee as stated above for the first Coffee Bar to be opened, plus $5,000 for each additional Coffee Bar to be opened within the territory (the "***Development Fee***") The Development Fee is payable at the same time as the Initial Franchise Fee, and it is credited to the franchise fee for each franchise developed

The balance of $15,000 for the second Coffee Bar and $10,000 for each additional Coffee Bar thereafter to be opened within the territory is due at the same time as the balance of the Initial Franchise Fee Although the Initial Franchise Fee is refundable as stated above, the Development Fee is not refundable under any circumstances

Building Plans

If you are converting an existing structure into a Coffee Bar, you must first receive our approval to your conversion drawings and plans If your Coffee Bar will be a new structure, all construction plans must be approved by us first Any pre-fabricated modular structure must be purchased from us or our approved suppliers

Equipment

To ensure uniform quality of products and services throughout the BRCB system, certain kinds of equipment used at your Coffee Bar must be approved by us You must purchase or lease these items of equipment through us or our approved supplier Equipment costs range from $30,000 to $60,000

Inventory

You must purchase coffee beans and certain other supplies from BRRC or a supplier designated and approved by us We will derive revenue from these purchases See Item 8 of this Disclosure Document for more details on required purchases

Grand Opening

You are required to conduct a grand opening at the commencement of opening your Coffee Bar to the public (the "***Grand Opening***") You must have in stock a sufficient quantity of inventory, supplies, promotional materials and signage, as well as food and labor, to conduct the Grand Opening You must pay BRRC a Grand Opening deposit of $10,000, due two weeks prior to the Grand Opening, that will be applied towards the costs of inventory, supplies, promotional materials, signage, food, labor and assistance that we will provide you Any unused deposit will be applied toward purchases of inventory

Item 6
OTHER FEES

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Additional Assistance Fee	Currently $45 per person per hour, plus our travel expenses	Upon demand	Payable if you require additional or emergency assistance

Type of Fee	Amount (See Note 1)	Due Date	Remarks
Transfer fee	$2,500	Payable	See Note 2

		immediately upon approval of transfer	
Violation Fee	$1,000 per violation	Upon demand	Payable as liquidated damages for certain violations of your obligations See Section 8 11 of the Franchise Agreement
Attorney fees and collection costs	Our costs, including attorney fees	Upon demand	Payable if we incur attorney fees or other expenses as a result of your default under any agreement with us
Indemnification costs	Our losses, costs and expenses	Upon demand	If we incur any losses, damage or liability arising in connection with your operation of the Coffee Bar
Audit fee	Cost of audit (see Note 3)	Upon demand	See Note 3

BRCB does not currently charge a marketing fee, however, we may in the future charge a marketing fee not to exceed 1% of Gross Sales Revenue (See Note 4)

Notes

(1) Except as otherwise noted, all fees are nonrefundable, payable only to us, and collected by us All fees are uniformly imposed on all franchisees, except with respect to fees for affiliated franchisees The Company may, in its sole discretion, charge reduced or no fees to franchisees in which our officers or directors have an ownership interest See Item 2 for information about franchises owned by our officers or directors

(2) The transfer fee for the transfer of a franchise is fully refundable, if the transfer request is withdrawn before any action by BRCB Any proposed transfer of the franchise by you must be approved by BRCB See Item 17 of this Disclosure Document and Section 12 2 of the Franchise Agreement If you become a developer, your development rights under the Geographic Territory Agreement will not be transferable except in the event of a death or in the event of a transfer of ownership within the developer's entity See Section 9 of the Geographic Territory Agreement for details

(3) We are unable to estimate a meaningful amount or range for the cost of an audit because we have no history of conducting the audit of any franchisee We believe it is difficult to estimate a range of audit costs due to variables such as the condition of a franchisee's financial records, the period of time that a franchisee's financial records would be subjected to audit, and the cost and availability of competent auditors If the audit results from your failure to maintain and provide records as required by the Franchise Agreement or by your underreporting of sales or purchases by more than 2 percent during the period covered by the audit, you must reimburse BRCB 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) Gross Sales Revenue means the aggregate of all sales of Black Rock Coffee Bar products, other items and services made and rendered in connection with the operation of each Coffee Bar, including sales made at or away from the premises of your Coffee Bar, whether for cash or for credit, but excluding all federal, state or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority

Item 7
YOUR ESTIMATED INITIAL INVESTMENT

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Site Evaluation Fee	$1,000-$2,500 (See Note 1)	Lump Sum	On signing of the Site Evaluation Agreement (See Note 1)	Us
Initial Franchise Fee	$15,000-$25,000 (See Note 2) less Site Evaluation Fee	Lump sum	10 days after earlier of signing lease or getting permits (See Note 2)	Us
Travel and living expenses for orientation and training programs	$600-$900	Lump sum	As incurred	Us and providers of travel and lodging services See Note 3
Real estate	Lease payment $1,000-$6,000 (see Note 4)	Lump sum	As negotiated with landlord	Landlord
Building, site improvements, decks, awnings and menu boards	$55,000-$150,000 (See Note 5)	Lump sum	As delivered or built	Us or our approved suppliers
Equipment	$30,000 - $60,000	Lump sum	As negotiated or required by supplier	Us or our approved suppliers
Insurance	$2,500-$5,000	See Note 6	When premiums are due	See Note 6
Grand Opening Deposit	$10,000	Lump sum	Two weeks prior to your Grand Opening	BRRC

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is To Be Made
Signs	$10,000-$20,000	See Note 7	See Note 7	Us or our approved suppliers
Employee training costs	$3,500-$4,000	See Note 8	See Note 8	Employees
Working capital	$20,000-$30,000	As incurred	As incurred	Employees, till and cash reserves
Misc expenses	$1,000-$2,000	As incurred	As incurred	See Note 9
Advertising and promotion	$2,500-$5,000	As incurred	As incurred	Advertising media vendors
Additional funds – three Months	$10,000 - $20,000 (see Note 10)	As incurred	As incurred	Employees
Total Initial Investment	$162,100-$340,400 (See Note 11)			

Neither BRCB nor its agents offers any financing arrangements, directly or indirectly, to you No restriction exists on BRCB's right to sell or assign, in whole or in part, the franchise or any related agreement before termination or expiration of the franchise

You agree to indemnify and hold BRCB harmless from and against all fines, suits, demands or liabilities of any kind arising from your operation of the franchise This indemnification does not apply to any violation by BRCB of the FTC Rule (16 CFR § 436) or the franchise laws of any state

Notes

(1) See the state-specific riders for possible differences in your state The Site Evaluation Fee is nonrefundable If BRCB approves a site and you sign a Franchise Agreement with BRCB, the Site Evaluation Fee will be applied to the Initial Franchise Fee

(2) In some states, the Initial Franchise Fee will be due upon the Grand Opening – see state specific riders for possible differences in your state If you have not signed a lease agreement for your site or received building permits within one year of signing your Franchise Agreement, the Initial Franchise Fee will be due and payable on the one year

anniversary date of the signing of your Franchise Agreement Except where otherwise noted, all fees paid to BRCB are nonrefundable If your Franchise Agreement is terminated for your failure to open a Coffee Bar within one year of signing, as described in Item 5 of this Disclosure Document, the Initial Franchise Fee is refundable with the exception of the $5,000 nonrefundable deposit Except for the $5,000 Development Fee for the second and each additional Coffee Bar you agree to develop, and certain working capital funds you might need to perform under the Geographic Territory Agreement, no additional initial investment is required to become an area developer beyond that required to become a single-unit franchisee

(3) BRCB provides eighty (80) hours of initial training without charge Any additional training, whether required by BRCB or requested by you, will result in a charge to you of $45 per hour You must pay your own costs for travel to the training location and lodgings See Item 11 of this Disclosure Document for more information

(4) Coffee Bars 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 BRCB does not estimate your costs for purchasing the site for your Coffee Bar as opposed to leasing

(5) There are currently two approved building types for a BRCB drive-thru (1) a 14 x 26 ft prefabricated building, with or without a built-in refrigerator, and (2) a 8 5 x 14 ft prefabricated building We may approve buildings of other dimensions in our discretion You will pay shipping costs to the manufacturer These costs will vary depending upon your location Your costs may also include site preparation, cut and fill, paving, landscaping, underground utilities, utility services, area lighting, storage/restroom building, trash enclosures, building permits and related costs, and engineering Your costs in this category will vary depending upon your choice of building type and several site-specific factors, including building and labor costs

(6) This estimate is 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 BRCB 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

(7) For signs, the method of payment will vary Payment may be in a lump sum, or if you qualify, you may arrange with the supplier to lease the signs, typically with an option to purchase The amount required depends on the signs needed Signs may be acquired from BRCB's approved vendor or any supplier, but must meet BRCB's specifications

(8) Amount is calculated for 6 employees trained for 10 days, 8 hours per day, at federal minimum wage of $7 25 per hour You may have to pay employees at a higher rate, depending on your local labor market Payment of wages will depend on the payroll period you establish

(9) Miscellaneous expenses include 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 restaurant service 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 Coffee Bar

(10) This estimates your initial costs not included elsewhere in this Item for the first three (3) months of operation This figure is an estimate and we cannot guarantee that you will not have additional expenses starting the business Your costs will depend on various factors such as how closely you follow BRCB's methods and procedures, your management skill, experience, and business acumen, local economic conditions, competition, and the sales level reached during the initial period

(11) All of these costs except the Initial Franchise Fee are approximations, based on BRCB's experience BRCB does not and cannot guarantee that your costs will be within the limits specified Your cost may vary substantially These estimates do not include the cost of real estate, which will vary substantially from location to location

Item 8
RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

To ensure a uniform image and quality of products and services throughout the BRCB system, you must comply with BRCB quality standards Although you are not required to purchase or lease real estate from us, you must obtain our approval for the location of your Coffee Bar or Coffee Bars See Item 11 of this Disclosure Document You must construct and equip your Coffee Bar 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

You may sell from your Coffee Bar, or use in your Coffee Bar, only those products BRCB approves Approved products meet specifications and standards that BRCB develops and are prepared by approved manufacturers BRCB periodically publishes for the benefit of franchisees a list identifying approved products for use in your Coffee Bar BRCB may periodically update and alter these specifications and standards and add to or delete products approved for sale from, or use in, your Coffee Bar

BRCB establishes specifications and standards for coffee and other major products, ingredients and supplies used in your business BRCB modifies these specifications and standards periodically as needed BRCB will notify you promptly, either by telephone, fax, e-mail or regular mail, if BRCB changes its specifications and standards, or if BRCB grants or revokes approval of a supplier

You may make written requests for approval of a specific product as a substitute for a product approved by BRCB, or an additional qualified product or equipment vendor BRCB does not impose a fee for evaluating your request BRCB will evaluate your request based on the quality and reliability of the proposed product or equipment, and BRCB will decide whether use of that product or equipment item is consistent with BRCB's specifications and standards BRCB will notify you of its decision within thirty (30) days of receiving your request In addition, each manufacturer of a product must meet the following requirements its product must comply with the applicable specifications and/or standards, and the manufacturer's facilities must be adequate to meet the needs of franchisees and be accessible to periodic BRCB evaluation

Coffee and Espresso Beans

You must purchase all coffee and espresso beans solely for use in your Coffee Bar from our approved supplier and affiliate BRRC, who will derive revenue from your purchase of beans You may not use coffee or espresso beans, or any coffee bean or espresso bean products, other than those purchased from us or our approved supplier in the operation of your Coffee Bar Use of these beans is essential to maintaining uniformity of taste and quality

A 100 pound supply of coffee and espresso beans will be provided to you for the Grand Opening of your Coffee Bar without charge, so no additional purchase of coffee and espresso beans will be necessary in establishing your Coffee Bar Thereafter, we estimate that the purchase of coffee and espresso beans will represent approximately 15 to 20% of your total estimated purchases and leases of goods and services in operating your Coffee Bar

Cups and Lids

You must purchase from our approved supplier all logo cups solely for use in your Coffee Bar You must also purchase lids meeting the manufacturer's specifications for these cups BRCB may limit the number of approved manufacturers of logo cups to not more than two manufacturers

You will be provided logo cups and lids as part of your Grand Opening package, so no additional purchase of cups and lids will be necessary in establishing your Coffee Bar Thereafter, we estimate that the purchase of cups and lids will represent approximately 3 to 4% of your total estimated purchases and leases of goods and services in operating your store

Equipment

All equipment that you use in your Coffee Bar must also meet BRCB's specifications and standards BRCB periodically publishes for the benefit of franchisees a list identifying required equipment Required equipment has a significant impact on product quality, appearance and value, and may affect a customer's perception of your Coffee Bar At this time for the primary pieces of equipment required for the operation of your Coffee Bar, only one model of one specific brand is approved for use by BRCB franchisees

We estimate that the purchase of equipment will represent between 9% and 37% of your total estimated purchases and leases of goods and services in establishing your store The low end estimate of 9% is arrived at by taking the lowest estimated cost for equipment, $30,000, as a percentage of the sum of the highest estimates in the other listed categories The high end estimate of 37% is arrived at by taking the high-end estimate of $60,000 for the cost of required equipment as a percentage of the sum of the lowest estimates in the other listed categories

Signs

Because of the time, money and effort BRCB has expended in developing its brand and because of the high quality standards for all aspects of the sign program, you may only use signs that strictly conform to BRCB's standards We estimate that the purchase of signs will represent between 3% and 12% of your total estimated purchases and leases of goods and services in establishing your Coffee Bar We arrive at this estimate using the same method described above for the purchase of other required equipment

Site Improvements

You are required to operate and maintain your Coffee Bar up to our standards, and you may be required to make improvements or remodel to meet such standards See Section 8 10 of the Franchise Agreement Although we have not required any franchisee in the past to make improvements, we estimate that the range of required improvements to be $5,000 to $15,000 annually

Other Supplies

We may offer certain supplies and products bearing the BRCB Marks, such as milk, water bottles and other merchandise, through our approved supplier If our approved supplier offers any such branded product to you, you must purchase such branded product solely for use in your Coffee Bar For other supplies, BRCB will consider for approval any manufacturer proposed by you and, if requested, will provide criteria for the approval to you or a proposed manufacturer Approval is based on factors such as the manufacturer's ability to produce supplies in accordance with current specifications and standards within a given time frame, under a specific warranty and with a minimum level of delivery and installation service We will notify you within thirty (30) days of receipt of your request whether the alternate manufacturer is approved If we do not notify you within this period, the alternate manufacturer is deemed disapproved BRCB may be able to negotiate with third party suppliers so that the suppliers may offer their goods or services to franchisees at favorable or discount prices There are currently no purchasing or distribution cooperatives required for BRCB franchisees With respect to all products and services for which BRCB's approval is required, BRCB may withhold its approval in its sole discretion

Revenues to Us and Our Affiliate from Required Purchases

Of BRCB's total revenue of $516,845 for the year ended December 31, 2015, none was derived from required purchases or leases of products and services by franchisees Our affiliate BRRC will sell certain products used in the Coffee Bar to you, and for the year ended December 31, 2015, the revenues received by BRRC from purchases or leases required by BRCB was $2,436,102 These products include beans and cups, and may also include building, equipment, signage, advertising and sales promotion materials and food and non-food products Some of the required products that BRRC sells, or that BRCB requires you to buy from approved vendors, provide a benefit to BRRC or BRCB, either in the form of direct profit from the resale of the product or by means of a rebate or allowance paid to BRCB by the approved vendor For the year ended December 31, 2015, BRCB received total rebates of $399,031 74 from two approved vendors based on sales by such vendors to our franchisees of $6,980,488 93

Item 9
FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Disclosure Document Item
a Site selection and acquisition/lease	Site Evaluation Agreement, Section 2 1 of Franchise Agreement, and Sections 5 1-5 3 of Geographic Territory Agreement	Items 5 and 11
b Pre-opening purchases/leases	Sections 7 4, 7 5 and 7 6 of Franchise Agreement	Items 7 and 8
c Site development and other pre-opening requirements	Sections 7 1 and 7 2 of Franchise Agreement and Sections 5 4 and 5 5 of Geographic Territory Agreement	Items 7 and 8
d Initial and ongoing training	Sections 9 1, 10 1, and 10 2 of Franchise Agreement	Items 7 and 11
e Opening	Sections 2 3, 8 7 and 10 4 of Franchise Agreement	Items 5, 7 and 11

Obligation	**Section in Agreement**	**Disclosure Document Item**
f Fees	Site Evaluation Agreement, Sections 2 and 8 11 of Franchise Agreement, and Section 6 of Geographic Territory Agreement	Items 5, 6 and 7
g Compliance with standards and policies/Operating Manual	Section 8 of Franchise Agreement	Items 1, 8 and 15
h Trademarks and proprietary information	Section 4 of Franchise Agreement	Items 1, 13 and 14
i Restrictions on products/services offered	Sections 8 1-8 10 of Franchise Agreement	Items 8 and 16
j Warranty and customer service requirements	Section 4 6 of Franchise Agreement	Items 8 and 15
k Territorial development and sales quotas	Sections 2 and 3 of Geographic Territory Agreement	None
l Ongoing product/service purchases	Sections 8 3-8 6 of Franchise Agreement	Items 8 and 16
m Maintenance, appearance and remodeling requirements	Section 8 10 of Franchise Agreement	Item 8
n Insurance	Section 13 2 of Franchise Agreement	Item 7
o Advertising	Sections 8 7 and 10 6 of Franchise Agreement	Item 7 and 11
p Indemnification	Section 13 1 of Franchise Agreement and Section 10 1 of Geographic Territory Agreement	Item 7
q Owner's participation/ management/staffing	Section 9 1 of Franchise Agreement	Item 7 and 15

Obligation	Section in Agreement	Disclosure Document Item
r Records and reports	Sections 11 3 and 11 4 of Franchise Agreement	Item 9
s Inspections and audits	Sections 11 1 and 11 2 of Franchise Agreement	Item 9
t Transfer	Section 12 of Franchise Agreement and Section 9 of Geographic Territory Agreement	Items 6 and 17
u Renewal	Section 3 of Franchise Agreement, and Sections 3 3 and 4 2 of Geographic Territory Agreement	Items 6 and 17
v Post-termination obligations	Sections 15 2-15 8 of Franchise Agreement and Section 8 3 of Geographic Territory Agreement	Items 14 and 17
w Non-competition covenants	Section 6 3 of Franchise Agreement and Section 8 3 of Geographic Territory Agreement	Items 12 and 17
x Dispute resolution	Section 16 3 of Franchise Agreement and Section 10 3 of Geographic Territory Agreement	Item 17

Item 10
FINANCING

BRCB does not offer any direct or indirect financing BRCB does not guarantee your note, lease, or any other obligation

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

Except as listed below, BRCB is not required to provide you any assistance

BRCB Obligations to You Before Your Coffee Bar Opens

Before you open your Coffee Bar, BRCB will

(1) Provide site selection assistance as set forth in the Site Development Agreement and Section 2 1 of the Franchise Agreement After you sign the Site Evaluation Agreement (**Exhibit B**) and pay the Site Evaluation Fee of $1,000 if all proposed sites are located within 100 miles of our principal business address at 16307 NE Cameron Blvd , Portland, Oregon 97230, and $2,500 if one or more proposed sites are located more than 100 miles from our principal business address, you select one or more sites (up to three (3) sites, as long as each proposed site is within fifty (50) miles of each of the other proposed sites) and, for each proposed site, complete the site analysis form provided by BRCB We will review the completed site analysis form(s) and other relevant information and respond within thirty (30) 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 Coffee Bar unless the site is approved by BRCB If you and BRCB are unable to agree on any of your proposed sites, BRCB will retain the Site Evaluation Fee BRCB does not furnish or authorize its salespersons to furnish any information pertaining to sales, costs, income, or profit, and does not make any representations, warranties or guarantees as to the success or failure of any site location Generally, BRCB neither owns nor leases the premises to you See the Site Evaluation Agreement and Section 2 1 of the Franchise Agreement If you become an area developer, BRCB will waive the Site Evaluation Fee for proposed sites other than the site for the first BRCB Coffee Bar See Sections 5 1-5 3 of the Geographic Territory Agreement

(2) Upon agreement between you and BRCB on the site for your business, designate your territory, which will consist of a specified radius from the location of your Coffee Bar ranging from one-half mile to two miles (depending on population density and traffic patterns), from which you have a right of first refusal on the establishment of subsequent Coffee Bars See Section 1 2 of the Franchise Agreement If you become an area developer, your territory is defined by the Geographic Territory Agreement until you have fulfilled your development obligation, and thereafter by the specified radius from the location of each BRCB Coffee Bar See Section 2 of the Geographic Territory Agreement

(3) We will provide you with consultation regarding construction, remodeling or buildout of the Coffee Bar See Section 7 1 of the Franchise Agreement

(4) We wıll provıde you wıth a lıst of our approved supplıers See Sectıons 7 4 and 7 6 of the Franchıse Agreement

(5) We wıll loan you one copy of the BRCB Operatıons Manual, whıch contaıns mandatory specıfications, standards and procedures See Sectıon 5 3 of the Franchıse Agreement Thıs manual ıs confidentıal and remaıns the property of BRCB BRCB may modıfy the manual from tıme to tıme at BRCB's sole dıscretıon The table of contents of the Operator's Manual appears at **Exhıbıt C** to thıs Dısclosure Document

(6) Provıde traınıng to you or your desıgnated Coffee Bar manager as set forth ın Sectıon 10 1 of the Franchıse Agreement

