FRANCHISE DISCLOSURE DOCUMENT

Black Rock Coffee Bar, Inc.
(an Oregon corporation)
616 NW Arizona Avenue
Bend, OR 97703
(503) 860-6775
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 $202,690-$421,920 (not including possible costs for the purchase of real estate or property improvements). This amount includes up to $27,500 that must be paid to BRCB as the initial franchise fee, as well as a $27,500 - $38,500 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 616 NW Arizona Avenue, Bend, OR 97703 and (503) 860-6775.

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 30, 2018.

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. AS OF DECEMBER 31, 2017, WE HAD $134,977 IN CURRENT ASSETS AND $150 IN CURRENT LIABILITIES. THIS MEANS THAT FOR EVERY DOLLAR OF LIABILITIES DUE WITHIN ONE YEAR, WE HAD $899.85 IN CURRENT ASSETS. FROM INCEPTION THROUGH DECEMBER 31, 2017, WE EARNED $223,456 AND AS OF THAT DATE, WE HAD A NET WORTH OF $226,456.

5. THE FRANCHISEE WILL BE REQUIRED TO MAKE AN ESTIMATED INITIAL INVESTMENT RANGING FROM $202,690 TO $421,920. THIS AMOUNT MAY EXCEED THE FRANCHISOR’S STOCKHOLDERS EQUITY AS OF DECEMBER 31, 2017, WHICH IS $226,456.

6. 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.

See the following state effective date summary page for state effective dates.

Issuance Date: This Franchise Disclosure Document is effective: September 30, 2018

1. Federal Trade Commission (and All States not Requiring Registration): September 30, 2018.

2. States Requiring Registration Approval Date (not approved if blank):

   California:
   Connecticut:
   Florida:
   Hawaii:
   Illinois:
   Indiana:
   Kentucky:
   Maryland:
   Maine:
   Michigan:
   Minnesota:
   Nebraska:
   New York:
   North Carolina:
   North Dakota:
   Rhode Island:
   South Carolina:
   South Dakota:
   Texas:
   Utah:
   Virginia:
   Washington:
   Wisconsin:

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Exhibits

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 616 NW Arizona Avenue, Bend, Oregon 97703, and our telephone number is (503) 860-6775. 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 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

As of and prior to December 31, 2017, we did not have any parent or predecessor companies. On August 1, 2018, we conducted a reorganization and now have a parent company, Black Rock Coffee Holdings, LLC, a Delaware limited liability company ("***Holdings***"), and we are wholly owned by Holdings. Holdings was formed in May 2018 and its principal business address is 616 NW Arizona Avenue, Bend, Oregon 97703. Holdings 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.

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 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.

Black Rock Development Company, an Oregon corporation ("***BRDC***") is an affiliate of ours that was formed in February 2017 to supply franchisees with development services and assistance with the planning and execution of each store's grand opening. The principal business address for BRDC is 16307 NE Cameron Blvd., Portland, Oregon 97230. BRDC 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.

AGENT FOR SERVICE OF PROCESS: Our agent for service of process is HL Oregon LLC. Its principal business address is 1331 NW Lovejoy Street, Suite 950, Portland, OR 97209.

FRANCHISOR'S BUSINESS AND FRANCHISES OFFERED

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, Arizona and Colorado: Black Rock Store Operations LLC, BR Chandler LLC, BR Tempe LLC, Castle Rock Coffee Bar, LLC, Double J & R Development, LLC, Double J & R Washington, LLC, Hopi Coffee Co. LLC, Metolius 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.

Chief Financial Officer and Treasurer: Jake Spellmeyer

Jake Spellmeyer was appointed Chief Financial Officer, Treasurer and a director of BRCB as of August 1, 2018. Since 2013, Jake has owned and operated BRCB franchises. Jake has also in the previous several years closed more than $100 million in real estate development transactions in the capacity as a developer. From 2006 to 2014, Jake worked in public accounting for Grant Thornton and led audit engagements for both publicly and privately held companies in various industries.

Jack M. Brand

Jack Brand is a founder of BRCB and a director until July 31, 2018, 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 a director until July 31, 2018, 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.

ITEM 3 LITIGATION

No litigation is required to be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5 INITIAL FEES

The Initial Franchise Fee is (i) $27,500 for your first Coffee Bar, (ii) $22,000 for your second Coffee Bar, and (iii) $16,500 for each Coffee Bar thereafter. The Initial Franchise Fee includes a non-refundable Site Evaluation Fee of $1,100 if all proposed sites are located within 100 miles of our principal business address at 16307 NE Cameron Blvd., Portland, Oregon 97230, and $2,750 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.

The initial franchise fee is non-refundable, except where a license or permit from a governmental agency is required for you to operate the franchised business and the agency refuses to grant you a license after you have taken all required and reasonable steps to get the license. If this happens, you will be entitled to a refund of 90% of the initial franchise fee, less travel expenses incurred by us. The typical amount of our travel expenses ranges from $1,000 to $1,500.

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 $5,500 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 $16,500 for the second Coffee Bar and $11,000 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 may be 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 $33,000 to $66,000.

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 cannot open your Coffee Bar before the Grand Opening, unless prior written authorization has been given to you by the Company. 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. In addition, your Coffee Bar must be "fully operational", meaning at a minimum that your Coffee Bar has all equipment and furniture installed, and all licenses, permits or other approvals necessary to operate have been obtained. You must pay BRRC a Grand Opening deposit of $27,500 if your store is within a fifty-mile radius of the Company's offices at 616 NW Arizona Avenue, Bend, OR 97703, or $38,500 if farther, 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. Costs above the deposit will be charged to you by invoice from the Company.