Length of Tıme to Openıng

The length of tıme between the sıgnıng of a Franchıse Agreement and the openıng of your Coffee Bar wıll vary dependıng upon your ındıvıdual cırcumstances and local condıtıons, such as your abılıty to obtaın a lease, financıng or permıts, zonıng, local ordınances, weather condıtıons, or shortages or delays ın ınstallıng equıpment or fixtures and sıgns A typıcal length of tıme ıs nıne (9) months, but the tıme perıod could be as long as twelve (12) months or more If your Coffee Bar does not open wıthın one (1) year of sıgnıng the Franchıse Agreement, BRCB may termınate the Franchıse Agreement

BRCB Oblıgatıons Durıng Operatıon of Your Franchıse

Durıng the operatıon of your busıness, BRCB wıll

Openıng

Provıde assıstance for your Grand Openıng BRCB wıll furnısh to you, at BRCB's expense, one or more BRCB representatıves to assıst for your Grand Openıng ın the traınıng of employees and ın establıshıng local procedures See Sectıon 10 4 of the Franchıse Agreement If you become an area developer, BRCB wıll not be oblıgated to provıde assıstance wıth the openıng of Coffee Bars other than the first Coffee Bar See Sectıon 7 of the Geographıc Terrıtory Agreement Because BRCB recognızes the ımportance of assıstıng owners after the Grand Openıng, BRCB wıll offer addıtıonal optıonal assıstance ın the openıng of each unıt If you desıre thıs addıtıonal assıstance, the fee wıll be $45 per hour per BRCB representatıve, plus travel and lodgıng expenses for the BRCB representatıve See Sectıon 10 5 of the Franchıse Agreement

Addıtıonal Assıstance

BRCB wıll furnısh you operatıng assıstance that we reasonably belıeve you requıre durıng the operatıon of your franchıse A BRCB representatıve wıll make perıodıc ınspectıons of your franchıse There ıs no definıte schedule for these ınspectıons Durıng these ınspectıons, the representatıve wıll also render advıce and assıstance to you regardıng the management and conduct of the franchıse as specıfied ın Sectıon 11 1 of the Franchıse Agreement

Advertising

BRCB advertising is created by employees of BRCB, and by outside, unaffiliated advertising agencies, under the direction of BRCB's marketing department BRCB advertising is created for all types of media It may be local or regional in scope BRCB is not obligated to spend any particular amount on advertising and BRCB has sole discretion regarding the location, type and media used for its advertisements BRCB may 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 However, any advertising materials developed by you may not be used unless approved by BRCB in advance, and BRCB will respond within fourteen days of your request There are no local or regional advertising cooperatives for BRCB franchisees BRCB does not currently require you to contribute to an advertising fund, and BRCB does not maintain an advertising fund See Sections 8 7 and 10 6 of the Franchise Agreement

Cash Register and Computer Systems

You must use a point of sale (POS) cash register system in your Coffee Bar This POS must have a printer and be capable of producing both shift, hourly and daily totals BRCB has approved the following electronic POS system suppliers for use by its franchisees

- Touchpoint Restaurant Innovations, 200 Sheridan Ave #207, Palo Alto, CA 94306, (800) 992-9540 (cost for a single station POS system is approximately $9,000)
- Square, Inc , 1455 Market Street, Suite 600, San Francisco, CA 94103, (855) 700-6000 (cost for a single station POS system is approximately $2,500)

There is no current requirement that you enter into any ongoing contract to provide for maintenance or repairs to your POS However, BRCB may at its option require you to upgrade your POS software and network your POS system allowing BRCB independent access to the system, and to enter into an ongoing contract for the maintenance, upgrading and repair of the system See Sections 7 4 and 11 3 of the Franchise Agreement

Training

You or your general manager must complete our training program to our satisfaction prior to initial opening of your Coffee Bar Training occurs over 80 hours during a period of about two weeks at our training facility in Portland, Oregon or in one of our currently operating Coffee Bars During the start-up period of BRCB, training sessions are conducted on an as-needed basis for new franchisees, but we expect to hold regular training sessions each month once more franchises are in operation The instructional materials consist of the Operations Manual and other written materials provided by us Your instructor(s) will be one of the six people listed in Item 2 of this Disclosure Document and/or an experienced franchisee You must pay for your transportation to Portland and your lodgings during the training period We may determine that up to 40 hours of additional training is required if, in our sole discretion, you are unable by the end of the 80-hour period to master the skills necessary to operate a Coffee Bar as described below in the "Training Program" chart Additional training may also be requested by you, and all such additional training will be conducted in Portland, Oregon or at your Coffee Bar See Section 10 1 of the Franchise Agreement If you receive additional training, BRCB will charge you $45 per hour for each person being trained Although we have not required anyone to take additional training, the estimated range of costs is $90 to $1,800, excluding your travel and lodging costs If you become an area developer, BRCB will provide training for a designated Coffee Bar manager for each Coffee Bar as stated above The following table describes the training process for a typical two-week training

TRAINING PROGRAM

Subject	Hours of On-The-Job Training	Hours of Classroom Training	Location
Food & Sanitation	None	4	Portland
Equipment Usage	None	8	Portland
Guest Relations	None	4	Portland
Quality Service & Cleanliness	None	4	Portland
Marketing	None	6	Portland
Scheduling & Planning	None	4	Portland
Inventory Procedures	None	4	Portland
Cash Management and Reporting	None	4	Portland
Drink Assembly, Product Preparation and General Operations	40	None	Portland/Coffee Bar

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

Research and Development

Although not bound to do so, BRCB may, at BRCB's discretion, conduct research and development in the area of production and methods of operation, and may make the results of this research available to you BRCB will keep you informed of BRCB's plans, policies, research developments and all activities by means of bulletins, brochures or visits by BRCB representatives

Item 12
TERRITORY

Franchise Territory

During the term of the Franchise Agreement, you will be granted the right to operate a Coffee Bar at a specified location The location must be a site approved by BRCB, as described in Item 11 above You are granted a right of first refusal to acquire any subsequent franchise within a specified radius of your Coffee Bar Franchises and BRCB-owned Coffee Bars that are already in existence within your territory may remain in your territory You may not relocate your Coffee Bar without the prior written consent of BRCB 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 BRCB BRCB or another franchisee may solicit, advertise, or accept orders from within your territory without any obligation to compensate you You will not receive an exclusive territory You may face competition from other franchisees, from Coffee Bars that we own, from other channels of distribution that we control, or from competitive brands that we may develop and control in the future

Within your territory, BRCB will not operate a company-owned Coffee Bar or grant a franchise for the operation of a competing Coffee Bar, unless the company-owned Coffee Bar or franchise was already located within your territory when you signed the Franchise Agreement, or unless you do not exercise your right of first refusal described above However, our affiliate BRRC may sell BRCB-branded merchandise by mail order, Internet web site, or other networked means, including sales to persons physically located within your territory To maintain your right of first refusal, you must not be in default under the Franchise Agreement Continuation of your right of first refusal does not depend on the achievement of a particular volume of sales, market penetration, or any other contingency

Territory for Area Developers

If you become an area developer, your territory will be defined as the development area specified by the Geographic Territory Agreement, until the Geographic Territory Agreement expires or terminates You will have the right and obligation to open additional Coffee Bars within your territory during the term of the Geographic Territory Agreement You may not relocate your Coffee Bars within your territory without the prior written consent of BRCB 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 BRCB BRCB, or affiliate BRRC or another franchisee may solicit, advertise, or accept orders from within your territory without any obligation to compensate you

If you become an area developer, then within your territory, BRCB will not operate a company- owned Coffee Bar or grant a franchise for the operation of a competing business, unless the company-owned Coffee Bar or franchise was already located within your territory when you signed the Geographic Territory Agreement However, our affiliate BRRC may sell

BRCB-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, and failure to meet the development obligation could result in termination of the Geographic Territory Agreement Upon expiration or termination of the Geographic Territory Agreement, you will have a right of first refusal within a specified radius of each Coffee Bar location during the term of the franchise agreement for that Coffee Bar Your territory may not be altered except by mutual written agreement between you and BRCB

Noncompetition Covenants

The Franchise Agreement and Geographic Territory Agreement both contain covenants of noncompetition See Section 6 3 of the Franchise Agreement and Section 8 3 of the Geographic Territory Agreement The covenant of noncompetition restricts your use of BRCB's proprietary and confidential information during and after the term of the Franchise Agreement The covenant of noncompetition restricts you from competing with BRCB or its franchisees during the term of your Franchise Agreement and Geographic Territory Agreement (if applicable), except by operating your Coffee Bar(s) The covenant of noncompetition restricts you from competing with BRCB or its franchisees for two years after termination of your Franchise Agreement or Geographic Territory Agreement by operating a coffee establishment similar to a BRCB Coffee Bar within ten miles of any BRCB Coffee Bar The covenant of noncompetition restricts you from competing with BRCB or its franchisees by diverting business to any competitor of BRCB during the term of your Franchise Agreement and Geographic Territory Agreement (if applicable) and for two years after termination of your Franchise Agreement and Geographic Territory Agreement (if applicable) Following the expiration or termination of a Geographic Territory 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, to the extent required under the Franchise Agreement and the Geographic Territory Agreement, any conflicts between our franchisees or developers and us regarding territory, customers or support

BRCB and its affiliates do not operate or franchise, and have no present plans to operate or franchise, businesses that compete with the Coffee Bars under a different trademark

Item 13
TRADEMARKS

Under the Franchise Agreement, BRCB will grant you the right to use the following trade and service marks (collectively, the "***BRCB Marks***")

Trademark or Service Mark	Registration Date	United States Patent & Trademark Office Registration Number	Status of Registration
"Black Rock Coffee Bar"	August 18, 2008	Reg No 3489718	Registered on Principal Register

BRCB owns the trademark "Black Rock Coffee Bar" and may file additional marks in the future that could be included as BRCB Marks As a franchisee, you have the right to use the BRCB Marks in the operation of your Coffee Bar If our right to use any BRCB Mark is challenged in the future, you may have to change to an alternative trademark, which may increase your expenses

BRCB maintains in the Operations Manual a list of the trademarks, service marks and other designations that you are licensed to use In BRCB's sole discretion, BRCB may supplement your license by adding new marks to the list in the Operations Manual If it becomes advisable at any time, and in the sole discretion of BRCB, 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 BRCB

Other than registration of the existing BRCB Marks, no presently effective determinations have been made by the United States Patent and Trademark Office, the Trademark Trial and Appeal Board or any state trademark administrator or any court regarding BRCB Marks There are no pending infringement, opposition or cancellation proceedings, and there is no pending material federal or state court litigation regarding our use or ownership in BRCB Marks

BRCB is not obligated by the Franchise Agreement or otherwise to protect any rights that you have to use the BRCB Marks If you are made a party to an administrative or judicial proceeding involving one of the BRCB Marks, or if the proceeding is resolved unfavorably to you, BRCB is not required to participate in your defense and/or indemnify you for expenses or damages Although not bound to do so, BRCB will, in BRCB's sole discretion, take all steps necessary to protect the trademarks and service marks and any future marks registered by BRCB BRCB has the right to control all administrative proceedings and litigation involving the BRCB Marks

You must follow our rules when you use the BRCB Marks You must affirmatively notify us if you become aware of anyone using or claiming rights in a trademark that is confusingly similar to any BRCB Mark See section 4 8 of the Franchise Agreement Further, you cannot use the words "Black Rock" or "Black Rock Coffee" or "Black Rock Coffee Bar" in your business entity name

BRCB does not guarantee that no other person has prior or competing rights in the BRCB Marks, but BRCB is not aware of any superior prior rights or infringing uses that could materially affect your right to use the BRCB Marks in the United States

There are no agreements currently in effect that significantly limit the rights of BRCB to use or license the use of BRCB's trademarks, service marks, trade name, logo types or other commercial symbols significant to the franchise

Item 14
PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

Patents

We do not own any rights in, or license to, any patents, and we have no pending patent applications

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, BRCB has 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 BRCB if you learn that any person may be using the Operations Manual without our consent We are not obligated to protect our copyrighted material, and we are not obligated to defend you against claims by third parties that use of our Operations Manual infringes the rights of such third party

You must pay for any damages to BRCB 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 goodwill established by your use of them will benefit BRCB exclusively The Franchise Agreement does not give you any goodwill or other interest in the copyrighted materials other than the right to operate your Coffee Bar 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 the property of BRCB and must be returned to BRCB if your franchise terminates for any reason

Proprietary Information

BRCB has proprietary rights in a number of trade secrets including all information, knowledge and know how not generally known in the coffee service industry about the BRCB system and BRCB's 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***") BRCB has established security procedures to maintain the secrecy of all Proprietary Information BRCB has the perpetual right to own and use and authorize other BRCB franchisees to use all ideas, concepts, formulas, recipes, methods and techniques relating to the development or operation of a Coffee Bar selling specialized coffee-based beverages, specialty food items and related products 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

The Franchise Agreement requires you to keep the Proprietary Information confidential and to use it only for the purposes and in the manner authorized in writing by BRCB You must promptly inform BRCB if you learn of any unauthorized use of any of the Proprietary Information BRCB is not obligated to take any action, but will respond to this information as BRCB deems appropriate in BRCB's sole discretion

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

Your Coffee Bar must always be under your direct supervision or that of your designated manager You must keep BRCB informed at all times of the identity of each employee acting as a manager of your Coffee Bar You may designate your manager as the person to receive the initial training provided by BRCB If you do not designate your manager as the person to receive the initial training provided by BRCB, you may train your manager or you may request that BRCB train your manager, at your expense If you do not designate your manager as the person to receive the initial training provided by BRCB and BRCB trains your manager, BRCB will charge a fee for the training See Sections 9 1, 10 1, and 10 2 of the Franchise Agreement If BRCB determines that your manager has been inadequately trained, BRCB may require that your manager be trained by BRCB 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

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 Coffee Bar will sell certain merchandise BRCB may in its sole discretion add or delete items from the approved list You may not add any item to your menu unless it is first approved by BRCB in writing You may not offer or sell any products or services not authorized by BRCB You are not limited in the customers to whom such goods or services may be sold

Item 17
RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

The following table lists certain important provisions of the franchise and related agreements You should read these provisions in the agreement attached to this Disclosure Document Another table below lists the important provisions of the Geographic Territory Agreement

THE FRANCHISE RELATIONSHIP

Provision	**Section in Franchise Agreement**	**Summary**
a Length of franchise term	Section 3	Term is 3 years
b Renewal or extension of the term	Section 3	No right to extend or renew
d Termination by franchisee	None	You may terminate if BRCB materially breaches the Franchise Agreement
e Termination by franchisor without cause	None	None
f Termination by franchisor with cause	Section 15 1	BRCB may terminate if you are in default under the Franchise Agreement
g "Cause" defined – curable defaults	Section 14 5	You have 3 business days to correct violations of laws, regulations or standards of health and safety, 7 days to correct nonpayment of money owed, and 30 days to correct certain other breaches of the Franchise Agreement These periods are subject to modification by state law

Provision	Section in Franchise Agreement	Summary
h "Cause" defined – non-curable defaults	Section 14 5 3	Assignments for the benefit of creditors, insolvency, bankruptcy, receivership or levy, intentional fraud or act injurious or prejudicial to the goodwill of BRCB's proprietary marks or the BRCB system, breach of covenant against competition, loss of your lease, and repeated breaches or defaults (Subject to modification by state law)
i Franchisee's obligations on termination/nonrenewal	Sections 15 2-15 8	Obligations include complete de-identification of the franchise location, payment of amounts due and return of BRCB proprietary items (see also item r below)
j Assignment of contract by franchisor	Section 12 7	BRCB may freely assign the contract
k "Transfer" by franchisee - defined	Section 12 1	Includes assignment of contract, transfer of ownership, and shareholder or partnership changes
l Franchisor approval of transfer by franchisee	Section 12 2	BRCB has right to approve most transfers but will not unreasonably withhold approval
m Conditions for franchisor approval of transfer	Section 12 4	Buyer qualifies, seller is in good standing and transfer fee of $2,500 is paid

Provision	Section in Franchise Agreement	Summary
n Franchisor's right of first refusal to acquire franchisee's business	Sections 12 3 and 15 7	BRCB has option to purchase franchise business before most transfers on same terms or to purchase franchise assets upon termination at fair market value
o Franchisor's option to purchase your business	Sections 12 3 and 15 7	See item (n) above
p Death or disability of franchisee	Section 12 5	To continue operation, franchise must be assigned by your estate or surviving shareholder or partners within 90 days Buyer must be approved by BRCB
q Non-competition covenants during the term of the franchise	Section 6 3	You are restricted to a specific site for your franchised business You may not establish a competing business or solicit BRCB employees
r Non-competition covenants after franchise is terminated or expires	Section 6 3	For two years after termination of your franchise, you may not establish competing business within ten miles of any BRCB location
s Modification of the agreement	Sections 8 1 and 16 6	No modification except by written agreement signed by all parties, but Operations Manual may be altered at BRCB's discretion

Provision	Section in Franchise Agreement	Summary
t Integration/merger clause	Section 16 6	Only the terms of the Franchise Agreement are binding (subject to state law) Nothing in the Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the Franchise Disclosure Document
u Dispute resolution by arbitration or mediation	Section 16 3	Mandatory and binding arbitration except to prevent irreparable harm
v Choice of forum	Section 16 3	Litigation must be in Portland, Oregon Note 2
w Choice of law	Section 16 3	Oregon law applies Note 2

Note 1 These states have statutes that may supersede the Franchise Agreement in your relationship with BRCB, including the areas of termination and renewal of your franchise BRCB may enforce its rights under the Franchise Agreement to the fullest extent permitted by state law ARKANSAS [Stat Sections 4-72-201 to 4-72-210], CALIFORNIA [Bus & Prof Code sections 20000-20043], CONNECTICUT [Gen Stat Ch 739, Sections 42-133e to 42-133h], DELAWARE [Title 6, Ch 25, Code sections 2551-2556], HAWAII [Title 26 Rev Stat Section 482E-6], ILLINOIS [ILCS, Ch 815, sections 705/1-705/44], INDIANA [Code sections 23-2-2 7-1 to 7], IOWA [Title XX, Code sections 523H 1-523H 17], MARYLAND [Ann Code sections 11-1301 to 11-1307], MICHIGAN [1979 Comp Laws, section 445 1527], MINNESOTA [1996 Stat section 80C 14], MISSISSIPPI [Code sections 75-24-51 to 75-24-63], MISSOURI [Rev Stat Sections 407 400-407 410, 407 413, 407 420], NEBRASKA [Rev Stat sections 87-401 to 87-410], NEW JERSEY [Rev Stat sections 56 10-1 to 56 10-12], SOUTH DAKOTA [Codif L section 37-5A-51], VIRGINIA [Code section 13 1-564], WASHINGTON [Rev Code 3 sections 19 100 180, 19 100 190], WISCONSIN [State sections 135 01-135 07], DISTRICT OF COLUMBIA [Code sections 29-1201 to 29-1208], PUERTO RICO [Ann Laws, Title 10, Ch 14, sections 278-278d], VIRGIN ISLANDS [Code Ann , Title 12A, Ch 2, Subch III, sections 130-139] These and other states may have court decisions, which may supersede the Franchise Agreement in your relationship with BRCB, including the areas of termination and renewal of your franchise

Note 2 Some states do not allow franchisees to give up their right to bring or defend lawsuits in the courts of that state, or to have the franchise agreement governed by the laws of that state See the Additional Disclosures for a possible state-specific amendment of this Item, and the state-specific Rider modifying Section 16 3 of the Franchise Agreement

This table lists important provisions in the Geographic Territory Agreement You should read these provisions in the agreement attached to this Disclosure Document

Provision	Section in Geographic Territory Agreement	Summary
a Length of the franchise term	Sections 4 1-4 2	To be determined as part of the Development Obligation
b Renewal or extension of the term	Section 4 2	No right to extend or renew
c Requirements for franchisee to renew or extend		No right to extend or renew
d Termination by franchisee	Section 4 3	You may terminate if BRCB materially breaches the Geographic Territory Agreement
e Termination by franchisor without cause	None	None
f Termination by franchisor with cause	Section 4 3	BRCB may terminate for cause
g "Cause" defined – curable defaults	None	Curable defaults are those not identified in item (h) below
h "Cause" defined – non-curable defaults	Section 4 3	For-cause termination of any franchise agreement, failure to meet the development obligation, any breach of the covenants of non-competition and non-solicitation , any unapproved transfer, any act of fraud, and any insolvency event (Subject to modification by state law)
i Franchisee's obligation on termination/non-renewal		No further right to develop or exclude other development (see also item (r) below)
j Assignment of contract by franchisor	Section 9 6	BRCB may freely assign the contract

Provision	Section in Geographic Territory Agreement	Summary
k "Transfer" by franchisee - defined	Section 9 1	Includes assignment of contract, transfer of ownership, and shareholder or partnership changes
l Franchisor approval of transfer by franchisee	Sections 9 3-9 5	You may not transfer your rights under the Geographic Territory Agreement except under limited circumstances (death, incapacity, or internal transfer)
m Conditions for franchisor approval of transfer	Sections 9 3-9 5	In case of death or for internal transfer, transferee qualifies, obtains training if required, and executes then-current form of franchise agreement for each existing BRCB Coffee Bar transferred, transferor is in good standing, executes release of BRCB, and subordinates buyer's obligations to seller
n Franchisor's right of first refusal to acquire franchisee's business		No right of first refusal as to your rights under the Geographic Territory Agreement
o Franchisor's option to purchase your business		See item (n) above
p Death or disability of franchisee	Section 9 3	To continue operation, rights must be assigned by your estate or surviving shareholder or partners within 90 days Assignee must be approved by BRCB
q Non-competition covenants during term of the franchise	Sections 8 1 and 8 3	You may not establish or assist a competing business or solicit BRCB employees

Provision	Section in Geographic Territory Agreement	Summary
r Non-competition covenants after franchise is terminated or expires	Sections 8 1 and 8 3	For two years after termination of your development rights, you may not establish a competing business within ten miles of any BRCB location
s Modification of the agreement	Section 10 7	No modification except by written agreement signed by all parties
t Integration/merger clause	Section 10 6	Only terms of the Geographic Territory Agreement are binding Any oral representations are not binding on the parties except as required by law
u Dispute resolution by arbitration or mediation	Section 10 3	Mandatory and binding arbitration except to prevent irreparable harm
v Choice of forum	Section 10 3	All arbitrations take place in Portland, Oregon See Note 2 above
w Choice of law	Section 10 3	Oregon law applies See Note 2 above

Item 18
PUBLIC FIGURES

BRCB does not use any public figure to promote its franchises Any use of the name of a public figure by you in your promotional efforts or advertising is subject to BRCB's right to approve 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 or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the Disclosure Document Financial performance information that differs from that included in Item 19 may be given only if (1) a franchisor provides the actual records of an existing outlet you are considering buying, or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances

Summary of Franchisee Revenues and Expenses for the 12-Month Period Ended December 31, 2015

		% of Total Revenue
Total Revenue	$850,412	
Cost of Goods Sold	$387,993	45 62%
Labor Costs	$163,373	19 21%
Other Expenses	$170,082	20 01%
Total Operating Expenses	$721,448	84 84%
Earnings Before Interest and Taxes	**$128,963**	**15 16%**

Bases

These figures represent an average of results reported to BRCB by three franchised outlets in the Portland, Oregon metropolitan area during the calendar year 2015 All three outlets are drive-through only, and may have different costs than you will experience For example, one franchisee paid wages to the franchise owner, and one franchisee purchased a car for the business These numbers should be considered estimates only, as not all reporting franchisees have prepared their financial statements in accordance with generally accepted accounting principles or have had their financial statements reviewed or audited by an independent accountant

Assumptions

The figures provided were reported by existing franchisees BRCB has taken no steps to verify the figures and makes no representations regarding their accuracy or the likelihood that your results will be similar

All three reporting franchisees operate in the Portland, Oregon metropolitan area The market where your outlet is located may be located in a more or less populated area Accordingly, the results achieved by these franchisees may not be typical for those in your area In addition, results may vary based on the specific location of the outlet and whether the outlet includes on-premise seating or is drive-through only In addition, outlets that have been operating longer or that are owned by experienced franchisees may experience more favorable results

The prospective franchisee is responsible for developing its own business plan for an outlet, including capital budgets, financial statements, projections and other appropriate factors, and is encouraged to consult with its own accounting, business and legal advisors in doing so The business plan should make necessary allowances for changes in the financial results, revenues, and expenses that may arise during periods or in areas suffering economic downturns, inflation, unemployment or other negative economic influences

This summary should not be considered to be the actual or probable revenues or expenses that will be experienced by any franchisee We do not represent that any franchisee can expect to obtain the results set forth in this summary Actual results may vary from franchise to franchise and we cannot estimate the result of any particular franchise Significant variations in revenues and expenses exist among franchisees for a variety of reasons, such as length of time the outlet has been operating, geographic region, the outlet's location, the franchisee's prior business experience, competition, and other factors Moreover, historical revenues and expenses may not correspond to future revenues and expenses because of factors such as inflation, changes in minimum wage laws, and changes in the local labor market and other factors

Other than the preceding financial performance representation, we do not make any representations about a franchisee's future performance or the past financial performance of company-owned or franchised outlets We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Jeff Hernandez at 16307 NE Cameron Blvd, Portland, OR 97230, phone 541-941-0102, the Federal Trade Commission, and the appropriate state regulatory agencies

Substantiation for the data set forth in the foregoing summary will be made available by us to all prospective franchisees upon reasonable request

Item 20
OUTLETS AND FRANCHISEE INFORMATION
Systemwide Outlet Summary
For years 2013 to 2015

Outlet type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2013	13	16	3
	2014	16	19	3
	2015	19	30	11
Company-Owned	2013	0	0	0
	2014	0	0	0
	2015	0	0	0
Total Outlets	2013	13	16	3
	2014	16	19	3
	2015	19	30	11

Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for years 2013 to 2015

State	Year	Number of Transfers
California	2013	0
	2014	0
	2015	0
Oregon	2013	0
	2014	0
	2015	0
Washington	2013	0
	2014	0
	2015	0
Total	2013	0
	2014	0
	2015	0

Status of Franchised Outlets
For years 2013 to 2015

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
California	2013	1	0	0	0	0	0	1
	2014	1	0	0	0	0	0	1
	2015	1	0	0	0	0	0	1
Oregon	2013	9	2	0	0	0	0	11
	2014	11	3	0	0	0	0	14
	2015	14	5	0	0	0	0	19
Washington	2013	3	1	0	0	0	0	4
	2014	4	0	0	0	0	0	4
	2015	4	6	0	0	0	0	10
Totals	2013	13	3	0	0	0	0	16
	2014	16	3	0	0	0	0	19
	2015	19	11	0	0	0	0	30

Status of Company-Owned Outlets
For years 2013 to 2015

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
Oregon	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
Washington	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
Totals	2013	0	0	0	0	0	0
	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0

Projected Openings As Of December 31, 2015

State	Franchise Agreements Signed But Outlet Not Opened	Projected New Franchised Outlet In The Next Fiscal Year	Projected New Company-Owned Outlet In the Next Fiscal Year
California	0	0	0
Oregon	0	5	0
Washington	0	0	0
Total	0	5	0

The names of all current franchisees, and the address and telephone number of each of their Coffee Bars, are listed on **Exhibit H** Also listed on **Exhibit H** is the name, city, state and current business telephone number of every franchisee who had an outlet terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who has not communicated with us within 10 weeks of the date of this Disclosure Document If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

As a franchisee, you are required to sign a confidentiality clause as part of the Franchise Agreement See Section 5 of the Franchise Agreement The confidentiality clause prohibits you from disclosing proprietary and confidential information about BRCB and your Coffee Bar to third parties In some instances, current and former franchisees sign provisions restricting their ability to speak openly about their experience with BRCB You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate to you

There are no trademark-specific franchisee organizations associated with our franchise system

Item 21
FINANCIAL STATEMENTS

Attached as **Exhibit F** is BRCB's audited financial statements for fiscal years 2012, 2013, 2014, and 2015, dated December 31, 2012, December 31, 2013, December 31, 2014, and December 31, 2015, respectively

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, and State-specific Riders (if applicable)

Exhibit B - Site Evaluation Agreement

Exhibit G – Geographic Territory Agreement

Item 23
RECEIPT

The last 2 pages of this Disclosure Document (**Exhibit I**) are two copies of 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

STATE-SPECIFIC RIDERS FOR THE MULTI-STATE

FRANCHISE DISCLOSURE DOCUMENT OF BLACK ROCK COFFEE BAR, INC

The following are additional disclosures for the Franchise Disclosure Document of Black Rock Coffee Bar, 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 A WEB SITE AT THE FOLLOWING ADDRESS

www blackrockcoffeebar com

OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www dbo ca gov

1 The following is added to Item 3

Neither BRCB 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 or non-renewal of a franchise If the franchise agreement contains a provision that is inconsistent with the law, the law will apply

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 The franchise agreement requires binding arbitration The arbitration will occur at Portland, 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

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

v Section 31125 of the Franchise Investment Law (California Corporations Code sections 31000 through 31516) requires us to give you a disclosure document approved by the Commissioner of Corporations before we ask you to consider a material modification of your franchise agreement

vi You must sign a general release of claims if you renew or transfer your franchise California Corporations Code section 31512 voids a waiver of your rights under the Franchise Investment Law Business and Professions Code section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code sections 20000 through 20043)

Washington

The state of Washington has a statute, RCW 19 100 180, which 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 by the franchisor

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19 100 RCW (the "***Washington Act***"), shall prevail

A release or waiver of rights executed by a franchise shall not include rights under the Washington Act 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 that unreasonably restrict or limit the statute of limitations period for claims under the Washington Act, rights or remedies under the Washington Act such as a right to a jury trial may not be enforceable

The Initial Franchise Fee will be due and payable, in a lump sum only, when BRCB has provided all its pre-opening obligations and your Coffee Bar is open for business Transfer fees are collectable to the extent that they reflect the franchisor's reasonable estimated or actual costs in effecting a transfer

EXHIBIT A

FRANCHISE AGREEMENT

FRANCHISE AGREEMENT

PARTIES

Black Rock Coffee Bar, Inc (“***BRCB***”)
an Oregon Corporation
16307 NE Cameron Blvd
Portland, OR 97230

________________________ (“***Franchisee***”)
____
____
____

Right of First Refusal Range _____ mile(s)
Franchise Agreement Effective Date __________

RECITALS

A Black Rock Coffee Bar, Inc ("***BRCB***") has over a period of time and at considerable expense developed and established a uniform and unique method of operation, customer service, advertising, publicity, processes, techniques, and technical knowledge in connection with its drive-thru, sit-down or combination retail business specializing in espresso, coffee, and related items These retail outlets (sometimes referred to as "***Coffee Bars***") do business under the trade name "Black Rock Coffee Bar" Many of these techniques and much of the information constitute trade secrets All of the knowledge, experience, processes, methods, specifications, techniques and proprietary marks and information of BRCB are referred to in this Agreement as the "***BRCB System*** "

B BRCB owns certain federally registered trademark applications and service mark applications including "Black Rock Coffee Bar," Reg No 3489718 These marks are referred to in this Agreement as the "***Proprietary Marks***" (as defined in Section 4 3 of this Agreement)

C Franchisee understands and recognizes that (l) the BRCB System and the Proprietary Marks are of considerable value and (2) it is of importance to BRCB and all of its franchisees to maintain the development of the BRCB System in a uniform and distinctive manner, allowing Franchisee and all other franchisees of BRCB to enjoy a public image and reputation greatly in excess of that which any single Franchisee could establish

D Franchisee desires to make use of the Proprietary Marks and the BRCB System, and to establish a "Black Rock Coffee Bar" drive-thru, sit-down or combination retail establishment (the "***Coffee Bar***") to be operated in accordance with the methods, practices, and procedures set forth from time to time by BRCB in its operations manual (the "***Operations Manual***") BRCB 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***")

Initials
Franchisee _______
BRCB _________

E Franchisee recognizes the necessity and desirability of protecting the reputation, goodwill, trade secrets, and confidential business information of BRCB and also recognizes that disclosure of trade secrets and confidential business information, including specifics of Black Rock Coffee Bar System to any third party, will cause irreparable damage and harm to BRCB

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BLACK ROCK COFFEE BAR
FRANCHISE AGREEMENT
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BLACK ROCK COFFEE BAR
FRANCHISE AGREEMENT

1 **<u>The Franchise</u>**

1 1 **<u>Franchise Grant</u>** BRCB grants Franchisee a franchise that includes the right to use the Proprietary Marks and the BRCB System as provided in this Agreement in connection with the operation of the BRCB Coffee Bar, at the following location (the "***<u>Premises</u>***")

Street Address____

City____

County____

State/ZIP Code____

1 2 **<u>Territory</u>**

1 2 1 **<u>No Exclusive Territory</u>** BRCB does not grant Franchisee an exclusive territory BRCB and its affiliates and other franchisees may own and operate Coffee Bars or otherwise market and sell products and services using the Proprietary Marks in the immediate vicinity of the Premises BRCB retains the right, for BRCB and its affiliates and other franchisees, to (a) own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Proprietary Marks and BRCB System at any location, subject only to your right of first refusal in Section 1 2 2, (b) own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, at any location, (c) to sell or distribute, at retail or wholesale or otherwise, directly or indirectly, or license others to sell or distribute, any products which bear any proprietary marks, including the Proprietary Marks, at any location, (d) to acquire, or be acquired by, any competing system, including a competing system that has one or more units in the immediate vicinity of the Premises, and (e) to market and sell coffee and espresso beans, equipment, clothing, and other items at any location through other distribution methods, such as via the Internet or catalogs

1 2 2 **<u>Right of First Refusal</u>** During the term of this Agreement, Franchisee shall have a right of first refusal (the "***<u>Right of First Refusal</u>***") to acquire an additional franchise for any proposed new Coffee Bar to be located within the range listed on the first page of this Agreement of the Premises, provided that Franchisee is not in default under this Agreement, subject to any existing territorial rights granted under a Geographic Territory Agreement, and subject to a similar right of first refusal by any other franchisee BRCB shall give Franchisee written notice of any proposed Coffee Bar that is subject to Franchisee's Right of

First Refusal, along with the then current form of Franchise Agreement Franchisee must accept the new franchise within ten (10) calendar days of such notice of and provide BRCB with a fully executed then current form of Franchise Agreement for such location and the applicable fees Franchisee shall be deemed to waive the Right of First Refusal if the terms of this Section 1 2 2 are not strictly complied with If the proposed new Coffee Bar is in a location that gives more than one franchisee a right of first refusal, BRCB will administer the competing rights in priority of the earlier opening date of each respective Coffee Bar

1 3 <u>**Limitation to Coffee Bar Site**</u> 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, BRCB reserves the sole and unlimited right to establish and operate, or permit others to operate, BRCB Coffee Bars at, or grant BRCB franchises for, any locations

1 4 <u>**Existence of Various Forms of Franchise Agreements**</u> Franchisee acknowledges that present and future franchisees of BRCB may operate under a number of forms of franchise agreements, and, consequently, BRCB'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

1 5 <u>**Guaranty of Franchise Agreement**</u> If Franchisee is a corporation, limited liability company, limited partnership, general partnership or any form of business entity other than a sole proprietorship, whether upon signing this Agreement or at any time during the term or renewal term of this Agreement, each person who owns twenty-five percent (25%) or more of the Franchisee shall sign and deliver to BRCB the Guaranty of Franchise Agreement attached as Schedule 1 5 at the end of this Agreement, or agrees to otherwise guaranty Franchisee's performance under this Agreement according to the terms of such Guaranty of Franchise Agreement

2 <u>Fees</u>

2 1 <u>**Site Evaluation Fee**</u> Upon the execution of this Agreement, BRCB will apply any Site Evaluation Fee paid by Franchisee pursuant to a Site Evaluation Agreement between Franchisee and BRCB to the Initial Franchise Fee, as defined below

2 2 <u>**Initial Franchise Fee**</u> The fee for the rights granted under this Agreement (the "***<u>Initial Franchise Fee</u>***") is (i) Twenty-Five Thousand Dollars ($25,000) for Franchisee's first Coffee Bar, (ii) Twenty Thousand Dollars ($20,000) for Franchisee's second Coffee Bar, and (iii) Fifteen Thousand Dollars ($15,000) for each Coffee Bar thereafter The outstanding balance of the Initial Franchise Fee shall be due and payable upon the earliest of the following events (i) ten days following the execution of a lease agreement by Franchisee for the Premises, (ii) ten days following the issuance of a building permit for the Premises with respect to the Coffee Bar, or (iii) the one year anniversary of this Agreement If your BRCB Coffee Bar does not open for business within one year of the execution of this Agreement, then BRCB may terminate this

Agreement and keep the nonrefundable portion of the Initial Franchise Fee as liquidated damages The nonrefundable portion of the Initial Franchise Fee is Five Thousand Dollars ($5,000)

2 3 **Grand Opening Deposit** Franchisee shall conduct a grand opening at the commencement of opening the Coffee Bar to the public, including the initial Friday and Saturday that you are open for business, that will include advertising and promotion which meets BRCB's approval (the '***Grand Opening***") Franchisee shall pay to BRCB's affiliate Black Rock Roasting Company, an Oregon corporation, ("***BRRC***") a deposit of $10,000 (the "***Grand Opening Deposit***") not later than two weeks prior to the Grand Opening that will be applied toward the costs of promotional materials, opening inventory, supplies, food, and BRRC's assistance (including lodging and labor) The Grand Opening Deposit is nonrefundable to the extent spent, however, BRRC will refund such deposit if this Agreement is duly terminated before the Grand Opening BRRC will provide Franchisee with an accounting of how the deposit was spent, and Franchisee agrees to apply any unspent deposit toward future purchases of inventory

2 4 **Advertising Fee** BRCB does not currently charge an advertising or marketing fee However, BRCB reserves the right in the future to charge an advertising or marketing fee, not to exceed one percent (1%) of Franchisee's Gross Sales Revenues to be used in BRCB's sole discretion for local advertising, and Franchisee agrees to pay such charge no later than the tenth (10^{th}) calendar day of each month for the preceding month "***Gross Sales Revenue***" as used herein means the aggregate of all sales of Black Rock Coffee Bar products, other items and services made and rendered in connection with the operation of each Coffee Bar, including sales made at or away from the premises of your Coffee Bar, whether for cash or credit, but excluding all federal, state, or municipal sales, use or service taxes collected from customers and paid to the appropriate taxing authority

3 **Term** The term of this Agreement shall be three (3) years from the execution of this Agreement Franchisee shall not have the right to renew the franchise unless BRCB elects, in its sole and absolute discretion, to offer such option to Franchisee, which renewal shall upon such terms as BRCB determines in its sole and absolute discretion

4 **License and Use of Proprietary Marks**

4 1 **Ownership of Proprietary Marks** Franchisee acknowledges and agrees that "Black Rock Coffee Bar" and the other Proprietary Marks are trademarks or service marks owned by BRCB, that these marks together with any other marks that may be acquired by BRCB in the future, constitute part of the BRCB 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 BRCB 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 duration 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 BRCB Coffee Bar at the Premises under the trade name "Black Rock Coffee Bar" and (2) to use the Proprietary Marks in connection with the BRCB System (collectively, the "***License***") Franchisee has no right to grant any sublicense of any of the Proprietary Marks The License is transferable only in connection with a transfer of the franchised business, pursuant to Section 12 of this Agreement The License is nonexclusive and relates solely to the BRCB Coffee Bar BRCB, in its sole discretion, has the right, subject to Section 1 2 of this Agreement, to operate or franchise other BRCB Coffee Bars 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 BRCB deems acceptable

4 3 **List of Proprietary Marks** The Proprietary Marks will include the following, and such other marks as BRCB may, in its sole discretion, add by amendment of the Operations Manual

Trademark or Service Mark	United States Patent & Trademark Office Registration Number
"Black Rock Coffee Bar"	Reg No 3489718

4 4 **List of Proprietary Marks Subject to Change** Franchisee acknowledges that BRCB 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 BRCB to modify or discontinue use of any of the Proprietary Marks, including "Black Rock Coffee Bar," or to use one or more additional substitute trade or service marks, Franchisee agrees to comply with BRCB'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 BRCB'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 5 **Limitations on Use of Proprietary Marks** Franchisee may use the Proprietary Marks only in conformity with the standards and requirements that BRCB has established or may establish from time to time as set forth in the Operations Manual 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 BRCB, subject to injunctive relief Franchisee will submit all printed matter, including stationery, business cards, purchase orders, and invoices to BRCB for its written approval before Franchisee may use these items Franchisee will not use "BRCB" or any other of the Proprietary Marks, or any term confusingly similar to the Proprietary Marks, as a corporate, quasi-corporate, L L C or partnership name except as permitted by Section 4 11 of this Agreement

4 6 **Maintenance of BRCB's Goodwill** 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 BRCB System Franchisee acknowledges that any such acts or conduct will cause irreparable harm to BRCB and will entitle BRCB to seek and obtain injunctive relief

4 7 **Trade Dress** Franchisee acknowledges that certain portions of the Premises decor and design constitute unique and protectable images to the consumer that are identified with BRCB and that are part of the goodwill associated with the BRCB System This "trade dress" is exclusively owned by BRCB, 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 BRCB

4 8 **Infringement of Proprietary Marks** Franchisee will immediately refer to BRCB (1) any infringement or challenge of which Franchisee becomes aware to the validity or ownership of the trade name and trademark "Black Rock Coffee Bar" 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 BRCB and other franchisees The notification must include all information that is available to Franchisee concerning the infringements or acts of unfair competition

4 9 **Enforcement of Proprietary Marks** Franchisee will cooperate with BRCB in any legal action against third parties brought by BRCB relating to this Agreement, or to its trade names, trademarks, trade dress, or Proprietary Marks, by providing to BRCB information or evidence available to Franchisee as BRCB may request BRCB 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 BRCB alone will decide whether any legal action will be taken

4 10 **Use of Proprietary Marks on the Internet** Franchisee will not maintain a website or otherwise maintain a presence or advertise on the Internet or any other publicly accessible computer network in connection with the franchised business without BRCB's prior written approval, which BRCB may withhold for any reason or no reason Franchisee agrees to submit to BRCB for approval before use true and correct printouts of all Web site pages Franchisee proposes to use in its Web site in connection with the franchised business Franchisee understands and agrees that BRCB's right of approval of all such Web material is inextricably linked with the Proprietary Marks Franchisee will use only material that BRCB has approved Franchisee's website must conform to all of BRCB's website requirements, whether set forth in the Operations Manual or otherwise Franchisee agrees to include all hyperlinks or other links that BRCB requires If BRCB grants approval for a website, Franchisee will not use any of the Proprietary Marks at the site except as BRCB expressly permits If Franchisee wishes to modify its approved site, all proposed modifications must also receive BRCB's prior written approval Franchisee will not post on its website 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 BRCB Franchisee agrees to obtain BRCB's prior approval for any Internet domain name and/or home page address The requirements for BRCB's prior approval set forth in this Section will apply to all activities directly related to the franchised business on the Internet or other communications network to be conducted by Franchisee, except that Franchisee may maintain one or more e-mail addresses and may conduct e-mail communications and online business-to-business transactions without BRCB'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 Franchisee agrees to obtain BRCB's prior approval as provided above if it proposes to send advertising to multiple addresses via e-mail