ITEM 6 OTHER FEES

Type of Fee	**Amount (See Note 1)**	**Due Date**	**Remarks**
Royalty (1)(4)	The greater of $1500 or 5% of the total Gross Sales Revenue (4)	Monthly on the 10th day of each month that the franchise agreement is in effect.	Gross Sales Revenue includes all revenue from the franchise location. Amounts due will be withdrawn by EFT from your designated bank account.
Branding Fee (1)(4)	The greater of $1000 or 2% of the total Gross Sales Revenue (4)	Same as royalty fee.	Gross Sales Revenue includes all revenue from the franchise location. Amounts due will be withdrawn by EFT from your designated bank account.
Additional Assistance Fee	Currently $50 per person per hour, plus our travel expenses	Upon demand	Payable if you require additional or emergency assistance
Transfer fee (2)	$15,000 or 50% of the then current franchise fee, whichever is greater	Payable immediately upon approval of transfer	
Violation Fee	$1,100 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

Type of Fee	**Amount (See Note 1)**	**Due Date**	**Remarks**
			connection with your operation of the Coffee Bar
Audit fee (3)	Cost of audit (3)	Upon demand	

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. In California, the highest interest rate permitted by law is 10 percent per year. 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	$1,100-$2,750 (See Note 1)	Lump Sum	On signing of the Site Evaluation Agreement (See Note 1)	Us
Initial Franchise Fee	$27,500 (See Note 2) less Site Evaluation Fee $24,750-$26,400	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	$660-$990	Lump sum	As incurred	Us and providers of travel and lodging services. See Note 3
Real estate	Lease payment $1,100-$6,600 (see Note 4)	Lump sum	As negotiated with landlord	Landlord
Building, site improvements, decks, awnings and menu boards	$60,500-$165,000 (See Note 5)	Lump sum	As delivered or built	Us or our approved suppliers
Equipment	$33,000 - $66,000	Lump sum	As negotiated or required by supplier	Us or our approved suppliers
Insurance	$2,750-$5,500	See Note 6	When premiums are due	See Note 6
Grand Opening Deposit	$27,500-$38,500	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
Additional Funds for Grand Opening	$0-$22,000	Lump sum	When invoiced	BRRC
Signs	$11,000-$22,000	See Note 7	See Note 7	Us or our approved suppliers
Employee training costs	$3,480	See Note 8	See Note 8	Employees
Working capital	$22,000-$33,000	As incurred	As incurred	Employees, till and cash reserves
Misc. expenses	$1,100-$2,200	As incurred	As incurred	See Note 9
Advertising and promotion	$2,750-$5,500	As incurred	As incurred	Advertising media vendors
Additional funds – three Months	$11,000 - $22,000 (see Note 10)	As incurred	As incurred	Employees
Total Initial Investment		$202,690-$421,920 (See Note 11)		

Neither BRCB nor its agents offer 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. The initial franchise fee is non-refundable, except where a license or permit from a governmental agency is required for you to operate the franchised business and the agency refuses to grant you a license after you have taken all required and reasonable steps to get the license. If this happens, you will be entitled to a refund of 90% of the initial franchise fee, less travel expenses incurred by us. The typical amount of our travel expenses ranges from $1,000 to $1,500. Except for the $5,500 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 $50 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 three approved building types for a BRCB drive-thru: (1) a 14 x 26 ft. prefabricated building, with or without a built-in refrigerator; (2) an 8.5 x 14 ft. prefabricated building; and (3) the "Black Pearl", a 30 x 45 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, $33,000, 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 $66,000 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 $5,500 to $16,500 annually.

Other Supplies

We may offer certain supplies and products, such as milk, water bottles and other merchandise, through our approved supplier. If our approved supplier offers any such product to you, you must purchase such 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 $775,526 for the year ended December 31, 2017, none was derived from required purchases or leases of products and services directly by franchisees. Our affiliate BRRC will sell certain products used in the Coffee Bar to you, and for the year ended December 31, 2017, the revenues received by BRRC from purchases or leases required by BRCB was $4,339,250. 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 margin, rebate or a credit allowance to BRCB by the approved vendor. For the year ended December 31, 2017, BRCB received total amounts of $551,793.04 from one approved vendor based on sales by such vendor to our franchisees of $6,496,162.11.

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

Obligation	**Section in Agreement**	**Disclosure Document Item**
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
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

Obligation	**Section in Agreement**	**Disclosure Document Item**
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
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
y. Sale of Business to Franchisor	Section 15.7 of the Franchise 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 $1,100 if all proposed sites are located within 100 miles of our principal business address at 616 NW Arizona Avenue, Bend, Oregon 97230, and $2,750 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 will provide you with a list of our approved suppliers. See Sections 7.4 and 7.6 of the Franchise Agreement.

(5) We will loan you one copy of the BRCB Operations Manual, which contains mandatory specifications, standards and procedures. See Section 5.3 of the Franchise Agreement. This manual is confidential and remains the property of BRCB. BRCB may modify the manual from time to time at BRCB's sole discretion. The table of contents of the Operator's Manual appears at **Exhibit C** to this Disclosure Document.

(6) Provide training to you or your designated Coffee Bar manager as set forth in Section 10.1 of the Franchise Agreement.

Length of Time to Opening

The length of time between the signing of a Franchise Agreement and the opening of your Coffee Bar will vary depending upon your individual circumstances and local conditions, such as your ability to obtain a lease, financing or permits; zoning; local ordinances; weather conditions; or shortages or delays in installing equipment or fixtures and signs. A typical length of time is nine (9) months, but the time period could be as long as twelve (12) months or more. If your Coffee Bar does not open within one (1) year of signing the Franchise Agreement, BRCB may terminate the Franchise Agreement.

BRCB Obligations During Operation of Your Franchise

During the operation of your business, BRCB will:

Opening.

Provide assistance for your Grand Opening. BRCB will furnish to you, at BRCB's expense, one or more BRCB representatives to assist for your Grand Opening in the training of employees and in establishing local procedures. See Section 10.4 of the Franchise Agreement. If you become an area developer, BRCB will not be obligated to provide assistance with the opening of Coffee Bars other than the first Coffee Bar. See Section 7 of the Geographic Territory Agreement. Because BRCB recognizes the importance of assisting owners after the Grand Opening, BRCB will offer additional optional assistance in the opening of each unit. If you desire this additional assistance, the fee will be $50 per hour per BRCB representative, plus travel and lodging expenses for the BRCB representative. See Section 10.5 of the Franchise Agreement.

Additional Assistance.