4 11 **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 BRCB, is likely to cause third parties to be confused or mistaken with respect to the separate entities of BRCB 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 "BRCB " BRCB will, if necessary, execute appropriate consents No such consent may be construed as a relinquishment of BRCB's exclusive ownership in the name "BRCB" 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 BRCB or by other franchisees or licensees of BRCB of the name "BRCB" so as to enable operation of other restaurants using the name "BRCB " Upon expiration, termination or cancellation of this Agreement for any reason, Franchisee will, upon BRCB'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 "BRCB "

5 Confidentiality

5 1 **Definition of Proprietary Information** BRCB's "***Proprietary Information***" means all elements of the BRCB 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 BRCB Coffee Bars, (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 BRCB Franchisee acknowledges that BRCB is the sole owner of the Proprietary Information

5 2 **Use and Protection of Proprietary Information** Franchisee agrees not to disclose any of BRCB's Proprietary Information to any person, other than to Franchisee's employees, and then only to the extent necessary for the operation of the BRCB Coffee Bar 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 BRCB Coffee Bar, 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 BRCB for any misuse or publication of BRCB'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 BRCB System as set forth in the Operations Manual, as it may be revised by BRCB from time to time in the sole discretion of BRCB, 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 master copy maintained by BRCB will be controlling Franchisee's authorized copy or copies of the Operations Manual remain at all times the property of BRCB

5 4 **Irreparable Harm** Franchisee acknowledges that any violation of the terms of this Section 5 will cause irreparable harm to BRCB, entitling BRCB 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 drive-thru, sit-down or combination coffee store the same as or similar to the BRCB Coffee Bar, 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 BRCB Coffee Bar now or hereafter operated by BRCB or its licensees or franchisees, including the Coffee Bar 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 BRCB Coffee Bar, except as authorized in writing by BRCB, or (b) employ or seek to employ any employee of BRCB or of any BRCB 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 any 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 BRCB, entitling BRCB to injunctive relief

7 **Establishment of the Franchise**

7 1 **Layout and Design**

7 1 1 **Site Remodels, Interior End Cap Build-Outs, and Other Site Construction** Upon written notice to BRCB that a Franchisee desires to remodel an existing building, construct an interior end cap drive thru build-out, or perform any other construction, remodeling, or improvement of any current or prospective Coffee Bar location, BRCB shall provide Franchisee with building specifications, which Franchisee shall incorporate into building plans or blueprints at its sole expense Franchisee shall submit plans or blueprints for all such construction, improvements and remodeling to BRCB for its approval, and will make such changes in the plans or blueprints as BRCB requests Expenditure of funds on design or drafting by Franchisee does not obligate BRCB to approve the plans BRCB 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) Franchisee shall not begin any construction, improvements, or remodeling until it has received final written approval from BRCB and all required licenses, permits, zoning variances, or other clearances from any applicable governing body

7 1 2 **New Site Construction** If Franchisee desires to build a new standalone BRCB Coffee Bar, Franchisee must either i) contract with BRCB's designated approved builder for construction of the Coffee Bar, or ii) purchase a prototype building design from BRCB and contract with a builder of Franchisee's choice, subject to BRCB's prior approval, which shall be given in BRCB's sole discretion If Franchisee contracts with a builder other than BRCB's designated approved builder for construction of the Coffee Bar, Franchisee shall ensure that the Coffee Bar conforms to the prototype building design and that a modular building sticker is placed on the building indicating state approval of a prefabricated building

7 2 **Landscaping and Site Improvements** All plans for the development and landscaping of the site of the BRCB Coffee Bar, including drive-thru directional striping and parking spaces, must be submitted to BRCB 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 BRCB Coffee Bar, and for the operation of the BRCB Coffee Bar

7 4 **Equipment** Franchisee will acquire equipment to be used in the operation of the Coffee Bar from BRCB or from approved suppliers only Any and all equipment used in the operation of the Coffee Bar must be in accordance with the standards and specifications set forth by BRCB in the Operations Manual or other documents provided or approved by BRCB as they presently exist or may exist in the future BRCB may at its option require you to upgrade your cash register to a networked cash register system capable of allowing BRCB independent access to the system, and to enter into an ongoing contract for the maintenance, upgrading and repair of the system During any ten-year period, you will not be required to spend more than $7,000 for upgrades to fulfill the obligation described in the preceding sentence

7 5 **Signage** Franchisee must acquire signs for advertising and identifying the Franchisee's business as a BRCB Coffee Bar from a BRCB-approved supplier, or according to the Alternative Approval Procedure set forth in Section 8 1 All signs must be in accordance with the standards and specifications of BRCB and any local governing body Franchisee acknowledges that quality control is essential to protect and promote BRCB's Proprietary Marks, standards, and uniform image

7 6 **Fax Machine and Computer Equipment** Franchisee will be required to have a facsimile machine and related telephone line for supply ordering and report sending Franchisee is not now, but may in the future be required by BRCB to purchase or obtain computer hardware and software, and to maintain an Internet service provider account, which includes the ability to send and receive e-mail over the Internet, provided, however, that in no case shall Franchisee be required to pay any fee to BRCB for the use of such hardware or software The computer equipment would be used for providing reports to BRCB, for communications with BRCB, and for communications between third parties and Franchisee BRCB may provide specifications that Franchisee must follow for the hardware, software, and Internet provider BRCB may require Franchisee to upgrade the hardware and software as reasonably necessary to provide reports and information required by BRCB

8 Operation of the BRCB Coffee Bar

8 1 **Operations Manual and Alternative Approval Procedure** Franchisee acknowledges that uniformity in all aspects of the operation of the BRCB Coffee Bar is necessary to protect BRCB's goodwill in the Proprietary Marks, and that such uniformity will be achieved by Franchisee's strict compliance with all provisions of the Operations Manual and any other customer service guidelines implemented by BRCB from time to time 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 BRCB Coffee Bar that is not authorized by the Operations Manual or otherwise approved by BRCB 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 BRCB 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 BRCB fails to respond to any request made pursuant to this Section 8 1 within the prescribed time period, the request will be deemed disapproved

8 2 **Restricted Use of the Premises** The Premises will be used only for the operation of the BRCB Coffee Bar Franchisee will not conduct any other businesses or activities on the Premises Franchisee will not wholly or partially let or sublet the Premises without BRCB's prior written consent

8 3 **Supplies** Subject to the Alternative Approval Procedure, Franchisee shall 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 BRCB as they presently exist or may exist in the future Franchisee may purchase all necessary supplies, other than logo cups, coffee and espresso beans and products, and other products bearing the BRCB Marks, from the supplier of Franchisee's choice

8 4 **Coffee and Espresso Beans** Franchisee shall purchase only from BRCB'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 BRCB as they presently exist or may exist in the future No coffee or espresso may be served at the BRCB Coffee Bar that is not purchased through the BRCB-designated supplier Franchisee acknowledges that BRCB's coffee and espresso bean blends and roasts are trade secrets of BRCB, and that Franchisee's breach of this Section 8 4 shall be grounds for immediate termination of this Agreement by BRCB without opportunity to cure Franchisee will pay BRCB-designated coffee or espresso bean vendors within vendor terms

8 5 **Logo Cups** Franchisee shall purchase only from BRCB's approved distributor all of Franchisee's requirements for logo cups, as specified in the Operations Manual

8 6 **Other BRCB Branded Products** If BRCB's approved distributor offers any products bearing the BRCB Marks for sale to Franchisee, Franchisee shall purchase all of Franchisee's requirements for such products only from BRCB's approved distributor

8 7 **Advertising and Promotions** Franchisee will use its best efforts to promote and advertise the opening of the BRCB Coffee Bar BRCB recommends that Franchisee spend at least One Thousand Dollars ($1,000) on advertising within the first six (6) months following the opening of the BRCB Coffee Bar All local advertising and promotions 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 BRCB for approval or disapproval in advance of its use, and no advertisement or promotion will be used by Franchisee unless it has first been approved by BRCB Advertising materials made available to Franchisee pursuant to Section 10 6 of this Agreement are deemed approved if used without change BRCB will evaluate all proposed advertising and promotions and either approve or disapprove, in its sole discretion, within fourteen (14) days of its receipt of the request If BRCB 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

8 8 **Continued Operation of the BRCB Coffee Bar** After Franchisee has begun full operation of the Coffee Bar, Franchisee may not discontinue operation of the Coffee Bar without BRCB's prior written consent If BRCB, in its sole discretion, consents to a temporary

discontinuance of operation, then Franchisee must reopen the Coffee Bar no later than the date designated by BRCB in its written consent

8 9 **Hours of Operation** Unless otherwise agreed to in writing by BRCB, Franchisee shall keep its BRCB Coffee Bar open for business to the public and lighted and staffed seven days per week at least from 5 a m to 9 p m or during the hours BRCB may designate from time to time in the Operations Manual Franchisee's Coffee Bar shall not be closed more than three (3) days in any calendar year during the term of this Agreement

8 10 **General Operating Requirements** Franchisee shall operate the BRCB Coffee Bar in accordance with BRCB's standards of drink quality, cleanliness, and customer service and shall conduct and maintain the BRCB Coffee Bar and the Premises so as not to distract from, interfere with, or damage the integrity and standards of BRCB or its brand(s) Franchisee shall at all times comply with the provisions of the Operations Manual, any other customer service guidelines implemented by BRCB from time to time, and all applicable laws, rules, ordinances, and regulations of governmental authorities pertaining to the operation of the BRCB Coffee Bar Franchisee shall at all times maintain the building, equipment, fixtures, and the Premises to the standards of BRCB

8 11 **Violations Fee** For any violation of Sections 8 1 through 8 10, Franchisee agrees to pay BRCB $1,000 per violation, as liquidated damages, upon written demand by BRCB The remedies available to BRCB under this Section 8 11 will not affect the availability of other remedies under this Agreement, including termination

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 BRCB Coffee Bar (the "***General Manager***") The General Manager will personally oversee the day-to-day operations of the Coffee Bar, use its best efforts and constant personal attention in the day-to-day operations of the Coffee Bar, and live in the general area where the Coffee Bar is located Franchisee represents and warrants that Franchisee's General Manager will have authority to ensure that the BRCB Coffee Bar 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 BRCB, and the General Manager will undergo training in the BRCB system pursuant to Section 10 1 of this Agreement Franchisee will enter into the Manager's Confidentiality Agreement attached hereto as Schedule 9 1 at the end of this Agreement, or a different agreement so long as it is similarly restrictive, and will provide a copy to BRCB upon request Franchisee or its General Manager, whoever is involved with the daily operations of the BRCB Coffee Bar, must possess literacy and fluency in the English language sufficient, in the opinion of BRCB, to communicate with employees, customers, and suppliers

9 2 **No Third Party Management Services** Franchisee represents and warrants that Franchisee is, and will remain for the entire term of this Agreement, the sole entity entitled to share in the profits from the BRCB Coffee Bar, and that Franchisee will not circumvent the requirements of this Section 9 2 by entering into any management or consulting agreement with

any third party Without limiting any other provision of this Section 9, Franchisee is expressly prohibited from engaging or appointing any third party entity to manage, operate, or oversee operations of the BRCB Coffee Bar without the prior written consent of BRCB Franchisee shall not use any operational manuals, documents, or other resources not prepared by BRCB for purposes of managing or operating the BRCB Coffee Bar without the prior written consent of BRCB

10 <u>Services Provided by BRCB</u>

10 1 **<u>Initial Training</u>** BRCB has developed a training program for the BRCB System BRCB will provide initial training, and such additional training as BRCB may in its sole discretion deem necessary from time to time during the term of this Agreement, to Franchisee or its 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 Coffee Bar, and agrees that Franchisee or its General Manager will undergo the training required by this Section If, in BRCB's reasonable business judgment, Franchisee or its General Manager is unable to successfully complete the initial training, BRCB may require that the training be repeated or supplemented, and if such additional training is required, BRCB may impose a reasonable fee for such training Nothing contained in this Agreement will be deemed to limit or restrict BRCB's right to modify or alter its training programs and offerings in any way

10 2 **<u>Supplemental Training</u>** Franchisee or its General Manager will participate in any continuing training program provided by BRCB through the medium of inspections, bulletins, manuals, and other literature, and will comply with the directives and instructions contained in those documents or delivered during or after inspections This Section 10 2 will not be interpreted to require BRCB to provide any training beyond the initial training

10 3 **<u>Operations Manual</u>** BRCB will loan to Franchisee one BRCB Operations Manual for each BRCB Coffee Bar BRCB 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 **<u>Assistance at Opening</u>** BRCB will provide, at BRCB's expense, on-site assistance to Franchisee for the opening of the BRCB Coffee Bar in the form of a representative of BRCB familiar with the BRCB System The on-site assistance will be available in connection with the Grand Opening of the Coffee Bar

10 5 **<u>Optional On-Site Assistance</u>** BRCB will provide reasonable ongoing support to the Coffee Bar, at Franchisee's request, during the term of this Agreement BRCB will meet its obligation under this Section 10 5 by responding in a reasonably prompt manner to written or telephonic queries from Franchisee BRCB will, upon Franchisee's request, make a representative of BRCB available for on-site assistance at the Coffee Bar (in addition to the on-site assistance provided at the opening of the Coffee Bar), and BRCB will charge a fee for such on-site assistance Currently the fee is forty-five dollars ($45) per hour, but the fee is subject to adjustment in BRCB's sole discretion In addition, Franchisee will bear the costs of transportation, lodging and meals for the BRCB representative providing the on-site assistance

10 6 Advertising and Point-of-Sale Materials BRCB may make available to Franchisee, without charge, certain advertising, promotional, and point-of-sale display materials prepared by or for BRCB Franchisee may use any such advertising materials in its own local advertising, provided that Franchisee submits any proposed modifications to BRCB for evaluation according to the procedure set forth in Section 8 7 of this Agreement Franchisee will be required to use such point-of-sale materials in the Coffee Bar as BRCB may direct Nothing in this Section 10 6 will be interpreted to require BRCB to provide Franchisee with any advertising, promotional, or point-of-sale display materials

11 Inspections, Audits and Accounting

11 1 BRCB's Right To Inspect Representatives or agents of BRCB have the right to enter and examine or inspect the Coffee Bar, or any part of the Premises, at any time during normal business hours At the time of such examination or inspection, BRCB or its representatives or designees may give advice and assistance to Franchisee to assist in the management and operation of the Coffee Bar, without charge Franchisee must remedy any deficiencies found by the inspector in a timely manner as provided in Section 14 5 of this Agreement

11 2 BRCB's Right to Audit At all times, representatives of BRCB will be given free access to Franchisee's books and records pertaining to the franchised business, and they may audit those books and records if BRCB, in its sole discretion, deems an audit necessary BRCB may, in its sole discretion, conduct such test and inspections, as it deems necessary to verify Gross Sales Revenues 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 Gross Sales Revenues or purchases by more than two percent (2%) during the period covered by the audit, Franchisee will, within thirty (30) days, pay to BRCB, or reimburse BRCB for, (1) all of the costs and expenses incurred by BRCB in conducting the audit or inspection, including attorneys' and accounting fees and costs, (2) all revenue otherwise due BRCB 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 BRCB 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 Revenues 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 BRCB Franchisee agrees to submit the following reports and data to BRCB electronically, using the equipment, software and protocols specified in the Operations Manual

11 3 1 **Monthly Profit and Loss Statement** Not later than thirty (30) days after the end of each calendar month, on a BRCB-approved form, a profit and loss statement of the Coffee Bar for the preceding calendar month prepared in accordance with generally accepted accounting principles

11 3 2 **Annual Profit and Loss Statement and Balance Sheet** Not later than thirty (30) days after the end of each calendar year, commencing with the opening date of the Coffee Bar, on a BRCB-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

11 3 3 **Other Reports** At the times required, such other periodic forms, reports, and information as may from time to time be prescribed by BRCB

11 3 4 **Failure to Submit Reports** If Franchisee fails to submit the profit and loss statements required by this Section 11 3 on a timely basis, then BRCB will be entitled to pursue injunctive relief granting specific performance of this obligation Franchisee acknowledges that BRCB will be irreparably harmed by the failure to receive timely reports Pursuit of these remedies by BRCB does not constitute a waiver by BRCB 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, in the English language and for the time periods set forth below, all accounting records and supporting documents relating to the Franchisee's operation of the Coffee Bar, including

11 4 1 Daily cash reports and cash register tapes or backup files,

11 4 2 Cash disbursement journal,

11 4 3 Monthly bank statements,

11 4 4 Supplier invoices (paid and unpaid), and

11 4 5 Such other records as BRCB 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 BRCB may require that tax returns from the Franchisee and all shareholders, members, or partners of Franchisee be provided to BRCB if BRCB 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 is shifted, whether by sale, assignment, foreclosure, or otherwise, in whole or in part, from any individual or entity to another, including, if Franchisee is a corporation, any changes in the present ownership of the stock of Franchisee (as of the date of this Agreement) 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 <u>No Transfer Without BRCB's Consent</u> BRCB 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 Transferred by Franchisee without the prior written consent of BRCB Any attempt to Transfer any right under this Agreement, or any interest in any entity holding an interest in this Agreement, without the prior written consent of BRCB, will be null and void and will give BRCB the right to terminate this Agreement and Franchisee's rights under it, in addition to any remedies that BRCB may have for the breach of this covenant by reason of an attempted Transfer

12 3 <u>Advance Notice of Proposed Terms and Right of First Refusal</u> 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 acquire Franchisee's franchised business, then before making any binding commitment regarding such Transfer, Franchisee will notify BRCB and provide BRCB 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

12 3 1 <u>BRCB's Right of First Refusal</u> BRCB will have the right and option, exercisable within thirty (30) days after the date BRCB 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

12 3 2 <u>Transfer After BRCB Rejects Offer</u> If BRCB does not exercise this option, and the terms of the unaccepted offer are altered, BRCB must, in each such instance, be notified by Franchisee of the changed offer, and BRCB will again have thirty (30) days to exercise its right to purchase on the altered terms If BRCB does not exercise the option, the Transfer may take place on the terms and price set forth in the notice, provided (1) BRCB gives its written consent, (2) the Transfer takes place no later than six (6) months from the receipt of BRCB'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 <u>Requirements for Consent to Transfer</u> If a Transfer of all or a partial interest in this Agreement or in the franchise business is proposed and BRCB does not exercise its right to purchase pursuant to the preceding Section, then BRCB will not unreasonably withhold consent to the Transfer provided that each of the following conditions is met

12 4 1 **Transferee Suitable** Each transferee is, in the reasonable business judgment of BRCB, (a) financially acceptable, (b) not associated with a competitor of BRCB, (c) of good moral character and reputation, and (d) otherwise in accordance with BRCB'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 BRCB reasonably applies to new franchisees,

12 4 2 **Transfer Terms Feasible** Following an analysis of the terms and conditions of the proposed Transfer, BRCB, 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 **Training** If necessary, in BRCB's reasonable business judgment, transferee obtains training by BRCB and pays BRCB a training fee in the amount of Three Hundred Dollars ($300) per day, with transferee bearing any travel and room and board expenses,

12 4 4 **Execution of Current Agreements** Each transferee enters into all current forms of agreements then being required of new franchisees This Agreement is not assignable, and any assignment of this Agreement will be null and void Any transferee must execute BRCB's then current form of the Franchise Agreement,

12 4 5 **Improvements** Transferee agrees to complete all remodeling and improvements as required by BRCB, within the time period specified by BRCB,

12 4 6 **Transfer Fee** Franchisee or transferee pays to BRCB its then current transfer fee The transfer fee applicable as of the Effective Date of this Agreement is Two Thousand Five Hundred Dollars ($2,500),

12 4 7 **No Outstanding Balance** Franchisee is in full compliance with this Agreement and has paid all amounts owing to BRCB and its approved vendors,

12 4 8 **General Release** Franchisee has executed a general release, in a form satisfactory to BRCB, of any and all claims against BRCB or its officers, directors, agents, or employees, to the maximum extent permitted by applicable law, and

12 4 9 **Financing Subordination** 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 BRCB

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 BRCB

12 5 1 **Transfer of Franchise** 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

12 5 2 **Termination of Franchise** 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 BRCB under the standards set forth in this Agreement, all rights licensed to Franchisee under this Agreement will immediately terminate and automatically revert to BRCB BRCB 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 BRCB 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 BRCB 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 BRCB 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 The transfer fee provided for in Section 12 4 6 of this Agreement will also be waived by BRCB, and no consent will be required, nor will BRCB enjoy the right of first refusal under Section 12 3, in the case of a Transfer in any single transaction of less than 49% of the equity interest in Franchisee to an employee or officer

of Franchisee who has been directly involved in the operation of the Coffee Bar on a full-time basis for at least one year as of the time of the proposed Transfer, or in the case of 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 BRCB, does not exceed 49 9% of the total equity interest in Franchisee or otherwise effect a change in control of Franchisee

12 7 **Sale or Assignment by BRCB** This Agreement will inure to the benefit of the successors and assigns of BRCB BRCB 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 BRCB to Franchisee that arise after the closing date of the assignment of this Agreement by BRCB Upon such assignment and assumption, BRCB will be under no further obligation under this Agreement, except for accrued liabilities, if any, not assumed by BRCB's assignee

13 Indemnification and Insurance

13 1 **Indemnity** Franchisee shall indemnify and hold BRCB and its officers, directors, shareholders 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 Coffee Bar

13 2 **Insurance** Franchisee, at its sole expense, shall at all times keep in force an insurance policy or policies, in a form approved by BRCB, which approval will not unreasonably be withheld, insuring BRCB 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 Coffee Bar The policies must have limits as may be from time to time prescribed by BRCB, 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 BRCB by Franchisee All policies must (1) provide that they can be canceled only after at least thirty (30) days' prior written notice to BRCB, (2) show BRCB as a named "insured," (3) contain provisions denying to the insured the acquisition by subrogation of rights of recovery against BRCB, and (4) provide that coverage is not limited in any way by reason of any insurance that may be maintained by BRCB

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 Coffee Bar to which Franchisee is a party or by which Franchisee is bound, whether or not BRCB is a party thereto, including but not limited to the Area Development Agreement, if any, or any other franchise agreement between Franchisee and BRCB, 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 BRCB or any government agency determines that a serious health or safety problem exists at the Coffee Bar

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 BRCB is received or refused, as the case may be Notwithstanding the foregoing, the following lesser periods will apply under the circumstances described

> **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
>
> **14 5 2 Three Business Day Cure Period** A three (3) business day cure period will apply to the violation by Franchisee of any law, regulation, or order, or any of BRCB's standards relating to health, sanitation, or safety, or if the Franchisee ceases to operate the Coffee Bar for a period of more than seventy-two (72) hours without the prior written consent of BRCB, provided, however, that if the Coffee Bar is abandoned by Franchisee, no cure period will apply
>
> **14 5 3 No Cure Period** No cure period will be available, and BRCB may terminate this Agreement, (1) if Franchisee is in default under or breaches its covenants or obligations under Sections 5 2 (proprietary information) or 6 3 (noncompetition and nonsolicitation) of this Agreement, (2) if Franchisee abandons the Coffee Bar, (3) if Franchisee commits an act of fraud with respect to its rights or obligations under this Agreement, (4) if Franchisee's lease for the Premises of the Coffee Bar is terminated, (5) if Franchisee repeatedly fails to comply with the provisions of this Agreement, whether or not subsequently cured, (6) if Franchisee, having twice previously cured a default or breach of this

Agreement, commits the same breach or default again, or (7) in the case of an Insolvency Event

14 5 4 **Statutory Cure Period** If a statute in the state in which the Coffee Bar 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 BRCB all damages, costs, and expenses incurred by BRCB 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 BRCB in any proceedings brought by BRCB against Franchisee

14 6 2 **Appointment of a Receiver** If this Agreement is terminated by reason of Franchisee's default, BRCB 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 Coffee Bar, 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 and BRCB, any default by Franchisee under this Agreement will be deemed a default of all franchise agreements between Franchisee and BRCB A default by Franchisee under any other franchise agreement between BRCB 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 fails to cure any default to BRCB's satisfaction within the applicable period following notice from BRCB, BRCB 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 BRCB Notwithstanding the foregoing, this Agreement will immediately terminate upon the occurrence of any event set forth in Section 14 5 3, without notice or opportunity to cure or notice of termination Upon termination or expiration of this Agreement, BRCB may advise all suppliers of BRCB proprietary products and other supplies bearing BRCB's trademarks or service marks to cease delivering the items and products to Franchisee

15 2 **Discontinuation of Use of BRCB System and Proprietary Marks** Upon termination or expiration of this Agreement, Franchisee will immediately cease to use any and all parts of the BRCB System and any and all Proprietary Marks, trade secrets, confidential information, operating manuals, slogans, signs symbols, or devices used in connection with the operation of the Coffee Bar The prohibition on use of the Proprietary 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 Proprietary Marks Franchisee agrees that any such unauthorized use or continued use of the Proprietary Marks after the termination of this Agreement will constitute willful trademark infringement by Franchisee, causing irreparable harm to BRCB

15 3 **De-Identification of the Premises** Franchisee will, within thirty (30) days after termination or expiration of this Agreement, provide BRCB 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 Proprietary Marks or constituting an element of the trade dress of BRCB 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, BRCB may send a representative of BRCB, or other person, to the Premises to take the pictures In this case, Franchisee will reimburse BRCB for its reasonable expenses incurred in getting the pictures, including travel expenses of BRCB's employee or representative If BRCB is not satisfied that Franchisee has de-identified the Premises, BRCB may, at its option, require Franchisee to (1) repaint the interior and/or exterior of the Premises in colors and schemes acceptable to BRCB and (2) make alterations in the Premises, including in the layout of the interior of the building, to de-identify the Premises BRCB 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 BRCB in removing any signs, insignia, or other material from the Premises, or making the changes required, will be paid to BRCB by Franchisee upon demand, together with interest upon the expenses at the highest lawful rate from the date of expenditure until paid BRCB 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 BRCB 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 and Other Listings** Upon termination or expiration of this Agreement, Franchisee will cease using all Listings, and at BRCB's election execute all forms and documents required by BRCB and any service provider at any time to transfer such service and any related Listings to BRCB, 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, as related to the Coffee Bar, telephone or facsimile numbers and Yellow Pages listings/advertisements or other business listings or directories, including any website, domain name, or other Internet usage Upon termination, BRCB will have the immediate right to the Listings and to have the service transferred to BRCB Franchisee appoints BRCB 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, BRCB 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 Coffee Bar that BRCB may specify, at fair market value as of the time of termination, exclusive of personalized materials with no value to BRCB and inventory and supplies not reasonably required in the operation of the business If Franchisee and BRCB cannot agree upon a purchase price, then the purchase price will be the average of three (3) independent appraisals BRCB 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 BRCB may withdraw its election to exercise its option under this Section 15 7

15 8 **Assignment of Leasehold Interest to BRCB** Upon entering any lease agreement covering the Premises, Franchisee shall cause the execution by the Franchisee and lessor of the Conditional Assignment of Lease in the form attached hereto as Schedule 15 8, and will provide a copy to BRCB upon request If Franchisee is a party to a lease assignment or lease option agreement covering the Premises, Franchisee will, upon BRCB's written request at any time during the term or renewal term and without regard to whether this Agreement is terminated, do whatever is necessary to effectuate and complete the assignment to BRCB 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 BRCB's written request at any time during the term or renewal term and without regard to whether this Agreement is terminated, do whatever is necessary to assign Franchisee's lease for the Premises to BRCB Franchisee will, in the latter case, make its best efforts to obtain the lessor's consent to the assignment to BRCB of Franchisee's lease for the Premises

15 9 **Cross-Termination** If this Agreement is terminated as a result of a default by Franchisee, BRCB may, at its option, elect to terminate any or all other franchise agreements between Franchisee and BRCB If any other franchise agreement between Franchisee and

BRCB is terminated as a result of a default by Franchisee, BRCB may, at its option, elect to terminate this Agreement It is agreed that an incurable or uncured default under this Agreement or any other franchise agreement between Franchisee and BRCB will be grounds for termination of this Agreement and/or any and all franchise agreements between Franchisee and BRCB without additional notice or opportunity to cure

16 Miscellaneous Provisions

16 1 **Independent Contractors** The relationship between BRCB and Franchisee is that of independent contractors Franchisee is in no way to be deemed a partner, joint venturer, agent, employee, or servant of BRCB Franchisee has no authority to bind BRCB to any contractual obligation or incur any liability for or on behalf of BRCB Franchisee will identify itself as an independent owner of the Coffee Bar 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 BRCB 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 shall 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 shall 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 shall 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 shall take place in Portland, Oregon, (b) there shall 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 AAA Rules, (c) the arbitration shall be conducted in the English language, (d) the Tribunal shall 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 shall 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 shall not have the power to award punitive damages, (h) the Tribunal shall 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 AAA Rules to modify the

express terms of this Agreement in any way, (j) such decision shall be final, binding and enforceable in any court of competent jurisdiction, (k) the parties shall share equally any fees and expenses of the Tribunal and of the American Arbitration Association, provided that the Tribunal shall 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 shall 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 BRCB 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 or in any related agreement is intended to disclaim the representations made by BRCB 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 BRCB reasonably to approve or not unreasonably to withhold its approval of any action or request by Franchisee, BRCB 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, unless the parties have agreed upon a different effective date and such date is listed at the beginning of this Agreement

17 Franchisee's Representations, Warranties and Acknowledgements

17 1 **Execution by Authorized Parties** Franchisee and all shareholders, partners, and members of Franchisee represent and warrant that each individual is a U S citizen or a lawful resident alien of the United States, that each corporation or other business entity that is a party to this Agreement is and will remain duly organized and in good standing during the term of this Agreement, and that all financial and other information that Franchisee has provided to BRCB in connection with Franchisee's application for this BRCB franchise is true and accurate

___ [Please initial to acknowledge that you have read and understand this Section 17 1]

17 2 **Compliance with Applicable Laws** Franchisee acknowledges, by its signature hereto, that it received from BRCB a Franchise Disclosure Document for the state in which the business will be located, or the Franchisee's place of residence, as appropriate, at least fourteen (14) calendar days prior to the execution of this Agreement

___ [Please initial to acknowledge that you have read and understand this Section 17 2]

17 3 **Receipt of Agreement** Franchisee acknowledges that it received from BRCB this Agreement with all blanks filled in at least five (5) days prior to the execution of this Agreement Franchisee represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor Franchisee further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound by them

___ [Please initial to acknowledge that you have read and understand this Section 17 3]

17 4 **Acknowledgement Regarding Future Results** The Franchisee acknowledges and accepts the following

THE SUCCESS OF THE FRANCHISEE IN OPERATING A FRANCHISE IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, THE FRANCHISEE'S INDEPENDENT BUSINESS ABILITY THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF THE FRANCHISED BUSINESS RESTS SOLELY WITH THE FRANCHISEE THE FRANCHISEE HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY NO

REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY BRCB TO INDUCE THE FRANCHISEE TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN BRCB HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO THE FRANCHISEE AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER THE FRANCHISEE'S BUSINESS THE FRANCHISEE ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY BRCB OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN

___ [Please initial to acknowledge that you have read and understand this Section 17 4]

In witness whereof, the parties hereto have executed and delivered this Franchise Agreement on the effective date stated in Section 16 9 above

BLACK ROCK COFFEE BAR, INC	______________________
"BRCB"	"Franchisee"
By ______________________	By ______________________
Name ______________________	Name ______________________
Title ______________________	Title ______________________
Date ______________________	Date ______________________
	S S N s or T I N of Franchisee
	______________________

STATE-SPECIFIC ADDENDA TO THE FRANCHISE AGREEMENT

ADDENDUM TO THE BLACK ROCK COFFEE BAR, INC FRANCHISE AGREEMENT FOR USE IN WASHINGTON

This ADDENDUM is made and entered into as of this ____ day of ________, 20_, by and between Black Rock Coffee Bar, Inc , an Oregon corporation ("***BRCB***"), and ____________________________, whose principle business address is ____ ("***Franchisee***")

RECITALS

BRCB and Franchisee are parties to a certain Franchise Agreement of even date herewith This Addendum is annexed to, and forms part of, the Franchise Agreement This Addendum is being executed because (a) Franchisee is a resident of the state of Washington, and/or (b) the Coffee Bar that Franchisee will operate under the Franchise Agreement will be located in the state of Washington

1 **Initial Franchise Fee** Section 2 2 of the Franchise Agreement is deleted in its entirety and replaced with the following

The fee for the rights granted under this Agreement (the "***Initial Franchise Fee***") is (i) Twenty-Five Thousand Dollars ($25,000) for Franchisee's first Coffee Bar, (ii) Twenty Thousand Dollars ($20,000) for Franchisee's second Coffee Bar, and (iii) Fifteen Thousand Dollars ($15,000) for each Coffee Bar thereafter The outstanding balance of the Initial Franchise Fee shall be due and payable, in its entirety, upon the Grand Opening If your BRCB Coffee Bar does not open for business within one year of the execution of this Agreement, then at its option, BRCB may terminate this Agreement and keep the nonrefundable portion of the Initial Franchise Fee ($5,000) as liquidated damages

2 **Disputes** Section 16 3 of the Franchise Agreement is deleted in its entirety and replaced with the following

This Agreement shall 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 shall 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 shall 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 transaction incidental to this Agreement, which dispute or controversy cannot be settled by mutual agreement of the parties, 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 shall take place in Vancouver, Washington, (b) there shall 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 AAA Rules, (c) the arbitration shall be conducted in the English language, (d) the Tribunal shall 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 shall 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 shall not have the power to award punitive damages, (h) the Tribunal shall 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 AAA Rules to modify the express terms of this Agreement in any way, (j) such decision shall be final, binding and enforceable in any court of competent jurisdiction, (k) the parties shall share equally any fees and expenses of the Tribunal and of the American Arbitration Association, provided that the Tribunal shall 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 shall be kept confidential and not be disclosed to third parties, except as necessary to enforce or effectuate the terms of such decision or award

3 **Entire Agreement** The following is added to Section 16 6 of the Franchise Agreement

The provisions of this Section notwithstanding, nothing in this Agreement waives any rights the Franchisee may have under Washington law, including RCW 19 100 180

In witness whereof, the parties hereto have executed and delivered this Addendum effective on the date stated above

BLACK ROCK COFFEE BAR, INC "BRCB"	____________ "Franchisee"
By ____________	By ____________
Name ____________	Name ____________
Title ____________	Title ____________
Date ____________	Date ____________
	S S N s or T I N of Franchisee
	____________

Schedule 1 5
BLACK ROCK COFFEE BAR
GUARANTY OF FRANCHISE AGREEMENT

The Guaranteed Agreement means that Franchise Agreement, dated ______, 20___, between **Black Rock Coffee Bar, Inc** ("***BRCB***") and ______________________________________ ___________ (the "***Obligated Party***")

This Guaranty (this "***Guaranty***") is given this ___ day of_______, 20__ by ____________________ (referred to in this Guaranty as "you" and like terms), with respect to the Guaranteed Agreement described above

For good and valuable consideration, you unconditionally guarantee to BRCB, 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 (and any modification or amendment to the Guaranteed Agreement) to be kept and performed by the Obligated Party during the term of the Guaranteed Agreement, including the payment of all royalties, rents, fees, and other charges accruing pursuant to the Guaranteed Agreement

You further agree as follows

1 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

2 Your liability under this Guaranty is primary and independent of the liability of the Obligated Party You waive any right to require BRCB to proceed against any other person or to proceed against or exhaust any security held by BRCB at any time or to pursue any right of action accruing to BRCB under the Guaranteed Agreement BRCB 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

3 You agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against you

4 You waive notice of any demand by BRCB, 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 BRCB, by its successors or assigns, by the failure of BRCB 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

5 This Guaranty will extend, in full force and effect, to any assignee or successor of BRCB and will be binding upon you and your successors and assigns

6 Until all obligations of the Obligated Party to BRCB 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 BRCB has or may in the future have against the Obligated Party and any benefit of, and any right to participate in, and security now or in the future held by BRCB

7 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 BRCB, 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

8 This Guaranty will be construed in accordance with the laws of the state of Oregon, without giving effect to its conflict-of-laws principles

"GUARANTOR"

Signature ____________________________

Name ______________________________

STATE OF____________________)
)ss
COUNTY OF _________________)

The foregoing instrument was acknowledged before me this ___ day of _________________, 20___ by___________________________________

____
NOTARY PUBLIC

My Commission Expires

____
Residing at ____________________

Schedule 9 1
MANAGER'S CONFIDENTIALITY AGREEMENT

EMPLOYER ____
(name)

____
(address)

MANAGER ____
(name)

____
(address)

Manager wishes to be employed to manage the operations of Employer's franchised Black Rock Coffee Bar

1 Manager acknowledges that Manager's employment will require Employer to share with Manager certain valuable information (the "***Proprietary Information***" as defined below) that is the property of Black Rock Coffee Bar, Inc , the franchisor of Employer's Black Rock Coffee Bar (the "***Coffee Bar***")

2 The Proprietary Information means all aspects of the system of operations used in Employer's Coffee Bar 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 Employer through confidential notifications from Black Rock Coffee Bar, Inc

3 Manager agrees not to disclose any of the Proprietary Information to any person, other than to Employer's other employees, and then only to the extent necessary for the operation of the Coffee Bar Manager will keep the Operations Manual and all other tangible records of Proprietary Information in a secure location at the Coffee Bar, 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 employment by Employer 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 Black Rock Coffee Bar, 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)

Schedule 15 8
CONDITIONAL ASSIGNMENT OF LEASE

THIS CONDITIONAL ASSIGNMENT OF LEASE (the "***Conditional Assignment***") is made and entered into _______________, 20__, by and among ________________ (the "***Landlord***"), ________________ (the "***Tenant***"), and Black Rock Coffee Bar, Inc , an Oregon corporation whose principal place of business is 16307 NE Cameron Blvd , Portland, Oregon 97230 ("***BRCB***")

RECITALS

A This Conditional Assignment supplements and forms part of the attached Lease Agreement between the Landlord and the Tenant dated ____________________ (the "***Lease***") for the premises situated at ______________________________ (the "***Premises***") to be used by the Tenant as a Black Rock Coffee Bar

B This Conditional Assignment is entered into in connection with BRCB's approval of the location of the Premises as a Black Rock Coffee Bar and the grant of a franchise to the Tenant pursuant to the Franchise Agreement dated ________________, 20__ (the "***Franchise Agreement***")

C This Conditional Assignment is intended to provide BRCB the opportunity to reserve the Premises as a Black Rock Coffee Bar under the circumstances set out below

D The Landlord agrees that BRCB shall have the right but not the obligation to assume the Lease of the Premises on the terms, covenants and conditions contained in this Conditional Assignment

Now, therefore, the parties hereby agree

1 **Default of Tenant Under the Lease** The Landlord agrees to send to BRCB a copy of any notice of default that is given to the Tenant concurrently with the giving of such notice to the Tenant If the Tenant fails to cure any default within the period specified in the notice, the Landlord shall promptly give to BRCB further written notice specifying the default(s) the Tenant has failed to cure BRCB shall have forty-five (45) days following receipt of the second written notice to exercise its right to assume the Lease on the same terms as apply to the Tenant by written notice to the Landlord and the Tenant In the event that BRCB exercises its right to assume the Lease, BRCB shall begin paying rent upon the Landlord delivering possession of the premises to BRCB

2 **Default or Termination of the Franchise Agreement** BRCB may assume the Lease in the event of any default by the Tenant under the Franchise Agreement or termination of the Franchise Agreement for any reason by giving the Landlord written notice of its election to assume the Lease, and no further consent of the Landlord or Tenant shall be required

3 **Non-Renewal of the Lease Term** If the Lease contains term renewal or extension rights and if the Tenant allows the term to expire without exercising such rights, the Landlord shall give BRCB written notice and BRCB shall have the option for thirty (30) days following receipt of such notice to exercise the Tenant's renewal or extension rights on the same terms and conditions as are contained in the Lease If BRCB elects to exercise such rights it shall notify the Landlord in writing, whereupon the Landlord and BRCB shall promptly execute and exchange an agreement under which BRCB assumes the Lease effective at the date of termination of any holding over period by the Tenant to the effect that such extension or renewal term shall have subtracted from it the number of days constituting such holding over period

4 **Additional Provisions**

4 1 The Tenant agrees that termination of the Franchise Agreement shall be a default under the Lease In the event of termination of the Franchise Agreement, or if the Tenant fails to timely cure any defaults under the Lease, the Tenant shall within ten (10) days after written demand by BRCB, assign all of its right, title and interest in and to the Lease to BRCB If the Tenant fails to do so within the said ten (10) days, the Tenant hereby designates BRCB as its agent to execute any and all documents, agreements and to take all action as may be necessary or desirable to effect the assignment of the Lease and the relinquishment of any and all of the Tenant's rights thereunder The Landlord hereby consents to such assignment subject to BRCB executing an assignment of the Lease and curing all defaults of the Tenant under the Lease before taking possession of the Premises The Tenant further agrees to promptly and peaceably vacate the Premises and to remove its personal property at the written request of BRCB Any property not so removed by the Tenant within ten (10) days following receipt of such written request shall be deemed abandoned by the Tenant and immediately and permanently relinquished to BRCB

4 2 The Tenant shall be and remain liable to the Landlord for all of its obligations under the Lease, notwithstanding any assignment of the Lease to BRCB BRCB shall be entitled to recover from the Tenant all amounts it pays to the Landlord to cure the Tenant's defaults under the Lease, including interest thereon and BRCB's reasonable collection costs

4 3 BRCB, upon taking possession of the Premises, shall cure the defaults specified by the Landlord in its written notice and shall execute and deliver to the Landlord its assumption of the Tenant's rights and obligations under the Lease BRCB shall pay, perform and be bound by all the duties and obligations under the Lease BRCB may elect not to be bound by the terms of any amendment to the Lease executed by the Tenant without obtaining BRCB's prior written approval to such amendment, which approval shall not be unreasonably withheld or delayed

4 4 In the event that BRCB assumes the Tenant's interest under the Lease, BRCB may, at any time, sublet the Premises to a BRCB franchisee without having to obtain the prior written consent of the Landlord

4 5 In the event that BRCB assumes the Tenant's interest under the Lease, BRCB may, at any time, assign its interest under the Lease but only with the prior written consent of the Landlord, and the provisions of the Lease concerning consent shall apply Upon receipt by the

Landlord of an assignment agreement pursuant to which the assignee agrees to assume the Lease and observe the terms, conditions and agreements on the part of the tenant to be performed under the Lease, BRCB shall thereupon be released from all liability as tenant under the Lease from and after the date of assignment, without any need of a written acknowledgment of such release by the Landlord