BRCB will furnish you operating assistance that we reasonably believe you require during the operation of your franchise. A BRCB representative will make periodic inspections of your franchise. There is no definite schedule for these inspections. During these inspections, the representative will also render advice and assistance to you regarding the management and conduct of the franchise as specified in Section 11.1 of the Franchise Agreement.

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 approved by us. 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 are between approximately $4,400 and $8,800).
- Square, Inc., 1455 Market Street, Suite 600, San Francisco, CA 94103, (855) 700-6000 (cost for a single station POS system is approximately $2,750).

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. You may only use those consumer engagement services or software authorized by us. 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 $50 per hour for each person being trained. Although we have not required anyone to take additional training, the estimated range of costs is $100 to $2,000, 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 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 fifty 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

The Franchise Agreement grants you the right to use certain trademarks, trade names, service marks, symbols, emblems, logos and indicia of origin designated by us, including the Marks described in Item 1. These Marks may be used only in the manner we authorize and only for the operation of your franchise at the location specified in the Franchise Agreement.

The franchise entitles you to operate your business under the name Black Rock Coffee Bar. You will also be entitled to use other trademarks in the operation of your franchised business. We have registered the following proprietary marks with the United States Patent and Trademark Office. The marks are registered on the Principal Register:

Registration Number	Mark	Registration Date
3489718	BLACK ROCK COFFEE BAR	8/18/2008
5536708	FUEL YOUR STORY	8/7/2018

We have filed applications for the following proprietary marks for registration on the Principal Register with the United States Patent and Trademark Office. The marks are as follows:

Serial Number	Mark	Filing Date
87828526	Black Rock Coffee Bar – Est. MMVIII – BR (logo design mark)	3/9/2018
88133317	BLACKROCK FUEL (logo design mark)	9/26/2018
88133310	BLACKROCK FUEL (word mark)	9/26/2018

We have filed all required affidavits relating to the Marks. We have not yet been required to renew any of the Marks.

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 ten 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.
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.)

Provision	**Section in Franchise Agreement**	**Summary**
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.

Provision	Section in Franchise Agreement	Summary
n. Franchisor's right of first refusal to acquire franchisee's business	Sections 12.3	BRCB has option to purchase franchise business before most transfers on same terms.
o. Franchisor's option to purchase your business	Sections 15.7	Subject to applicable law, BRCB has the option to purchase the franchise business at any time following the initial six months of operations. The purchase price will be five times EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) for the trailing twelve months less all of Franchisee's outstanding indebtedness, or if Franchisee has been in operation less than twelve months after the Grand Opening, the purchase price will be the product of twelve (12) times the most recent month's EBITDA less all of Franchisee's outstanding indebtedness.
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.

Provision	**Section in Franchise Agreement**	**Summary**
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.
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 (subject to state law).
u. Dispute resolution by arbitration or mediation	Section 16.3	Mandatory and binding arbitration except to prevent irreparable harm (subject to state law).
v. Choice of forum	Section 16.3	Litigation must be in Portland, Oregon (subject to state law). See Note 2
w. Choice of law	Section 16.3	Oregon law applies (subject to state law). See 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.

Provision	**Section in Geographic Territory Agreement**	**Summary**
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.
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.

Provision	**Section in Geographic Territory Agreement**	**Summary**
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.
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 (subject to state law).
u. Dispute resolution by arbitration or mediation	Section 10.3	Mandatory and binding arbitration except to prevent irreparable harm (subject to state law).
v. Choice of forum	Section 10.3	All arbitrations take place in Portland, Oregon (subject to state law). See Note 2, above.
w. Choice of law	Section 10.3	Oregon law applies (subject to state law). 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.

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 616 NW Arizona Avenue, Bend, OR 97703, phone 503-860-6775, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20 OUTLETS AND FRANCHISEE INFORMATION

Table No. 1: Systemwide Outlet Summary
For years 2015 to 2017

Outlet type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2015	19	30	11
	2016	30	39	9
	2017	39	47	8
Company-Owned	2015	0	0	0
	2016	0	0	0
	2017	0	0	0
Total Outlets	2015	19	30	11
	2016	30	39	9
	2017	39	47	8

In connection with the reorganization of the Company in 2018, some former franchises have become Company-owned stores.

Table No. 2: Transfers of Outlets from Franchisees to New Owners (other than the Franchisor) for years 2015 to 2017

State	Year	Number of Transfers
California	2015	0
	2016	0
	2017	0
Oregon	2015	0
	2016	0
	2017	0
Washington	2015	0
	2016	0
	2017	0
Total	2015	0
	2016	0
	2017	0

Table No. 3: Status of Franchised Outlets For years 2015 to 2017

State	Year	Outlets at Start of Year	Outlets Opened	Termi-nations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
Arizona	2015	0	0	0	0	0	0	0
	2016	0	1	0	0	0	0	1
	2017	1	1	0	0	0	0	2
California	2015	1	0	0	0	0	0	1
	2016	1	0	0	0	0	0	1
	2017	1	0	0	0	0	0	1
Idaho	2015	0	0	0	0	0	0	0
	2016	0	2	0	0	0	0	2
	2017	2	3	0	0	0	0	5
Oregon	2015	14	5	0	0	0	0	19
	2016	19	5	0	0	0	0	24
	2017	24	2	0	0	0	0	26
Washington	2015	4	6	0	0	0	0	10
	2016	10	1	0	0	0	0	11
	2017	11	2	0	0	0	0	13
Totals	2015	19	11	0	0	0	0	30
	2016	30	11	0	0	0	0	39
	2017	39	8	0	0	0	0	47

Table No. 4: Status of Company-Owned Outlets
For years 2015 to 2017

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	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Oregon	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Washington	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
Totals	2015	0	0	0	0	0	0
	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

Table No. 5: Projected Openings As Of December 31, 2017

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
Arizona	0	1	5
California	0	0	0
Colorado	0	1	0
Idaho	0	1	0
Oregon	0	1	3
Washington	0	1	1
Total	0	5	8

Franchise Owned Locations:

Name	Address	Phone No.
4th and Grand LLC	2630 E Fourth Plain Blvd. Vancouver, WA 98681	(503) 860-6775
Baby Deer LLC	11538 SW Pacific Highway Tigard, OR 97224	(503) 970-3376
BR McLoughlin LLC	14423 SE McLoughlin Blvd. Portland, OR 97267	(503) 849-0742