4 6 If the Lease or Franchise Agreement is terminated and BRCB fails to exercise its right to assume the Lease as described above, the Tenant agrees to de-identify the Premises as a Black Rock Coffee Bar and to promptly remove signs, decor and other items which BRCB reasonably requests be removed as being distinctive and indicative of a Black Rock Coffee Bar BRCB may enter upon the Premises to effect de-identification if the Tenant fails to do so within ten (10) days after receipt of written demand from BRCB, following termination of the Franchise Agreement or Lease The Tenant shall pay BRCB for its reasonable costs and expenses in effecting the de-identification The Tenant agrees and accepts that its obligations to the Landlord in respect to the provisions of the Lease concerning the removal of signage and additions and alterations at the termination of the Lease subsist notwithstanding the right made available to BRCB pursuant to this clause

4 7 BY EXECUTING THIS CONDITIONAL ASSIGNMENT, BRCB DOES NOT ASSUME ANY LIABILITY WITH RESPECT TO THE PREMISES OR ANY OBLIGATION AS TENANT UNDER THE LEASE UNLESS AND UNTIL BRCB EXPRESSLY AND IN A SEPARATE WRITING AGREES TO ASSUME SUCH LIABILITY AND/OR OBLIGATION DESCRIBED ABOVE

4 8 All notices pursuant to this Conditional Assignment shall be in writing and shall be personally delivered, sent by registered mail or reputable overnight delivery service or by other means which afford the sender evidence of delivery or rejected delivery to the addresses described above or to such other address as any party to this Conditional Assignment may instruct that notices be given

Landlord	**Tenant**	**Black Rock Coffee Bar, Inc**
By ____________________ (Signature)	By ____________________ (Signature)	By ____________________ (Signature)
Printed Name ________________	Printed Name ________________	Printed Name ________________
Title ________________	Title ________________	Title ________________

EXHIBIT B

SITE EVALUATION AGREEMENT

BLACK ROCK COFFEE BAR
SITE EVALUATION AGREEMENT

This Site Evaluation Agreement (this "***Agreement***") is made and entered into by and between Black Rock Coffee Bar, Inc ("***BRCB***") and ______________________________ ("***Prospective Franchisee***") on this date, ______________ (the "***Effective Date***")

Whereas, Prospective Franchisee has received and reviewed the BRCB Franchise Disclosure Document, describing BRCB's franchised espresso and coffee business (a "***Coffee Bar***") Prospective Franchisee is applying to become a BRCB franchisee In consideration of Prospective Franchisee's payment of (i) One Thousand Dollars ($1,000) if all proposed sites are located within 100 miles of our principal business address at 16307 NE Cameron Blvd, Portland, Oregon 97230, or (ii) Two Thousand Five Hundred Dollars ($2,500) if one or more proposed sites are located more than 100 miles from our principal business address, BRCB is willing to evaluate sites proposed by Prospective Franchisee for Prospective Franchisee's Coffee Bar

Now, therefore, the parties hereto agree as follows

1 **Document Receipt Date** Prospective Franchisee acknowledges that the BRCB Franchise Disclosure Document, together with a copy of this Agreement, was received by Prospective Franchisee on the following date ________________

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

3 **Site Evaluation Fee** BRCB acknowledges receipt of the sum of (i) One Thousand Dollars ($1,000) if all proposed sites are located within 100 miles of our principal business address at 16307 NE Cameron Blvd, Portland, Oregon 97230, or (ii) Two Thousand Five Hundred Dollars ($2,500) if one or more proposed sites are located more than 100 miles from our principal business address from Prospective Franchisee (the "***Site Evaluation Fee***") If BRCB, in the exercise of its reasonable business judgment, deems one or more of Prospective Franchisee's proposed sites suitable for a Coffee Bar, BRCB will apply the Site Evaluation Fee to the Initial Franchise Fee of (i) Twenty-Five Thousand Dollars ($25,000) for Prospective Franchisee's first Coffee Bar, (ii) Twenty Thousand Dollars ($20,000) for Prospective Franchisee's second Coffee Bar, and (iii) Fifteen Thousand Dollars ($15,000) for each Coffee Bar thereafter, which amount is payable by Prospective Franchisee as set forth in the franchise agreement with BRCB The Site Evaluation Fee is **nonrefundable** If BRCB and Prospective Franchisee are unable to agree on a site for a Coffee Bar, or on the terms of the franchise agreement, the Site Evaluation Fee will be deemed fully earned by BRCB and will not be refunded

4 **Franchise Agreement** If BRCB approves one or more of the proposed sites, Prospective Franchisee will have thirty (30) days from the receipt of notice of site approval to enter into a franchise agreement with BRCB If Prospective Franchisee does not enter into a franchise agreement with BRCB within the allotted time, the Site Evaluation Fee will be deemed fully earned by BRCB and will not be refunded Nothing in this Agreement will be construed to require either party to enter into a franchise agreement with the other party

5 **General Provisions**

5 1 **Dispute Resolution** 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 Portland, 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 shall 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 Multnomah County, 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 shall be limited to the recovery of any actual damages sustained by it

5 2 **Severability** If any provision of this Agreement is deemed void by operation of law, all other provisions of this Agreement shall remain in full force and effect

5 3 **Waiver** 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

5 4 **Entire Agreement** This document is the entire agreement between the parties with respect to the subject matter hereof This Agreement may only be modified in a writing signed by the parties

In witness whereof, the parties hereto have executed and delivered this Site Evaluation Agreement on the Effective Date stated above

BLACK ROCK COFFEE BAR, INC "BRCB"	______________________ "Prospective Franchisee"
By ______________________	By ______________________
Name ______________________	Name ______________________

Title ____________________ Title ____________________

Date ____________________ Date ____________________

S S N s or T I N of Franchisee

____

EXHIBIT C

black rock
coffee bar

Operations Manual

BR COFFEE

BLACK ROCK COFFEE BAR
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EXHIBIT D

SERVICE OF PROCESS

Our agent for service of process in Oregon is

WSCJ Business Services, Inc
805 SW Broadway, Suite 2440
Portland, OR 97205

For states listed on **Exhibit E**, the additional agent for service of process is listed on **Exhibit E**

EXHIBIT E

LIST OF STATE ADMINISTRATORS

<u>California</u>
California Department of Business Oversight
1515 K Street, Suite 200
Sacramento, CA 95814-4052
Telephone 916-445-7205, 1-866-275-2677
Effective Date pending

<u>Oregon</u>
Corporate Securities Section
Dept of Insurance & Finance
Labor & Industries Bldg
Salem, OR 97310
Telephone 503-378-4387
Effective Date September 26, 2016

<u>Washington</u>
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
Telephone 360-902-8760
Effective Date October 1, 2014

EXHIBIT F

FINANCIAL STATEMENTS

(attached)

BLACK ROCK COFFEE BAR, INC

AUDIT REPORT

For the Years Ended

December 31, 2015 and 2014

RICHARD W BREWSTER CPA PC

CERTIFIED PUBLIC ACCOUNTANT
MEDFORD

BLACK ROCK COFFEE BAR, INC
For the Years Ended December 31, 2015 and 2014

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INDEPENDENT AUDITOR'S REPORT

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

670 SUPERIOR COURT #106
MEDFORD OREGON 97504
(541) 773-1885 FAX (541) 770 1430
www rwbrewstercpa com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
BLACK ROCK COFFEE BAR, INC

I have audited the accompanying financial statements of Black Rock Coffee Bar, Inc , (an Oregon S-Corporation) which comprise the balance sheets as of December 31, 2015 and 2014, and the related statements of income, 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 Black Rock Coffee Bar Inc , as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Richard W Brewster
Certified Public Accountant

July 21, 2016

FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC
Balance Sheets
December 31 2015 and 2014

ASSETS

	Current	Prior
ASSETS		
Current assets		
Cash	$ 16,676	$ 72,181
Prepaid expense	917	
Accounts receivable	57,677	24,812
Total current assets	75,270	96,993
Property and equipment		
Furniture and equipment	1,011	1,011
Less accumulated depreciation	(931)	(851)
Net property and equipment	80	160
Other assets		
Related party receivables	10,650	10,650
Intangible assets (net of amortization)	34,406	38 672
Total other assets	45,056	49,322
TOTAL ASSETS	$ 120,406	$ 146,475

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Balance Sheets
December 31, 2015 and 2014

LIABILITIES AND SHAREHOLDERS' EQUITY

	Current	Prior
LIABILITIES		
Current liabilities		
Accounts payable	$ 2,937	
State tax payable	150	$ 150
Total current liabilities	3 087	150
Other liabilities		
Related party loans	18,037	24,717
Total other liabilities	18,037	24,717
TOTAL LIABILITIES	21,124	24,867
SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock 10,000 shares authorized, 3,000 shares issued and outstanding	3 000	3,000
Retained earnings	96,282	118 608
TOTAL SHAREHOLDERS' EQUITY	99,282	121,608
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 120,406	$ 146,475

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements Retained Earnings
For the Years Ended December 31, 2015 and 2014

	Current	Prior
RETAINED EARNINGS, BEGINNING OF YEAR	$ 118,608	$ 86,262
Net income	143,008	80,346
Shareholder distributions	(165 334)	(48,000)
RETAINED EARNINGS, END OF YEAR	$ 96,282	$ 118,608

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements of Income
For the Years Ended December 31, 2015 and 2014

	Current	Prior
SALES		
Franchise fees	$ 115,000	$ 40,000
Royalties	401,845	214,042
Total sales	516,845	254,042
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration costs	46,773	42,373
Royalties to Black Rock Roasting Company	215,000	43,100
Health insurance	81,110	54,081
Advertising	-	57
Amortization	4,266	4,266
Bank charges	-	257
Computer and internet	-	300
Contributions and donations	-	2,500
Depreciation	80	210
Insurance	458	605
Miscellaneous	-	12
Payroll service	-	107
Professional fees	19,666	18,977
Subscriptions	5,221	363
Taxes and licenses	675	700
Total general and administrative expenses	373,249	167,908
NET INCOME FROM OPERATIONS	143,596	86,134
OTHER INCOME AND (EXPENSE)		
Interest expense	(427)	(638)
Miscellaneous expense	-	(5,000)
State tax	(161)	(150)
Total other income and (expense)	(588)	(5,788)
NET INCOME	$ 143,008	$ 80,346

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements of Cash Flows
For the Years Ended December 31, 2015 and 2014

	Current	Prior
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 143,008	$ 80 346
Adjustments needed to reconcile to net cash provided by operating activities		
Depreciation and amortization	4 346	4 476
Changes in		
Receivables	(32 865)	(7,598)
Prepaid expenses	(917)	4 581
Accounts payable	2 937	
Net cash from (used in) operating activities	116 509	81 805
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		
Net cash from (used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder distributions	(165,334)	(48,000)
Related party loans payments	(6 680)	7 615
Net cash from (used in) financing activities	(172 014)	(40 385)
NET INCREASE (DECREASE) IN CASH	(55,505)	41,420
CASH BEGINNING OF YEAR	72 181	30 761
CASH END OF YEAR	$ 16,676	$ 72,181

SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION

CASH PAID DURING THE YEAR FOR INTEREST	$ 427	$ 638
CASH PAID DURING THE YEAR FOR OREGON TAXES	$ 150	$ 150

There were no material noncash transactions

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Black Rock Coffee Bar, Inc , (the Company) was incorporated in the State of Oregon on May 16, 2007 The Company offers franchises for the operation of drive-thru retail coffee outlets under the registered trademark "Black Rock Coffee Bar " In addition to franchise fees, the Company receives cup rebate income from the coffee stand outlets suppliers The Company has franchises in Oregon, Washington, and California

Cash and Cash Equivalents

Cash consists of deposit checking accounts

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 As of December 31, 2015 and 2014, management believed that all accounts were collectible

Fixed Assets

Significant expenditures for fixed assets are capitalized at cost Depreciation is computed using the straight-line method over the following estimated useful asset lives

Vehicles	5 years
Equipment	5 years
Furniture	7 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

Advertising

The Company expenses advertising costs as they are incurred Total advertising for the years ended December 31, 2015 and 2014 were $0 00 and $0 00, respectively

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income Taxes

Black Rock Coffee Bar, Inc, has elected under the Internal Revenue Code to be taxed as an S Corporation As an S Corporation, Black Rock Coffee Bar, Inc 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 Due to differences in methods of computing depreciation and the timing of expense recognition, expenses are recognized in different periods for tax reporting than for financial reporting purposes The difference in timing of depreciation has created deferrals of taxable income passed from the Company to its stockholders and members

Franchise and Offering Agreement Costs

The Company incurs costs in the development of franchise and offering agreements These costs are capitalized and booked as other assets on the balance sheet No costs were capitalized for the years ended December 31, 2015 and 2014 These costs are being amortized over 15 years

2 **ACCOUNTS RECEIVABLE**

Accounts receivable at year end consisted of the following

	2015	2014
Royalties on cup sales	$ 42 677	$ 24,812
Franchise fees	15,000	-
Total	$ 57,677	$ 24,812

3 **PROPERTY AND EQUIPMENT**

	2015	2014
Equipment	$ 1,011	$ 1,011
Less accumulated depreciation	(931)	(851)
Net property and equipment	$ 80	$ 160

Depreciation expense was $80 for 2015 and $210 for 2014

4 **RELATED PARTY RECEIVABLES**

Related party receivables at December 31, 2015, and 2014 consisted of $10,650 from related party franchisees

5 INTANGIBLE ASSETS

The Company had start up costs in 2008 of $48,627 and website development of $1,000 These are being amortized over 15 years During 2010, the Company had additional intangible costs of $14,359 The amortization expenses for December 31, 2015 and 2014 were $4,266 and $4,266 respectively The amortization expense is expected to be $4,266 each of the next five years See the schedule below for accumulated amortization

	2015	2014
Intangible asset costs	$ 63,986	$ 63,986
Less accumulated amortization	(29,580)	(25,314)
Net intangible assets	$ 34,406	$ 38,672

6 ACCOUNTS PAYABLE

There were no accounts payables over 90 day old as of December 31, 2015, or 2014

7 RELATED PARTY LOANS

Related party loans outstanding at December 31, 2015 and 2014 were as follows

	2015	2014
Classic Investors		
Promissory note dated December 31, 2013 The principal is due December 31, 2023 The interest is one point nine seven percent (1 97%) and if not paid each year is added to the principal at year end Effective January 1, 2014, monthly payments will be $281 20 with an interest rate of one point nine seven (1 97%) and all unpaid principal due December 31, 2018	$ 1,953	$ 5,253
Rob and Toni Hernandez		
Promissory note dated December 31, 2013 The principal is due December 31, 2023 The interest is one point nine seven percent (1 97%) and if not paid each year is added to the principal at year end Effective January 1, 2014, monthly payments will be $311 10 with an interest rate of one point nine seven (1 97%) and all unpaid principal due September 30, 2021	16,084	19,464
Total	$ 18,037	$ 24 717

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2015 and 2014

8 FRANCHISE AND AREA DEVELOPMENT ARRANGEMENTS

Terms of Franchise Agreements

The Company offers "Black Rock Coffee Bar" espresso drive-thru franchises and area development agreements The agreements provide for payment of initial fees of $20,000 The Company refunds $15,000 of this amount if no store is opened within one year Initial fees are considered earned upon completion of the terms of the Company's Franchise Disclosure Document As of December 31, 2015 and 2014, all initial franchise fees were deemed to be earned by the Company

The Company currently does not charge a royalty fee, instead the Company receives royalties for each logo cup purchased from approved vendor(s) Currently, the Company does not charge an advertising fee but reserves the right to do so in the future The franchisees agree to purchase all coffee, espresso beans, coffee bean and espresso bean products and logo cups from the related Black Rock Roasting Co or approved vendors The agreements have a ten year term with an option to renew for an additional ten year period subject to certain terms and conditions

The Company is sharing the cup royalties with Black Rock Roasting Company

Franchise and Area Development Activities

During the year 2014, the Company sold two franchises At December 31, 2014, the Company had nineteen drive-thrus in operation, six were operated and owned by certain shareholders of the Company and 13 were operated and owned by non-related franchisees

During the year 2015, the Company sold five franchises At December 31, 2015, the Company had 24 drive-thrus in operation, six were operated and owned by certain shareholders of the Company and 18 were operated and owned by non-related franchisees

9 RELATED PARTIES

The Company conducts business with various entities affiliated by common ownership of certain shareholders of the Company As of December 31, 2014 and 2015, the affiliated entities had three coffee stands in Oregon and three in Washington, operating under the registered trademark "Black Rock Coffee Bar " These entities are not required to pay franchising fees

The related party receivables booked of $10,650 as of December 31, 2015 and 2014, is from coffee stands owned by some of the shareholders of the Company See the related party receivables note

John Hagler (16 67% owner in the Company) is the owner of Classic Investors, Inc dba Classic Trolley and dba Seed to Cup Classic Trolley manufactures the pre-manufactured buildings that are used by some of the franchisees in their drive-thru retail coffee operations In 2015 and 2014, Seed to Cup sold supplies, and equipment to franchisees

Black Rock Roasting Company was formed in 2009 to handle the sales of roasted coffee beans and supplies Royalties are paid to Black Rock Roasting Company each year based on the shareholders annual agreement This causes the amount paid to fluctuate each year

9 RELATED PARTIES (Continued)

Different groups of the Company's shareholders hold 100% ownership in the following businesses connected to Black Rock Coffee Bar, Inc

- Brand Fam Corporation
- J Chris Hagler & Sons, LLC
- Double J & R Development LLC
- Double J & R Washington, LLC
- Black Rock Roasting Company
- Black Rock Management Group LLC
- BR Admin Corp

In addition, different groups of the Company's shareholders hold partial interest in multiple drive-thrus connected to Black Rock Coffee Bar, Inc

10 SUBSEQUENT EVENTS

The Company evaluated subsequent events as of July 21, 2016, which is the date of the audit report The report was available to be issued on July 28, 2016

BLACK ROCK COFFEE BAR, INC

AUDIT REPORT

For the Years Ended

December 31, 2014 and 2013

RICHARD W BREWSTER CPA PC
CERTIFIED PUBLIC ACCOUNTANT
MEDFORD

BLACK ROCK COFFEE BAR, INC
For the Years Ended December 31 2014 and 2013

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
BLACK ROCK COFFEE BAR, INC

I have audited the accompanying financial statements of Black Rock Coffee Bar, Inc , (an Oregon S-Corporation) which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, 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 Black Rock Coffee Bar, Inc , as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Richard W Brewster
Certified Public Accountant

May 21, 2015

FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC
Balance Sheets
December 31, 2014 and 2013

ASSETS

		Current		Prior
ASSETS				
Current assets				
Cash	$	72,181	$	30,761
Accounts receivable		24,812		17,214
Prepaid expenses		-		4,581
Total current assets		96,993		52,556
Property and equipment				
Furniture and equipment		1,011		1,011
Less accumulated depreciation		(851)		(641)
Net property and equipment		160		370
Other assets				
Related party receivables		10,650		36,535
Intangible assets (net of amortization)		38,672		42 938
Total other assets		49,322		79,473
TOTAL ASSETS	$	146,475	$	132,399

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Balance Sheets
December 31 2014 and 2013

LIABILITIES AND SHAREHOLDERS' EQUITY

	Current	Prior
LIABILITIES		
Current liabilities		
State tax payable	$ 150	$ 150
Total current liabilities	150	150
Other liabilities		
Related party loans	24,717	42 987
Total other liabilities	24,717	42,987
TOTAL LIABILITIES	24,867	43,137
SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock 10,000 shares authorized, 3,000 shares issued and outstanding	3,000	3,000
Retained earnings	118,608	86,262
TOTAL SHAREHOLDERS' EQUITY	121,608	89 262
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 146,475	$ 132,399

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements Retaіned Earnіngs
For the Years Ended December 31, 2014 and 2013

	Current	Prior
RETAINED EARNINGS, BEGINNING OF YEAR	$ 86 262	$ 62,272
Net income	80,346	47,990
Shareholder distributions	(48,000)	(24,000)
RETAINED EARNINGS, END OF YEAR	$ 118,608	$ 86,262

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements of Income
For the Years Ended December 31, 2014 and 2013

	Current	Prior
SALES		
Franchise fees	$ 40,000	$ 60,000
Royalties	214,042	162,323
Total sales	254,042	222,323
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration costs	42,373	43,295
Royalties to Black Rock Roasting Company	43,100	105,713
Health insurance	54,081	
Advertising	57	-
Amortization	4,266	4,266
Bank charges	257	20
Computer and internet	300	1,157
Contributions and donations	2,500	-
Depreciation	210	58
Insurance	605	389
Meals, entertainment, and travel	-	508
Miscellaneous	12	156
Payroll service	107	494
Professional fees	18,977	20,928
Subscriptions	363	528
Taxes and licenses	700	936
Vehicle	-	308
Total general and administrative expenses	167,908	178,756
NET INCOME FROM OPERATIONS	86,134	43 567
OTHER INCOME AND (EXPENSE)		
Interest expense	(638)	(427)
Miscellaneous income	-	5,000
Miscellaneous expense	(5,000)	
State tax	(150)	(150)
Total other income and (expense)	(5,788)	4,423
NET INCOME	$ 80,346	$ 47,990

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements of Cash Flows
For the Years Ended December 31, 2014 and 2013