Name	Address	Phone No.
BDONE, LLC	10910 SE 82nd Ave. Happy Valley, OR 97086	(541) 941-5958
BDTWO LLC	7434 N Vancouver Ave. Portland, OR 97217	(541) 941-5959
BE Coffee, LLC	16138 SE 82nd Dr. Clackamas, OR 97015	(503) 310-6260
BE Coffee, LLC	8325 SE Augusta National Ave. Happy Valley, OR 97086	(503) 310-6260
Black Rock Store Operations LLC	617 NW 13th Ave. Portland, OR 97209	(503) 860-6775
Black Rock Store Operations LLC	8700 NE Vancouver Mall Dr. Vancouver, WA 98662	(503) 860-6775
BR Chandler LLC	5329 S Power Rd. Mesa, AZ 85212	(503) 860-6775
BR Coffee, LLC	1801 Molalla Ave. Oregon City, OR 97045	(503) 310-6260
BR Gladstone LLC	20180 McLoughlin Blvd. Gladstone, OR 97027	(503) 849-0742
Brand Fam Corporation	765 SW 185th Ave. Beaverton, OR 97006	(541) 941-5958
Brand Fam Corporation	15035 SW Walker Rd. Beaverton, OR 97006	(541) 941-5959
BRCB Capitol, LLC	10020 Capitol Hwy. Portland, OR 97219	(503) 881-2614
BRHV LLC - Zach Waters	16000 SE Sunnyside Rd. Happy Valley, OR 97015	(503) 849-0743
DKAK LLC	1757 W Chinden Blvd. Meridian, ID 93646	(541) 531-0260
DKAK LLC	1604 S Broadway Ave. Boise, ID 93706	(541) 531-0260
DKAK LLC	2499 E Fairview Ave. Meridian, ID 83642	(541) 531-0260
DKAK LLC	7901 W. Fairview Boise, ID 83642	(541) 531-0260
DKAK LLC	12067 W Ustick Rd. Boise, ID 83713	(541) 531-0260
Double J & R Development, LLC	8128 SE Powell Blvd. Portland, OR 97206	(503) 860-6775
Double J & R Washington, LLC	1801 SE 164th Ave., Ste. 111 Vancouver, WA 98683	(503) 860-6775
Double J & R Washington, LLC	7710 NE 5th Ave., Ste 122 Vancouver, WA 98685	(503) 860-6775

Name	Address	Phone No.
Double J & R Washington, LLC	11609 NE 76th St. Vancouver, WA 98682	(503) 860-6775
Double J & R Washington, LLC	13721 SE Mill Plain Blvd. Vancouver, WA 98683	(503) 860-6775
Gantner LLC	17455 SW Tualatin Valley Hwy. Aloha, OR 97006	(503) 440-6553
Geyer-Yunkherr, LLC	24699 SE Stark St. Troutdale, OR 97060	(541) 727-1492
Geyer-Yunkherr, LLC	2600 SE Stark (Mt Hood College) Gresham, OR 97030	(541) 727-1492
Hopi LLC	4050 S Alma School Rd. Chandler, AZ 85248	(503) 860-6775
J A Java Inc.	15300 SW Pacific Hwy. Tigard, OR 97224	(503) 347-9898
J A Java Inc.	1444 NE Highway 99 McMinnville, OR 97128	(503) 347-9898
J CHRIS HAGLER & SONS LLC	14313 Aurora Ave. N. Seattle, WA 98133	(503) 860-6775
K2H, LLC	13309 NE 20th Ave. Vancouver, WA 98686	(360) 921-5275
K2H, LLC	8720 NE Centerpointe Dr. Vancouver, WA 98685	(360) 921-5275
K2H, LLC	1001 Broadway St. Vancouver, WA 98680	(360) 921-5275
Kansiime LLC	3100 NE Andresen Rd. Vancouver, WA 98661	Not Provided
KL COFFEE, LLC	2228 SE 182nd Ave. Gresham, OR 97233	(503) 849-0742
RBCC Black Rock LLC	1051 SE TV Highway Hillsboro, OR 97124	(503) 550-5144
RH Coffee LLC	303 NE 192nd Ave. Camas, WA 98607	Not Provided
Table Rock LLC	1975 Biddle Rd. Medford, OR 97504	(503) 860-6775
Table Rock LLC	151 Rossanlyey Dr. Medford, OR 97501	(503) 860-6775
ThreeBeans, LLC	212 NE 164th Ave. Vancouver, WA 98684	(541) 646-8351
True Designs, Inc.	1918 Oceanside Blvd. Oceanside, CA 92054	(760) 936-3751

Name	Address	Phone No.
Wandering Star LLC	1288 Lancaster Dr. NE Salem, OR 97301	(541) 890-4876
Wandering Star LLC	33140 Highway 34 Albany, OR 97321	(541) 890-4876
Wandering Star LLC	112 W Linn Rd. Eagle Point, OR 97030	(541) 890-4876

Terminated/Closed:

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

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

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

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system. There are **no trademark-specific franchisee organizations** associated with the franchise system being offered in this Franchise Disclosure Document.

ITEM 21 FINANCIAL STATEMENTS

Attached as **Exhibit F** is BRCB's audited financial statements for fiscal years 2014, 2015, 2016 and 2017 dated December 31, 2014, December 31, 2015, December 31, 2016, and December 31, 2017, respectively, and our unaudited balance sheet and profit and loss statement through September 30, 2018.

The following notice applies to any unaudited financial statements that may be provided to you: "THESE FINANCIAL STATEMENTS ARE PREPARED WITHOUT AN AUDIT. PROSPECTIVE FRANCHISEES OR SELLERS OF FRANCHISES SHOULD BE ADVISED THAT NO CERTIFIED PUBLIC ACCOUNTANT HAS AUDITED THESE FIGURES OR EXPRESSED HIS/HER OPINION WITH REGARD TO THE CONTENT OR FORM.".