		Current		Prior
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	$	80,346	$	47,990
Adjustments needed to reconcile to net cash provided by operating activities				
Depreciation and amortization		4,476		4,324
Changes in				
Receivables		(7,598)		(5,707)
Prepaid expenses		4,581		(2,946)
Net cash from (used in) operating activities		81,805		43,661
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment				
Net cash from (used in) investing activities		-		-
CASH FLOWS FROM FINANCING ACTIVITIES				
Shareholder distributions		(48,000)		(24,000)
Related party loans		7,615		(4,129)
Net cash from (used in) financing activities		(40,385)		(28,129)
NET INCREASE IN CASH		41,420		15,532
CASH BEGINNING OF YEAR		30,761		15,229
CASH END OF YEAR	$	72,181	$	30,761
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION				
CASH PAID DURING THE YEAR FOR INTEREST	$	638	$	427
CASH PAID DURING THE YEAR FOR OREGON TAXES	$	150	$	150

There were no material noncash transactions

NOTES TO THE FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Black Rock Coffee Bar, Inc , (the Company) was incorporated in the State of Oregon on May 16, 2007 The Company offers franchises for the operation of drive-thru retail coffee outlets under the registered trademark "Black Rock Coffee Bar " In addition to franchise fees, the Company receives cup rebate income from the coffee stand outlets suppliers The Company has franchises in Oregon, Washington, and California

Cash and Cash Equivalents

Cash consists of deposit checking accounts

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 As of December 31, 2014 and 2013, management believed that all accounts were collectible

Fixed Assets

Significant expenditures for fixed assets are capitalized at cost Depreciation is computed using the straight-line method over the following estimated useful asset lives

Vehicles	5 years
Equipment	5 years
Furniture	7 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

Advertising

The Company expenses advertising costs as they are incurred Total advertising for the years ended December 31, 2014 and 2013 were $57 00 and $0 00, respectively

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2014 and 2013

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Black Rock Coffee Bar, Inc, has elected under the Internal Revenue Code to be taxed as an S Corporation As an S Corporation, Black Rock Coffee Bar, Inc 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 Due to differences in methods of computing depreciation and the timing of expense recognition, expenses are recognized in different periods for tax reporting than for financial reporting purposes The difference in timing of depreciation has created deferrals of taxable income passed from the Company to its stockholders and members

During the years ended December 31, 2014 and 2013, the Company has not incurred any interest or penalties on its income tax returns The Company's tax returns are subject to possible examination by the taxing authorities For federal income tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed The Company uses a more likely than not attribute for all tax positions taken or expected to be taken

Franchise and Offering Agreement Costs

The Company incurs costs in the development of franchise and offering agreements These costs are capitalized and booked as other assets on the balance sheet No costs were capitalized for the years ended December 31, 2014 and 2013 These costs are being amortized over 15 years

2 ACCOUNTS RECEIVABLE

At December 31, 2014 and 2013, the accounts receivable were amounts due on royalties from cup sales

3 PROPERTY AND EQUIPMENT

	2014	2013
Equipment	$ 1,011	$ 1,011
Less accumulated depreciation	(851)	(641)
Net property and equipment	$ 160	$ 370

Depreciation expense was $210 for 2014 and $58 for 2013

4 RELATED PARTY RECEIVABLES

Related party receivables at December 31, 2014, and 2013, consisted of $10,650 and $36,535, respectively, from related party franchisees

5 INTANGIBLE ASSETS

The Company had start up costs in 2008 of $48,627 and website development of $1,000 These are being amortized over 15 years During 2010, the Company had additional intangible costs of $14,359 The amortization expenses for December 31, 2014 and 2013 were $4,266 and $4,266 respectively The amortization expense is expected to be $4,266 each of the next five years See the schedule below for accumulated amortization

	2014	2013
Intangible asset costs	$ 63,986	$ 63,986
Less accumulated amortization	(25,314)	(21 048)
Net intangible assets	$ 38,672	$ 42,938

6 ACCOUNTS PAYABLE

There were no accounts payables at December 31 2014, or 2013

7 RELATED PARTY LOANS

Related party loans outstanding at December 31, 2014 and 2013 were as follows

	2014	2013
Classic Investors		
Promissory note dated December 31, 2013 The principal is due December 31, 2023 The interest is one point nine seven percent (1 97%) and if not paid each year is added to the principal at year end Effective January 1, 2014, monthlypayments will be $281 20 with an interest rate of one point nine seven (1 97%) and all unpaid principal due December 31, 2018	$ 5,253	$ 13,459
Rob and Toni Hernandez		
Promissory note dated December 31 2013 The principal is due December 31, 2023 The interest is one point nine seven percent (1 97%) and if not paid each year is added to the principal at year end Effective January 1, 2014, monthly payments will be $311 10 with an interest rate of one point nine seven (1 97%) and all unpaid principal due September 30, 2021	19,464	28,728
Double J&R Washington		
There are no terms on this related party loan		800
Total	$ 24,717	$ 42,987

8 FRANCHISE AND AREA DEVELOPMENT ARRANGEMENTS

Terms of Franchise Agreements

The Company offers "Black Rock Coffee Bar" espresso drive-thru franchises and area development agreements The agreements provide for payment of initial fees of $20,000 The Company refunds $15,000 of this amount if no store is opened within one year Initial fees are considered earned upon completion of the terms of the Company's Franchise Disclosure Document As of December 31, 2014 and 2013, all initial franchise fees were deemed to be earned by the Company

The Company currently does not charge a royalty fee, instead the Company receives royalties for each logo cup purchased from approved vendor(s) Currently, the Company does not charge an advertising fee but reserves the right to do so in the future The franchisees agree to purchase all coffee, espresso beans, coffee bean and espresso bean products and logo cups from the related Black Rock Roasting Co or approved vendors The agreements have a ten year term with an option to renew for an additional ten year period subject to certain terms and conditions

The Company is sharing the cup royalties with Black Rock Roasting Company

Franchise and Area Development Activities

During the year 2013, the Company sold three franchises One franchise had not been opened by the end of year At December 31, 2013, the Company had sixteen drive-thrus in operation, six were operated and owned by certain shareholders of the Company and ten were operated and owned by non-related franchisees

During the year 2014, the Company sold two franchises At December 31, 2014, the Company had nineteen drive-thrus in operation, six were operated and owned by certain shareholders of the Company and thirteen were operated and owned by non-related franchisees

9 RELATED PARTIES

The Company conducts business with various entities affiliated by common ownership of certain shareholders of the Company As of December 31, 2013 and 2014, the affiliated entities had three coffee stands in Oregon and three in Washington, operating under the registered trademark "Black Rock Coffee Bar" These entities are not required to pay franchising fees

The related party receivables booked of $10,650 and $36,535 as of December 31, 2014 and 2013, respectively, is from coffee stands owned by some of the shareholders of the Company See the related party receivables note

John Hagler (16 67% owner in the Company) is the owner of Classic Investors, Inc dba Classic Trolley and dba Seed to Cup Classic Trolley manufactures the pre-manufactured buildings that are used by some of the franchisees in their drive-thru retail coffee operations In 2014 and 2013, Seed to Cup sold supplies, and equipment to franchisees

Black Rock Roasting Company was formed in 2009 to handle the sales of roasted coffee beans and supplies

9 RELATED PARTIES (Continued)

Different groups of the Company's shareholders hold 100% ownership in the following businesses connected to Black Rock Coffee Bar, Inc

- Brand Fam Corporation
- J Chris Hagler & Sons, LLC
- Double J & R Development, LLC
- Double J & R Washington, LLC
- Black Rock Roasting Company
- Black Rock Management Group LLC
- BR Admin Corp

10 SUBSEQUENT EVENTS

The Company evaluated subsequent events as of May 21 2015, which is the date of the audit report The report was available to be issued on May 28, 2015

BLACK ROCK COFFEE BAR, INC

AUDIT REPORT

For the Years Ended

December 31, 2013 and 2012

RICHARD W BREWSTER CPA, PC
CERTIFIED PUBLIC ACCOUNTANT
MEDFORD

BLACK ROCK COFFEE BAR, INC
For the Years Ended December 31, 2013 and 2012

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INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
BLACK ROCK COFFEE BAR, INC

I have audited the accompanying financial statements of Black Rock Coffee Bar, Inc , (an Oregon S-Corporation) which comprise the balance sheets as of December 31, 2013 and 2012, 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 Black Rock Coffee Bar, Inc , as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

Richard W Brewster
Certified Public Accountant

June 25, 2014

FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC
Balance Sheets
December 31, 2013 and 2012

ASSETS

	Current	Prior
ASSETS		
Current assets		
Cash	$ 30,761	$ 15,229
Accounts receivable	17,214	11,507
Prepaid expenses	4,581	1,635
Total current assets	52,556	28,371
Property and equipment		
Furniture and equipment	1,011	1,011
Less accumulated depreciation	(641)	(583)
Net property and equipment	370	428
Other assets		
Related party receivables	36,535	36,535
Intangible assets (net of amortization of $21,048)	42,938	47,204
Total other assets	79,473	83,739
TOTAL ASSETS	$ 132,399	$ 112,538

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Balance Sheets
December 31, 2013 and 2012

LIABILITIES AND SHAREHOLDERS' EQUITY

	Current	Prior
LIABILITIES		
Current liabilities		
State tax payable	$ 150	$ 150
Total current liabilities	150	150
Other liabilities		
Related party loans	42,987	47,116
Total other liabilities	42,987	47,116
TOTAL LIABILITIES	43,137	47,266
SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock 10,000 shares authorized, 3,000 shares issued and outstanding	3,000	3,000
Retained earnings	86,262	62,272
TOTAL SHAREHOLDERS' EQUITY	89,262	65,272
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 132,399	$ 112,538

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements Retained Earnings
For the Years Ended December 31, 2013 and 2012

	Current	Prior
RETAINED EARNINGS, BEGINNING OF YEAR	$ 62,272	$ 41,792
Net income	47,990	20,480
Shareholder distributions	(24,000)	
RETAINED EARNINGS, END OF YEAR	$ 86,262	$ 62,272

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements of Income
For the Years Ended December 31, 2013 and 2012

	Current	Prior
SALES		
Franchise fees	$ 60,000	$ 40,000
Royalties	56,610	86,491
Total sales	116,610	126,491
GENERAL AND ADMINISTRATIVE EXPENSES		
Advertising	-	7,411
Administration costs	43,295	1,073
Amortization	4,266	4,266
Bank charges	20	80
Communication	-	1,417
Computer and internet	1,157	2,309
Contributions and donations	-	250
Depreciation	58	202
Insurance	389	531
Licenses and permits	-	825
Meals, entertainment, and travel	508	3,877
Miscellaneous	156	137
Office supplies	-	1,818
Payroll	-	42,558
Payroll taxes	-	5,740
Payroll service	494	1,235
Printing	-	161
Professional fees	20,928	29,661
Subscriptions	528	
Taxes and licenses	936	
Vehicle	308	1,874
Total general and administrative expenses	73,043	105,425
NET INCOME (LOSS) FROM OPERATIONS	43,567	21,066
OTHER INCOME AND (EXPENSE)		
Interest expense	(427)	(436)
Miscellaneous income	5,000	
State tax	(150)	(150)
Total other income and (expense)	4,423	(586)
NET INCOME (LOSS)	47,990	20,480

See notes to the financial statements

BLACK ROCK COFFEE BAR, INC
Statements of Cash Flows
For the Years Ended December 31, 2013 and 2012

	Current	Prior
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 47 990	$ 20,480
Adjustments needed to reconcile to net cash provided by operating activities		
Depreciation and amortization	4,324	4,468
Changes in		
Receivables	(5,707)	(5,913)
Prepaid expenses	(2,946)	(135)
Accounts payable	-	(505)
Net cash from (used in) operating activities	43,661	18,395
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment		
Net cash from (used in) investing activities	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder distributions	(24,000)	
Related party loans	(4,129)	(3,927)
Net cash from (used in) financing activities	(28,129)	(3 927)
NET INCREASE IN CASH	15,532	14,468
CASH BEGINNING OF YEAR	15,229	761
CASH END OF YEAR	$ 30 761	$ 15,229

SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION

	Current	Prior
CASH PAID DURING THE YEAR FOR INTEREST	$ 427	$ 436
CASH PAID DURING THE YEAR FOR OREGON TAXES	$ 150	$ 150

There were no material noncash transactions

See notes to the financial statements

NOTES TO THE FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Black Rock Coffee Bar, Inc , (the Company) was incorporated in the State of Oregon on May 16, 2007 The Company offers franchises for the operation of drive-thru retail coffee outlets under the trade name "Black Rock Coffee Bar " In addition to franchise fees, the Company receives cup rebate income from the coffee stand outlets suppliers

Cash and Cash Equivalents

Cash consists of deposit checking accounts

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 As of December 31, 2013 and 2012, management believed that all accounts were collectible

Fixed Assets

Significant expenditures for fixed assets are capitalized at cost Depreciation is computed using the straight-line method over the following estimated useful asset lives

Vehicles	5 years
Equipment	5 years
Furniture	7 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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

Advertising

The Company expenses advertising costs as they are incurred Total advertising for the years ended December 31, 2013 and 2012 were $0 00 and $7,411, respectively

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Black Rock Coffee Bar, Inc, has elected under the Internal Revenue Code to be taxed as an S Corporation As an S Corporation, Black Rock Coffee Bar, Inc 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 Due to differences in methods of computing depreciation and the timing of expense recognition, expenses are recognized in different periods for tax reporting than for financial reporting purposes The difference in timing of depreciation has created deferrals of taxable income passed from the Company to its stockholders and members

During the years ended December 31, 2013 and 2012, the Company has not incurred any interest or penalties on its income tax returns The Company's tax returns are subject to possible examination by the taxing authorities For federal income tax purposes the tax returns essentially remain open for possible examination for a period of three years after the date on which those returns are filed The Company uses a more likely than not attribute for all tax positions taken or expected to be taken

Franchise and Offering Agreement Costs

The Company incurs costs in the development of franchise and offering agreements These costs are capitalized and booked as other assets on the balance sheet No costs were capitalized for the years ended December 31, 2013 and 2012, with total costs, net of amortization of $42,938 and $47,204, respectively These costs are being amortized over 15 years The amortization costs for the years ended December 31, 2013, and 2012 were $4,266 and $4,266, respectively

2 ACCOUNTS RECEIVABLE

At December 31, 2013 and 2012, the accounts receivable were amounts due on royalties from cup sales

3 PROPERTY AND EQUIPMENT

	2013	2012
Equipment	$ 1,011	$ 1,011
Less accumulated depreciation	(641)	(583)
Net property and equipment	$ 370	$ 428

Depreciation expense was $58 for 2013 and $202 for 2012

4 RELATED PARTY RECEIVABLES

Related party receivables at December 31, 2013, and 2012, consisted of $12,000 from related party franchisees and $24,535 from Black Rock Roasting Company

BLACK ROCK COFFEE BAR, INC
Notes to the Financial Statements
For the Years Ended December 31, 2013 and 2012

5 INTANGIBLE ASSETS

The Company had start up costs in 2008 of $48,627 and website development of $1,000 These are being amortized over 15 years During 2010, the Company had additional intangible costs of $14,359 The amortization expenses for December 31, 2013 and 2012 were $4,266 and $4,266 respectively The amortization expense is expected to be $4,266 each of the next four years

6 ACCOUNTS PAYABLE

There were no accounts payables at December 31, 2013, or 2012

7 RELATED PARTY LOANS

Related party loans outstanding at December 31, 2013 and 2012 were as follows

	2012	2011
Classic Investors		
Promissory note dated December 31, 2012 The principal is due December 31, 2023 The interest is point nine five percent (0 95%) and if not paid each year is added to the principal at year end Effective January 1, 2014, monthly payments will be $281 20 with an interest rate of point two five (0 25%) and all unpaid principal due December 31, 2018	$ 13,459	$ 15,007
Rob and Toni Hernandez		
Promissory note dated December 31, 2012 The principal is due December 31, 2023 The interest is point nine five percent (0 95%) and if not paid each year is added to the principal at year end Effective January 1, 2014, monthly payments will be $311 10 with an interest rate of point two five (0 25%) and all unpaid principal due September 30, 2021	28,728	31,309
Double J&R Washington		
There are no terms on this related party loan	800	800
Total	$ 42,987	$ 47,116

8 FRANCHISE AND AREA DEVELOPMENT ARRANGEMENTS

Terms of Franchise Agreements

The Company offers "Black Rock Coffee Bar" espresso drive-thru franchises and area development agreements The agreements provide for payment of initial fees of $20,000 The Company refunds $15,000 of this amount if no store is opened within one year Initial fees are considered earned upon completion of the terms of the Company's Franchise Disclosure Document As of December 31, 2013 and 2012, all initial franchise fees were deemed to be earned by the Company

The Company currently does not charge a royalty fee, instead the Company receives royalties for each logo cup purchased from approved vendor(s) Currently, the Company does not charge an advertising fee but reserves the right to do so in the future The franchisees agree to purchase all coffee, espresso beans, coffee bean and espresso bean products and logo cups from the related Black Rock Roasting Co or approved vendors The agreements have a ten year term with an option to renew for an additional ten year period subject to certain terms and conditions

Franchise and Area Development Activities

During the year 2012, the Company sold two franchises At December 31, 2012, the Company had twelve drive-thrus in operation, four were operated and owned by certain shareholders of the Company and eight were operated and owned by non-related franchisees

During the year 2013, the Company sold three franchises One franchise had not been opened by the end of year At December 31, 2013, the Company had sixteen drive-thrus in operation, six were operated and owned by certain shareholders of the Company and ten were operated and owned by non-related franchisees

9 RELATED PARTIES

The Company conducts business with various entities affiliated by common ownership of certain shareholders of the Company The affiliated entities had three coffee stands in Oregon and one in Washington as of December 31, 2012 The affiliated entities had three coffee stands in Oregon and three in Washington as of December 31, 2013 These entities are not required to pay franchising fees

The $12,000 accounts receivable booked as of December 31, 2013 and 2012 is from coffee stands owned by some of the shareholders of the Company See the related party receivables note

John Hagler (16 67% owner in the Company) is the owner of Classic Investors, Inc dba Classic Trolley and dba Seed to Cup Classic Trolley manufactures the pre-manufactured buildings that are used by some of the franchisees in their drive-thru retail coffee operations In 2013 and 2012, Seed to Cup sold supplies, and equipment to franchisees

Black Rock Roasting Company was formed in 2009 to handle the sales of roasted coffee beans and supplies

9 RELATED PARTIES (Continued)

Different groups of the Company's shareholders hold 100% ownership in the following businesses connected to Black Rock Coffee Bar, Inc

Brand Fam Corporation
J Chris Hagler & Sons, LLC
Double J & R Development, LLC
Double J & R Washington, LLC
Black Rock Roasting Company
Black Rock Management Group LLC
BR Admin Corp

10 SUBSEQUENT EVENTS

The Company evaluated subsequent events as of June 25, 2014, which is the date of the audit report The report was available to be issued on July 8, 2014

EXHIBIT G

GEOGRAPHIC TERRITORY AGREEMENT

BLACK ROCK COFFEE BAR
GEOGRAPHIC TERRITORY AGREEMENT

This GEOGRAPHIC TERRITORY AGREEMENT (this "***Agreement***") is made and entered into as of ___________ (the "***Effective Date***") by and between Black Rock Coffee Bar, Inc , an Oregon corporation ("BRCB") and ________________________ ("***Developer***")

Whereas, BRCB has developed and established a uniform method of operation, customer service, advertising, publicity, processes, techniques, and technical knowledge in connection with its retail coffee bar business specializing in espresso, coffee, and related items in drive-thru, sit-down or combination locations (hereinafter referred to as "***Coffee Bars***") These Coffee Bars do business under the trade name "*Black Rock Coffee Bar*" All of the knowledge, experience, processes, methods, specifications, techniques and proprietary marks and information of BRCB are referred to in this Agreement collectively as the "***BRCB System***", and

Whereas, BRCB and Developer are parties to a Franchise Agreement, of even date herewith, pursuant to which Developer will operate one Coffee Bar (the "***Franchise Agreement***"), and BRCB wishes to expand the number of Coffee Bars in the geographic territory set forth on **Schedule 2 1** (the "***Geographic Territory***"), and Developer wishes to develop Coffee Bars in the Geographic Territory, according to the terms and conditions set forth in this Agreement

Now, therefore, the parties agree as follows

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 **Development Right**

2 1 **Grant of Development Right** BRCB grants to Developer the right to develop Coffee Bars, solely within the Geographic Territory and during the term of this Agreement, both as set forth on **Schedule 2 1** To the extent that the Geographic Territory is defined according to any city, county or political subdivision, the Geographic Territory 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 Geographic Territory

2 2 **Limitations** The grant of the development right under Section 2 1 does not include any license to use the Proprietary Marks or the BRCB System, such license

being granted only pursuant to the individual franchise agreements executed for each Coffee Bar

2 3 **Exclusivity of Development Right** During the term of this Agreement, BRCB will not operate, or grant a license or franchise to a third party to operate, a Coffee Bar within the Geographic Territory, provided, however, that any Coffee Bar already in operation within the Geographic Territory on the Effective Date may continue to operate during the term of this Agreement Nothing in this Agreement will in any way restrict BRCB's right to (a) own or operate, or grant a franchise to operate, Coffee Bars outside the Geographic Territory, (b) advertise products and services using the Proprietary Marks in any medium as part of a national, regional, or local advertising campaign in any location, including within the Geographic Territory, or (c) 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 other than a Coffee Bar (whether or not located within the Geographic Territory), 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 Coffee Bars** During the term of this Agreement, Developer will acquire the rights to premises for, equip, and open at least the number of Coffee Bars specified on **Schedule 2 1**, within the Geographic Territory 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 Coffee Bar necessary to meet Developer's obligation, no later than ninety (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 BRCB, the term of this Agreement will be extended for a corresponding period, not to exceed 180 days