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

Exhibit H – Electronic Fund Authorization

Exhibit I – Power of Attorney (Telephone)

Exhibit J – Power of Attorney (Tax)

Exhibit K– Assumed Business Name Relinquishment

ITEM 23 RECEIPT

The last 2 pages of this Disclosure Document (**Exhibit M**) 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, transfer 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 outstanding balance of the Initial Franchise Fee shall be due and payable, in its entirety 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
616 NW Arizona Avenue
Bend, OR 97703

__________________________ (“***Franchisee***”)
____
____
____

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. The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; special menu items; proprietary and uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; a recommended standardized system for the operation of the business; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time.

C. Franchisor identifies the System by means of certain trade names, service marks, trademarks, logos, emblems and indicia of origin, including, but not limited to, the mark “Black Rock Coffee Bar” and such other trade names, service marks, and trademarks as are now designated (and may hereafter be designated by Franchisor in writing) for use in connection with the System (hereinafter referred to as “Marks” or “Proprietary Marks”). BRCB owns certain federally registered trademarks including “Black Rock Coffee Bar,” Reg. No. 3489718.

D. Franchisor continues to develop, use and control the use of such Marks in order to identify for the public the source of services and products marketed thereunder and under the System, and to represent the System’s high standards of quality, appearance and service.

E. Franchisor intends to control the use of the System and the Proprietary Marks for the benefit and exclusive use of itself and its franchisees in order to identify the franchise to the public as a franchise which represents the highest standards of quality and service.

F. 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.

G. 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 under the terms and conditions of this Franchise Agreement and 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*"**).

H. 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

Section 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, (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.

1.3 <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 Guaranty of Franchise Agreement. 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.

Section 2. Fees.

2.1 Site Evaluation Fee. 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 Initial Franchise Fee. The fee for the rights granted under this Agreement (the "***Initial Franchise Fee***") is (i) Twenty-Seven Thousand Five Hundred Dollars ($27,500) for Franchisee's first Coffee Bar, (ii) Twenty-Two Thousand Dollars ($22,000) for Franchisee's second Coffee Bar, and (iii) Sixteen Thousand Five Hundred Dollars ($16,500) 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 a license or permit from a governmental agency is required in order for Franchisee to operate the franchised business, and the agency refuses to grant Franchisee a license after Franchisee has taken all required and reasonable steps to obtain the license, then Franchisee shall be entitled to a refund of ninety percent (90%) of the Franchise Fee, less travel expenses incurred by Franchisor.

2.3 Royalty

2.3.1 Royalty Fee. During the term of this Agreement, except as set forth below, Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee ("Royalty Fee") of five percent (5%) of Gross Sales. Such royalty fee shall be due and payable each calendar month ("Accounting Period") based on the Gross Sales for the preceding calendar so that it is received by Franchisor by electronic fund transfer ("EFT") on or before the tenth day following the end of each Accounting Period. Notwithstanding the foregoing, Franchisee shall pay a monthly Royalty Fee of no less than Fifteen Hundred Dollars ($1,500). Franchisee shall pay the greater of the $1,500 minimum amount set forth herein or the five per cent (5%) royalty.

2.3.2 Royalty Report. Each such royalty fee shall be preceded by a royalty report itemizing the Gross Sales for the preceding Accounting Period ("Royalty Report") and any other reports required hereunder. Notwithstanding the foregoing, Franchisee shall provide Franchisor with such Gross Sales information on the tenth day following the Accounting Period (or next business day if the tenth day is not a business day) by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as Franchisor may reasonably direct.

2.3.3 Electronic Funds Transfer. Franchisee agrees that Franchisor shall have the right to withdraw funds from Franchisee's designated bank account each Accounting Period by EFT in the amount of the royalty fee described above. Such withdrawals shall be drawn on the tenth day of each month for the amount of the royalty due with respect to Franchisee's Gross Sales for the preceding Accounting Period, as evidenced by the Royalty Report. If the Royalty Report has not been received within the time period required by this Agreement, then Franchisor may process an EFT for the royalty for the subject Accounting Period based on (i) information regarding Franchisee's Gross Sales for the preceding Accounting Period obtained by Franchisor in the manner contemplated by Section 2.3, or (ii) the most recent Royalty Report provided to Franchisor by Franchisee; provided that if a Royalty Report for the subject Accounting Period is subsequently received and reflects (A) that the actual amount of the royalty due was more than the amount of the EFT by Franchisor, then Franchisor shall be entitled to withdraw additional funds through EFT from Franchisee's designated bank account for the difference; or (B) that the actual amount of the royalty due was less than the amount of the EFT by Franchisor, then Franchisor shall, at its option, return the excess amount to Franchisee or credit the excess amount to the payment of Franchisee's future royalty obligations.

Upon execution of this Agreement and at any time thereafter at Franchisor's request, Franchisee shall execute such documents or forms as Franchisor deems necessary for Franchisor to process EFTs from Franchisee's designated bank account for the payments due hereunder. Should any EFT not be honored by Franchisee's bank for any reason, Franchisee agrees that it shall be responsible for that payment plus a service charge applied by Franchisor and the bank, if any. Franchisee further agrees that it shall at all times maintain in the designated bank account funds sufficient to pay all royalty and required Fund contributions when due. If royalty payments are not received when due, interest may be charged by Franchisor in accordance with Section 2.3.4. Upon written notice to Franchisee, Franchisee may be required to pay such royalty fees directly to Franchisor, by another method of payment, in lieu of EFT at Franchisor's sole discretion. Franchisee shall coordinate with Franchisor any changes in its depository account so that no interruptions in the automatic disbursement of the Royalty Fee or other amounts occur.

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

2.4 **Gross Sales.** For the purposes of this Agreement, "Gross Sales" shall mean the total selling price of all services and products and all income of every other kind and nature related to the Franchise (including, without limitation, income related to beverage and food and delivery activities, and any sales or orders of beverage and food products or food preparation services provided from or related to the Franchise), whether for cash or credit and regardless of collection in the case of credit. Gross Sales shall be reduced by discounts and coupons. Gross Sales shall expressly exclude the following:

Sums representing sales taxes collected directly from customers, based upon present or future laws of federal, state or local governments, collected by Franchisee in the operation of the Franchise, and any other tax, excise or duty that is levied or assessed against Franchisee by any federal, state, municipal or local authority, based on sales of specific merchandise sold at or from the Franchise, provided that such taxes are actually transmitted to the appropriate taxing authority;

Proceeds from isolated sales of trade fixtures not constituting any part of Franchisee's products and services offered for resale at the Franchise nor having any material effect upon the ongoing operation of the Franchise required under this Agreement; and

Other items authorized by Franchisor in writing to be excluded from Gross Sales. Any such authorization may be revoked or withdrawn at any time in writing by Franchisor in its discretion.

2.5 **Branding.** As the result of the expenditure of time, skill, effort and money, Franchisor has developed and owns a unique and distinctive system ("System") relating to the establishment and operation of its drive-thru, sit-down or combination retail business specializing in espresso, coffee, and related items under the tradename "Black Rock Coffee Bar." The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings; proprietary products and ingredients; special menu items; proprietary and uniform standards, specifications, and procedures for operations; quality and uniformity of products and services offered; procedures for inventory, management and financial control; training and assistance; a recommended standardized system for the operation of the business; and advertising and promotional programs; all of which may be changed, improved, and further developed by Franchisor from time to time. Therefore, to maintain the integrity of the System, and to further develop the System, Franchisor charges a Branding Fee.

2.5.1 Branding Fee. During the term of this Agreement, except as set forth below, Franchisee shall pay to Franchisor, in partial consideration for the rights herein granted, a continuing royalty fee ("Branding Fee") of two percent (2%) of Gross Sales. Such Branding Fee shall be due and payable each calendar month

(“Accounting Period”) based on the Gross Sales for the preceding calendar so that it is received by Franchisor by electronic fund transfer (“EFT”) on or before the tenth day following the end of each Accounting Period. Notwithstanding the foregoing, Franchisee shall pay a monthly Branding Fee of no less than One Thousand Dollars ($1,000). Franchisee shall pay the greater of the $1,000 minimum amount set forth herein or the two per cent (2%) Branding Fee.

2.5.2 Branding Report. Each such Branding Fee shall be preceded by a Branding Report itemizing the Gross Sales for the preceding Accounting Period (“Branding Report”) and any other reports required hereunder. Notwithstanding the foregoing, Franchisee shall provide Franchisor with such Gross Sales information on the tenth day following the Accounting Period (or next business day if the tenth day is not a business day) by modem or, if not reasonably available, by facsimile transmission or such other method of delivery as Franchisor may reasonably direct.

2.5.3 Payment. The Branding Fee shall be paid at the same time and in the same manner as the Royalty Fee, described above.

2.6 Late Fee. If the payments or reports are not received by Franchisor as required by this Section, Franchisee shall pay to Franchisor, in addition to the overdue amount, a fee of Fifty Dollars ($50) per day for each day that the fees are unpaid or the report is not received. This fee is reasonably related to Franchisor’s costs resulting from the delay in payment and/or receipt of any report, is not a penalty, and is in addition to any other remedy available to Franchisor under this Agreement for Franchisee’s failure to pay royalties and/or submit reports in accordance with the terms of this Agreement. If for any reason the fee of Fifty Dollars ($50) is deemed to be interest charged, required or permitted, in excess of the maximum rate allowed by applicable law, any such excess shall be applied as a payment and reduction of any other amounts that may be due and owing hereunder, and if no such amounts are due and owing hereunder, then such excess shall be repaid to the party that paid such amount.

2.7 Security Interest. Franchisee hereby grants Franchisor a security interest in the following, whether now owned or hereafter acquired: all of Franchisee’s inventory; Franchisee’s motor vehicles; Franchisee’s equipment; Franchisee’s accounts; Franchisee’s accounts receivable; Franchisee’s general intangibles; Franchisee’s furniture, furnishings and equipment; replacement parts and accessories; supplies; proceeds from collateral, all returns, replacements, substitutions, and the like.

2.8 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 (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 shall be in the amount of $27,500 if the Premises are within a fifty (50) mile radius of the BRRC office at 616 NW Arizona Avenue, Bend OR 97703, or $38,500 if farther than 50 miles. 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.

Section 3. **Term.** The term of this Agreement shall be ten (10) 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.

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

4.1 **Grant**. Franchisor grants Franchisee the right to use the Marks during the term of this Agreement in accordance with the System and related standards and specifications. Franchisee shall operate under the trade names of "Black Rock Coffee Bar" as authorized herein, and shall use no other name in conducting the business franchised under this Agreement without the prior written consent of Franchisor. Franchisee shall comply with all applicable fictitious name statutes, with evidence of such compliance to be furnished to Franchisor. If Franchisee is a corporation, partnership, or limited liability company, it shall not legally or otherwise incorporate the name "Black Rock Coffee Bar" in its corporate, company or partnership name.

4.2 Acknowledgements. Franchisee expressly understands and acknowledges that:

4.2.1 Ownership. Franchisor authorizes Franchisee to use the System, the Marks, the trade secrets and goodwill, and any improvements and modifications of these items, in the operation of Franchisee's business at the franchise location. Franchisee expressly agrees that the ownership of all right, title and interest in and to the System, the Marks, trade names, copyrighted materials, trade secrets and goodwill, and any improvements and modifications of these items shall remain solely owned by Franchisor and that the materials and information now and hereafter provided or revealed to Franchisee under and pursuant to this Agreement are revealed in confidence. Franchisor may change or modify the System, modify or discontinue certain Marks or copyrighted material or adopt new Marks or copyrighted material. Franchisee agrees at its own expense to discontinue, adopt and/or use any such changed items.

4.2.2 No Interference. Neither Franchisee nor any Controlling Principal shall take any action that would prejudice or interfere with the validity of Franchisor's rights with respect to the Marks. Nothing in this Agreement shall give the Franchisee any right, title, or interest in or to any of the Marks or any of Franchisor's service marks, trademarks, trade names, trade dress, logos, copyrights or proprietary materials, except the right to use the Marks and the System in accordance with the terms and conditions of this Agreement for the operation of the Franchise and only at or from its Location or in approved advertising related to the Franchise.