3 3 **No Right to Open Additional Coffee Bars** The Developer may not, without express agreement in writing by BRCB, open Coffee Bars in the Geographic Territory in excess of the number specified on **Schedule 2 1**

3 4 **Guaranty** If Developer is a corporation, limited liability company or similar business entity, at least one individual, including the individual owning the largest portion of equity in the Developer, shall enter into the Guaranty of Geographic Territory Agreement attached hereto as **Schedule 3 4**

4 **Term and Termination**

4 1 **Term** This Agreement will be coterminous with the term set forth on **Schedule 2 1**

4 2 **Expiration** The term of this Agreement will expire prior to the term set forth on **Schedule 2 1** upon the execution of the franchise agreement for the last Coffee Bar necessary to meet Developer's obligation under Section 3 1, unless BRCB has agreed in writing to extend the term to permit the development of additional Coffee Bars in the Geographic Territory pursuant to Section 3 3

4 3 **Termination for Cause** This Agreement may also be terminated for cause following a material breach by Developer A material breach includes, but is not limited to, any of the following (a) a material breach of any franchise agreement between BRCB and Developer resulting in for-cause termination of said agreement, (b) a failure to meet the development obligation set out on **Schedule 2 1**, (c) any breach of the covenants of noncompetition and nonsolicitation set out in Section 8, (d) any unapproved transfer in violation of Section 9, (e) commission of an act of fraud by Developer with respect to its rights or obligations under this Agreement, or (f) 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(a) of this Agreement notwithstanding, and although a for-cause termination of this Agreement may entitle BRCB 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 Coffee Bar by proposing at least one (1), but not more than ten (10), potential sites within the Geographic Territory, using the site approval form provided by BRCB BRCB will evaluate the proposed site(s) and determine, in its sole discretion, whether any proposed site is 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 Approval Fee** As to sites proposed by Developer, other than the site for the first Coffee Bar to be opened by Developer, BRCB will waive the Site Evaluation Fee, and BRCB will not charge a fee to evaluate proposed sites for Coffee Bars in the Geographic Territory other than the first such Coffee Bar to be opened by Developer

5 3 **Prompt Decision on Proposed Sites** BRCB will respond to a site proposal by approving, disapproving, or requesting additional information within thirty (30) days of receipt of the proposal If BRCB does not respond to a site proposal within thirty (30) 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 BRCB does not constitute a representation by BRCB that a Coffee Bar at the proposed site will be successful or profitable, and Developer will not rely on BRCB's approval as such a representation

5 4 **Execution of Franchise Agreement** Following approval of a proposed site within the Geographic Territory, Developer will enter into BRCB's then-current form of franchise agreement for the Coffee Bar to be located at that site Developer acknowledges that future versions of the Franchise Agreement may vary substantially from the current Franchise Agreement

5 5 **Opening of Coffee Bar** Developer must equip and open the new Coffee Bar on the approved site, or another approved site, within one year of the execution of the franchise agreement for that site

6 **Development Fee and Initial Franchise Fee**

6 1 **Development Fee** The "***Development Fee***" is Five Thousand Dollars ($5,000) per Coffee Bar, multiplied by the number of Coffee Bars to be opened in fulfillment of Developer's obligations under Section 3 1, not counting the first such Coffee Bar The Development Fee is due and payable on the Effective Date The Development Fee is deemed fully earned when paid and is non-refundable

6 2 **Initial Franchise Fee** The Initial Franchise Fee for each Coffee Bar after the first Coffee Bar to be opened pursuant to this Agreement will be fixed at the amount applicable to the first Coffee Bar opened by Developer, less the amount prepaid by Developer as a Development Fee, pursuant to Section 6 1 of this Agreement Any future increase in BRCB's Initial Franchise Fee will not affect the Initial Franchise Fee for Coffee Bars opened by Developer in the Geographic Territory, provided however that BRCB may increase the Initial Franchise Fee for any Coffee Bars opened by Developer in excess of the number set forth on **Schedule 2 1**, if BRCB agrees to allow Developer to open such additional Coffee Bars

7 **Training and Opening Assistance** Training and opening assistance for the first Coffee Bar to be opened by Developer will be as set forth in the Franchise Agreement For each subsequent BRCB outlet, BRCB will, at Developer's option, provide training for a designated store manager, on the terms set forth in the Franchise Agreement, but BRCB 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 BRCB, by direct or indirect inducement or otherwise, (b) performing any act injurious or prejudicial to the goodwill associated with the BRCB Marks or the BRCB System, and (c) the operation of, or assisting in the operation of, a coffee business the same as or similar to a Coffee Bar,

other than pursuant to a franchise agreement with BRCB, within a geographical territory 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 Coffee Bar now or hereafter operated by BRCB 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 BRCB, or engage in any business in competition with any Coffee Bar, except as authorized in writing by BRCB, or (b) employ or seek to employ any employee of BRCB or of any BRCB 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 one percent (1%) 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 BRCB, entitling BRCB to injunctive relief Developer agrees that the existence of any claims it may have against BRCB will not constitute a defense to the enforcement by BRCB 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 Coffee Bar will be governed by the provisions of the franchise agreement applicable thereto

9 2 **Development Rights Are Non-Transferable** BRCB 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 are personal to Developer and may not be assigned or transferred by Developer Any attempt to assign or transfer any right under this Agreement will cause this Agreement to terminate immediately, in addition to any

remedies that BRCB may have for the breach of this covenant by reason of an attempted assignment or transfer

9 3 **Death or Incapacity of Developer** Notwithstanding the provisions of Section 9 2, in the event of the death or incapacity of an individual Developer, or of any shareholder, partner, or member in Developer if Developer is a business entity, the legal representative of the individual Developer, 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 under the terms of this Agreement, provided that the operation is conducted in accordance with the terms of this Agreement and any other agreements with BRCB

a **Continuation of Agreement** If the legal representative of Developer desires to continue the operations of Developer beyond the ninety (90) day period, then before the expiration of this period, the legal representative of the individual Developer or the shareholder, partner, or member in Developer if Developer is a business entity, must apply jointly with all surviving shareholders, partners, or members in writing for the right to transfer Developer's rights under this Agreement (or the interest of the deceased or incapacitated shareholder, partner, or member in Developer, in the case that Developer is 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 the proposed transfer of ownership of a franchised Coffee Bar under the Franchise Agreement, except that there will be no transfer fee due if BRCB approves the proposed transfer, nor will BRCB have a right of first refusal

b **Termination of Agreement** If the legal representative of Developer and all surviving shareholders, partners, or members if a business entity do not comply with the provisions of this Section 9 3 or do not propose a transferee acceptable to BRCB, in the exercise of its reasonable business judgment, then all rights granted to Developer under this Agreement will immediately terminate and automatically revert to BRCB

9 4 **Internal Transfers** The provisions of Section 9 2 will not apply to a proposed transfer of an interest in Developer, if Developer is a business entity, or to a transfer of all of the rights under this Agreement, provided (i) such proposed transfer is to an immediate family member of Developer or (ii) such proposed transfer is from any shareholder, member, or partner of Developer to another shareholder, member, or partner of Developer, if Developer is a business entity The application for such a proposed transfer will be treated in the same manner as the proposed transfer of ownership of a Coffee Bar under the Franchise Agreement, except that there will be no transfer fee due if BRCB approves the proposed transfer, nor will BRCB have a right of first refusal In the case of a transfer by an individual Developer to a corporation or other legal entity owned

or controlled by the individual Developer, no consent by BRCB is required for such a transfer, nor will BRCB enjoy a right of first refusal with respect to such a transfer, provided however (i) that the transfer is made within one hundred twenty (120) days of the Effective Date of this Agreement, and (ii) that the individual Developer guarantees the obligations of the transferee entity to BRCB by executing the Guaranty of Geographic Territory Agreement attached as **Schedule 3 4** to this Agreement

9 5 **Agreement for Developer Ownership Change** If Developer is a corporation, partnership, limited liability company or other similar business entity, then each shareholder, partner, member or other owner ("***Owner***") of such entity will agree in writing (pursuant to a buy-sell agreement, shareholder agreement, operating agreement or other agreement) that upon the dissolution of such entity, or upon any decree of divorce affecting any Owner, ownership of the equity interests affected will be transferred, for agreed-upon consideration, to the Owner having primary responsibility for operations, sales and marketing activities The form and content of such agreement shall be submitted to BRCB for its approval before execution A transfer pursuant to such agreement will be treated in the manner set forth in Section 9 4

9 6 **Sale or Assignment by BRCB** This Agreement will inure to the benefit of the successors and assigns of BRCB BRCB 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 BRCB to Developer that arise after the closing date of the assignment of this Agreement by BRCB Upon such assignment and assumption, BRCB will be under no further obligation under this Agreement, except for accrued liabilities, if any, not assumed by BRCB's assignee

10 General Provisions

10 1 **Indemnity** Developer will indemnify and hold BRCB 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 Developer's operations

10 2 **Independent Contractors** The relationship between BRCB and Developer is that of independent contractors Developer is in no way to be deemed a partner, joint venturer, agent, employee, or servant of BRCB Developer has no authority to bind BRCB to any contractual obligation or incur any liability for or on behalf of BRCB Developer will identify itself as an independent owner of all Coffee Bars in all dealings with customers, lessors, contractors, suppliers, public officials, employees, and others Developer will place such notices of this independent ownership on signs, forms, stationery, advertising, and other materials as BRCB may at any time require

10 3 **Governing Law, Governing Language, and Dispute Resolution** This Agreement shall be governed by the substantive law of the state of Oregon, 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 shall govern the provisions respecting arbitration and arbitrability All disputes and controversies arising out of or relating to the performance or interpretation of 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, shall be finally and conclusively settled in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("***Rules***"), provided, however, that (a) the arbitration shall take place in Portland, Oregon, (b) there shall 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 shall be conducted in the English language, (d) the Tribunal shall 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 shall 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 shall not have the power to award punitive damages, (h) the Tribunal shall 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 shall be final, binding and enforceable in any court of competent jurisdiction, (k) the parties shall share equally any fees and expenses of the Tribunal and of the American Arbitration Association, provided that the Tribunal shall 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 shall 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 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 Developer may also be given at the location of the Premises, at the residence of Developer (if an individual), or at the residence of the principal shareholder(s), partner(s), or member(s) of Developer (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 Developer will provide BRCB with Developer'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

10 5 **Compliance with the Laws** The parties understand and intend that the terms of this Agreement and their relationship 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 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, Developer 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 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 shall be controlling Nothing in this Agreement or in any related agreement is intended to disclaim the representations made by BRCB in the Franchise Disclosure Document

10 7 **Modification** No modification 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 BRCB reasonably to approve or not unreasonably to withhold its approval of any action or request by Developer, BRCB 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 Geographic Territory Agreement (**Schedule 3 4**), this Agreement creates no third party rights or obligations between BRCB 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 **Acknowledgements**

11 1 **Execution by Authorized Parties** Developer and all shareholders, partners, and members of Developer represent and warrant that each individual is a U S citizen or a lawful resident alien of the United States, that each corporation or other business entity that is a party to this Agreement is and will remain duly organized and in good standing during the term of this Agreement, and that all financial and other information that Developer has provided to BRCB in connection with Developer's application for this BRCB franchise is true and accurate

___ [Please initial to acknowledge that you have read and understand this Section 11 1]

11 2 **Compliance with Applicable Laws** Developer acknowledges, by its signature hereto, that it received from BRCB a Franchise Disclosure Document for the state in which the business will be located, or the Developer's place of residence, as appropriate, at least fourteen (14) calendar days prior to the execution of this Agreement

___ [Please initial to acknowledge that you have read and understand this Section 11 2]

11 3 **Receipt of Agreement** Developer acknowledges that it received from BRCB this Agreement with all blanks filled in at least five (5) days prior to the execution of this Agreement Developer represents that it has read this Agreement in its entirety and that it has been given the opportunity to clarify any provisions that it did not understand and to consult with an attorney or other professional advisor Developer further represents that it understands the terms, conditions and obligations of this Agreement and agrees to be bound by them

___ [Please initial to acknowledge that you have read and understand this Section 11 3]

11 4 **Acknowledgement Regarding Future Results** The Developer acknowledges and accepts the following

THE SUCCESS OF THE DEVELOPER IN ACQUIRING THE RIGHTS TO DEVELOP THE GEOGRAPHIC TERRITORY IS SPECULATIVE AND WILL DEPEND ON MANY FACTORS INCLUDING, TO A LARGE EXTENT, THE DEVELOPER'S INDEPENDENT BUSINESS ABILITY THIS OFFERING IS NOT A SECURITY AS THAT TERM IS DEFINED UNDER APPLICABLE FEDERAL AND STATE SECURITIES LAWS THE OBLIGATION TO TRAIN, MANAGE, PAY, RECRUIT AND SUPERVISE EMPLOYEES OF DEVELOPER

RESTS SOLELY WITH THE DEVELOPER THE DEVELOPER HAS NOT RELIED ON ANY WARRANTY OR REPRESENTATION, EXPRESSED OR IMPLIED, AS TO THE POTENTIAL SUCCESS OR PROJECTED INCOME OF THE BUSINESS VENTURE CONTEMPLATED HEREBY NO REPRESENTATIONS OR PROMISES HAVE BEEN MADE BY BRCB TO INDUCE THE DEVELOPER TO ENTER INTO THIS AGREEMENT EXCEPT AS SPECIFICALLY INCLUDED HEREIN BRCB HAS NOT MADE ANY REPRESENTATION, WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO THE POTENTIAL REVENUES, PROFITS OR SERVICES OF THE BUSINESS VENTURE TO THE DEVELOPER AND CANNOT, EXCEPT UNDER THE TERMS OF THIS AGREEMENT, EXERCISE CONTROL OVER THE DEVELOPER'S BUSINESS THE DEVELOPER ACKNOWLEDGES AND AGREES THAT IT HAS NO KNOWLEDGE OF ANY REPRESENTATION MADE BY BRCB OR ITS REPRESENTATIVES OF ANY INFORMATION THAT IS CONTRARY TO THE TERMS CONTAINED HEREIN

___ [Please initial to acknowledge that you have read and understand this Section 11 4]

IN WITNESS WHEREOF, the parties hereto have caused this Geographic Territory Agreement to be duly executed as of the Effective Date

BLACK ROCK COFFEE BAR, INC	______________________
"BRCB"	"Developer"
By ______________________	By ______________________
Name ______________________	Name ______________________
Title ______________________	Title ______________________
Date ______________________	Date ______________________
	S S N s or T I N of Franchisee
	______________________

Schedule 2 1

<u>Geographic Territory</u> ________________________________

<u>Term years from the Effective Date of this Agreement</u> _______

<u>Development Obligation</u>

Coffee Bars by halfway through the term ________

Coffee Bars by the end of the term _______

Schedule 3 4
Guaranty of Geographic Territory Agreement

The "***Guaranteed Agreement***" is the Geographic Territory Agreement dated _______________, 20__, between Black Rock Coffee Bar, Inc ("***BRCB***") and ______________________________ (the "***Obligated Party***")

THIS GUARANTY (this "***Guaranty***") is given this ___ day of _______, 20__ by ___________________ (referred to in this Guaranty as "you" and like terms), with respect to the Guaranteed Agreement described above

In consideration of BRCB's willingness to enter into the Guaranteed Agreement, and other good and valuable consideration, receipt of which is hereby acknowledged, you unconditionally guarantee to BRCB, 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 (and any modification or amendment to the Guaranteed Agreement) to be kept and performed by the Obligated Party during and after the term of the Guaranteed Agreement, including the payment of all royalties, rents, fees, and other charges accruing pursuant to the Guaranteed Agreement

You further agree as follows

1 This Guaranty will continue unchanged by the occurrence of any Insolvency Event, as defined in 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

2 Your liability under this Guaranty is primary and independent of the liability of the Obligated Party You waive any right to require BRCB to proceed against any other person or to proceed against or exhaust any security held by BRCB at any time or to pursue any right of action accruing to BRCB under the Guaranteed Agreement BRCB 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

3 You agree to pay all attorneys' fees and all costs and other expenses incurred in any collection or attempted collection of this Guaranty or in any negotiations relative to the obligations guaranteed or in enforcing this Guaranty against you

4 You waive notice of any demand by BRCB, 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 shall in no way be terminated, affected, or impaired by reason of any waiver by BRCB, by its successors or assigns, by the failure of BRCB 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

5 This Guaranty shall extend, in full force and effect, to any assignee or successor of BRCB and shall be binding upon you and your successors and assigns

6 Until all obligations of the Obligated Party to BRCB 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 BRCB has or may in the future have against the Obligated Party and any benefit of, and any right to participate in, and security now or in the future held by BRCB

7 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 BRCB, shall 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

8 This Guaranty shall be construed in accordance with the laws of the state of Oregon, without giving effect to its conflict-of-laws principles

"GUARANTOR"

____

By ____________________________

Its ____________________________

STATE OF ____________)
) ss
COUNTY OF __________)

The foregoing instrument was acknowledged before me this ___ day of ___________, 20__ by________________________

____
NOTARY PUBLIC

My Commission Expires

____

EXHIBIT H

FRANCHISEE INFORMATION

Current Franchisees

Name	Address	Phone Number
True Designs, Inc	1918 Oceanside Blvd Oceanside, CA 92054	(760) 936-3751
Wandering Star LLC	33140 Highway 34 Albany, OR 97321	(541) 890-4876
Brand Fam Corporation	765 SW 185th Avenue Beaverton, OR 97006 and 15035 SW Walker Rd Beaverton, OR 97006	(541) 941-5958
Gantner LLC	17455 SW Tualatin Valley Hwy Beaverton, OR 97006	(503) 440-6553
BE Coffee, LLC	16138 SE 82nd Dr Clackamas, OR 97015	(503) 310-6260
BR Gladstone LLC	20180 McLoughlin Blvd Gladstone, OR 97027	(503) 849-0742
KL COFFEE, LLC	2228 SE 182nd Ave Gresham, OR 97233	(503) 849-0742
BR Coffee, LLC	8325 SE Augusta National Ave Happy Valley, OR 97086	(503) 310-6260
BDONE, LLC	10910 SE 82nd Ave Happy Valley, OR 97086	(541) 941-5958
RBCC Black Rock LLC	1051 SE TV Highway Hillsboro, OR 97123	(503) 550-5144
J A Java Inc	1444 NE Highway 99 McMinnville, OR 97128	(503) 347-9898

Double J & R Development, LLC	1975 Biddle Rd Medford, OR 97504	(541) 941-0102
BR Coffee, LLC	1801 Molalla Ave Oregon City, OR 97045	(503) 310-6260
Double J & R Development, LLC	617 NW 13th Ave Portland, OR 97209	(541) 941-0102
BRCB Capitol, LLC	10020 Capitol Hwy Portland, OR 97219	(503) 881-2614
BR McLoughlin LLC	14423 SE McLoughlin Blvd Portland, OR 97267	(503) 849-0742
BDTWO LLC	7434 N Vancouver Ave Portland, OR 97217	(541) 941-5958
Double J & R Development, LLC	8128 SE Powell Blvd Portland, OR 97206	(541) 941-0102
Wandering Star LLC	1288 Lancaster Dr NE Salem, OR 97301	(541) 890-4876
J A Java Inc	15300 SW Pacific Highway Tigard, OR 97224	(503) 347-9898
BabyDeer, LLC	11538 SW Pacific Highway Tigard, OR 97223	(503) 970-3376
Geyer-Yunkherr, LLC	24699 SE Stark St Troutdale, OR 97060	(541) 727-1492
Double J & R Washington, LLC	14313 Aurora Ave N Seattle, WA 98133 and 13721 SE Mill Plain Blvd Vancouver, WA 98683 and 1801 SE 164th Ave , Ste 111 Vancouver, WA 98683 and 7710 NE 5th Ave , Ste 122 Vancouver, WA 98665 and 11609 NE 76th St Vancouver, WA 98662 and 2630 E Fourth Plain Blvd	(541) 941-0102

	Vancouver, WA 98661	
K2H, LLC	1001 Broadway St Vancouver, WA 98660 and 8720 NE Centerpointe Dr Vancouver, WA 98665 and 13309 NE 20th Ave Vancouver, WA 98686	(360) 921-5275
ThreeBeans, LLC	212 NE 164th Ave Vancouver, WA 98684	(541) 646-8351

Former Franchisees

D&C Coffee LLC, Clackamas, OR, (503) 970-8422

Dallas Lester, Portland, OR, (503) 970-8422

Rock Coffee LLC, Salem, OR, (503) 931-2899

EXHIBIT I

RECEIPT

(Your Copy)

This Disclosure Document summarizes certain provisions of the franchise agreement and other information in plain language Read this Disclosure Document and all agreements carefully

If BRCB offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale

If BRCB does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and the administrator in your state identified on **Exhibit E** to the Disclosure Document We authorize the agents identified on **Exhibit D** to receive service of process for us

Our franchise sellers are Jeffrey Hernandez, John Hagler, Daniel Brand, Jack Brand, Robert Hernandez and Ryan Hagler at 16307 NE Cameron Blvd , Portland OR 97230, (541) 941-0102, and the following

Name ______________________________ Business Phone ______________________

Business Address ____

I received a Disclosure Document dated September 26, 2016, and effective in each state as of the dates shown on **Exhibit E**, that included the following Exhibits

A Franchise Agreement
B Site Evaluation Agreement
C Operations Manual Table of Contents
D Agents for Service of Process
E List of State Administrators
F Financial Statements
G Geographic Territory
H Franchisee Information
I Receipt

________________________ ____________________________________

Date Prospective Franchisee

____

Printed Name

RECEIPT

(Our Copy)

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________________________ ____________________________________
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____
Printed Name