4.2.3 Goodwill. Franchisee understands and agrees that any and all goodwill arising from Franchisee's use of the Marks and the System shall inure solely and exclusively to Franchisor's benefit, and upon expiration or termination of this Agreement and the license herein granted, no monetary amount shall be assigned as attributable to any goodwill associated with Franchisee's use of the Marks. So long as this Franchise Agreement shall remain in effect, Franchisee agrees to maintain a clean and attractive store which meets the specifications provided by Franchisor to preserve, maintain and enhance the reputation and goodwill built up by Franchisor and its franchisees and the value of the Marks. In developing and maintaining those high and uniform standards of quality and service to protect the reputation and goodwill of Franchisor, Franchisee further agrees to use only the Marks Franchisor designates and to use them solely in the manner authorized by Franchisor. Franchisee further agrees to use the Marks only for the operation of the franchised business and only at the Assigned Area or in advertising related to the franchised business and only during the term of this Agreement.

4.2.4 Validity. Franchisee shall not contest the validity of or Franchisor's interest in the Marks or assist others to contest the validity of or Franchisor's interest in the Marks.

4.2.5 Infringement. Franchisee acknowledges that any unauthorized use of the Marks shall constitute an infringement of Franchisor's rights in the Marks and a material event of default hereunder. Franchisee agrees that it shall provide Franchisor with all assignments, affidavits, documents, information and assistance Franchisor reasonably requests to fully vest in Franchisor all such rights, title and interest in and to the Marks, including all such items as are reasonably requested by Franchisor to register, maintain and enforce such rights in the Marks. Franchisee agrees to neither infringe upon nor use or imitate the System or any part of the System, except under a written franchise agreement and license from Franchisor.

4.2.6 Substitution. Franchisor reserves the right to substitute different Marks for use in identifying the System and the Franchise if the current Marks no longer can be used, or if Franchisor, in its sole discretion, determines that substitution of different Marks will be beneficial to the System. In such event, Franchisor may require Franchisee, at Franchisee's expense, to discontinue or modify Franchisee's use of any of the Marks or to use one or more additional or substitute Marks.

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

4.3.1 Exact Use. Unless otherwise authorized or required by Franchisor, Franchisee shall advertise the Franchise only under "Black Rock Coffee Bar" without prefix or suffix. Franchisee shall not use the Marks as part of its corporate or other legal name, and shall obtain the Franchisor's approval of such corporate or other legal name prior to filing it with the applicable state authority. Franchisee shall not advertise, publish, or circulate any documents or other items using the Marks except in strict compliance with the latest edition of Franchisor's Manuals.

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

4.3.3 Debt. Franchisee shall not use the Marks to incur any obligation or indebtedness on behalf of Franchisor.

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

4.3.5 Identification as Independent Operator. Franchisee shall prominently display a sign in the retail portion of the franchise premises to the effect that Franchisee is "An Independent Franchise of 'Black Rock Coffee Bar' Franchise System," or other similar statement approved in writing by Franchisor.

4.3.6 Unauthorized Use. Any compensation received by Franchisee in connection with the unauthorized use of the Marks shall be held in trust for and paid to Franchisor.

4.3.7 Inspections. In order to preserve the validity and integrity of the System and the Marks, and to assure that Franchisee is properly using authorized Marks in the operation of Franchisee's business, Franchisor may inspect Franchisee's operations from time to time. Franchisor will advise Franchisee of any deficient or improper use of the Marks following such inspection. Franchisee shall cooperate with Franchisor's representative in such inspection and render any assistance that is requested.

4.3.8 Termination and Use. Upon termination or expiration of this Agreement, Franchisee immediately shall cease use of the Marks and shall immediately remove the Marks from the Assigned Area and to cancel any advertising relating to Franchisee's use of the Marks.

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

4.5 **Nonexclusive License**. The right and license of the Marks granted hereunder to Franchisee is nonexclusive and Franchisor thus has and retains the following rights, among others, subject only to the limitations of this Agreement.

4.5.1 Other Licenses. To grant other licenses for use of the Marks, in addition to those licenses already granted to existing franchisees;

4.5.2 Other Systems. To develop and establish other systems using the Marks or other names or marks and to grant licenses thereto without providing any rights to Franchisee; and

4.5.3 Production and Distribution. To engage, directly or indirectly, through its employees, representatives, licensees, assigns, agents and others, at wholesale, retail or otherwise, in (1) the production, distribution, license and sale of products and services, and (2) the use in connection with such production, distribution and sale, of the Marks and any and all trademarks, trade names, service marks, logos, insignia, slogans, emblems, symbols, designs and other identifying characteristics as may be developed or used from time to time by Franchisor.

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 **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.

Section 5. <u>Confidentiality</u>.

5.1 <u>Definition of Proprietary Information</u>. BRCB's "***<u>Proprietary Information</u>***" 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 <u>Use and Protection of Proprietary Information</u>. 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 <u>Operations Manual</u>. 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 <u>Irreparable Harm</u>. Franchisee acknowledges that any violation of the terms of this Section 5 will cause irreparable harm to BRCB, entitling BRCB to injunctive relief.

Section 6. **<u>Covenants Against Competition and Competitive Solicitation</u>**.

6.1 **<u>Definition of Competition</u>**. 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 **<u>Blue Pencil</u>**. 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 **<u>Noncompete and Nonsolicitation Covenants</u>**. 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 **<u>Irreparable Harm</u>**. Franchisee acknowledges that any violation of the terms of this Section 6 will cause irreparable harm to BRCB, entitling BRCB to injunctive relief.

Section 7. **<u>Establishment of the Franchise</u>.**

7.1 **<u>Layout and Design</u>**.

7.1.1 <u>Site Remodels, Interior End Cap Build-Outs, and Other Site Construction</u>**.** 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 $7,700 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.

7.7 **Grand Opening Requirements**. Franchisee cannot open Franchisee's Coffee Bar before the Grand Opening, unless prior written authorization has been given by BRCB. Franchisee 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. In addition, Franchisee's Coffee Bar must be "fully operational", determined in BRCB's sole discretion, but generally meaning without limitation that Franchisee's Coffee Bar has, at a minimum, all equipment and furniture installed, and all licenses, permits or other approvals necessary to operate have been obtained.

Section 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 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 One Hundred Dollars ($1,100) 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 **Consumer Engagement**. Franchisee shall utilize any and all consumer engagement services and/or software as required by Franchisor, including but not limited to payroll and scheduling software, customer interaction media from loyalty apps and remote order apps, document storage media (e.g. Smugmug, Box, Google), social media (e.g. Facebook, Instagram, Snapchat), and digital ads (e.g. Google). Franchisee must utilize only those consumer engagement services and software approved by Franchisor and may not utilize any non-approved services or software. Franchisor shall be provided real-time access to all consumer engagement services and software used by Franchisee. For any consumer engagement services and software without the capability of real-time access, Franchisee shall provide Franchisor unrestricted access to that data.

8.9 **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. Franchisee will be considered to have discontinued operation of the Coffee Bar if the Coffee Bar is non-operational for more than 24-hours, excluding scheduled full day closures allowed in accordance with Section 8.10, below. 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. Failure to comply with these operational requirements shall be considered a default of this Agreement.

8.10 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.

8.11 Social Media Policy. Franchisee shall institute a social media policy of its choosing, provided that, at a minimum it (i) prohibits defamatory or offensive posts, (ii) prohibits posts that infringe the intellectual property of a third-party or disclose confidential information, (iii) requires all posts to comply with the law and (iv) seeks to avoid potentially divisive religious or political posts. Franchisee acknowledges and agrees that it shall remove any social media posts or message that BRCB deems objectionable as soon as possible but in any event within 2 hours of notification from BRCB.

8.12 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.

8.13 Violations Fee. For any violation of Sections 8.1 through 8.12, Franchisee agrees to pay BRCB $1,100 per violation, as liquidated damages, upon written demand by BRCB. The remedies available to BRCB under this Section 8.13 will not affect the availability of other remedies under this Agreement, including termination.

Section 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.

Section 10. **Services Provided by BRCB**.

10.1 **Initial Training**. 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 **Supplemental Training**. 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 **Operations Manual**. 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 **Assistance at Opening**. 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 **Optional On-Site Assistance**. 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 fifty dollars ($50) 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 **<u>Advertising and Point-of-Sale Materials</u>**. BRCB may make available to Franchisee, without charge, certain advertising, promotional, bookkeeping and point-of-sale systems selected or 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 bookkeeping and point-of-sale systems in the Coffee Bar as BRCB may direct, and provide BRCB real-time access to the same. Nothing in this Section 10.6 will be interpreted to require BRCB to provide Franchisee with any advertising, promotional, bookkeeping or point-of-sale display materials.

10.7 **<u>Approval of Advertising</u>**. All advertising and promotion by Franchisee in any medium shall be conducted in a professional manner and shall conform to the standards and requirements of Franchisor as set forth in the Manuals or otherwise. Franchisee shall submit to Franchisor for its approval samples of all advertising and promotional plans and materials and public relations programs that Franchisee desires to use, including, without limitation, any materials in digital, electronic or computerized form, or in any form of media now or hereafter developed (e.g., materials to be made available through a computer or telecommunications network such as the Internet), that have not been either provided or previously approved by Franchisor. Franchisor shall approve or disapprove such plans and materials within fifteen (15) business days of Franchisor's receipt thereof. Franchisee shall not use such unapproved plans or materials until they have been approved by Franchisor, and shall promptly discontinue use of any advertising or promotional plans or materials, whether or not previously approved, upon notice from Franchisor. Franchisee shall not advertise or use the Franchisor's Marks in any fashion on the Internet, World Wide Web or via other means of advertising through telecommunication, or establish any website listing on the Internet or World Wide Web, without the express written consent of Franchisor. Any advertising, marketing, or sales concepts, programs or materials proposed or developed by Franchisee for the Franchise and approved by Franchisor may be used by other System Franchises without any compensation to Franchisee.

Section 11. <u>Inspections, Audits and Accounting</u>.

11.1 **<u>BRCB's Right To Inspect</u>**. 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. In addition to the Consumer Engagement data and services described in Section 8.8, Franchisee must use a bookkeeping and/or Point of Sale system that provides BRCB real-time access, including real-time access to all transactions, including but not limited to the time, amount, and description of items sold in a form specified by or otherwise acceptable to BRCB. BRCB is authorized to access such systems and consumer engagement at any time and without notice. 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.

Section 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 **No Transfer Without BRCB's Consent**. 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 **Advance Notice of Proposed Terms and Right of First Refusal**. If Franchisee, or any shareholder, member, or partner of Franchisee, has received and desires to accept a signed bona fide written offer from a third party to 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 BRCB's Right of First Refusal. 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 Transfer After BRCB Rejects Offer. 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 Requirements for Consent to Transfer. If a Transfer of all or a partial interest in this Agreement or in the franchise business is proposed and 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 Thirty Dollars ($330) 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. The transferee shall pay to Franchisor a transfer fee of the greater of Fifteen Thousand Dollars ($15,000) or fifty percent (50%) of the then current initial franchise fee charged to new franchisees, or such greater amount as is necessary to reimburse Franchisor for its reasonable costs and expenses associated with reviewing the application to transfer, including, without limitation, legal and accounting fees;

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.

Section 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.

Section 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 <u>Default for Violation of Health and Safety Standards</u>. 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 <u>Cure Periods</u>. 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 <u>Seven-Day Cure Period</u>. 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 <u>Business Day Cure Periods</u>. 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. A one (1) business day cure period will apply if the Franchisee ceases to operate the Coffee Bar for a period of more than twenty-four (24) 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 <u>No Cure Period</u>. 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 <u>Statutory Cure Period</u>. 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 <u>Remedies for Defaults Not Cured</u>.

14.6.1 <u>Interests and Costs</u>. 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.

Section 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 <u>Right to Purchase Assets</u>. Subject to applicable law, upon termination or expiration of this Agreement, or at any time after the initial six (6) months following the Grand Opening, 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, including the Franchisee's rights as a tenant to any real estate, at the purchase price set forth in this section, exclusive of personalized materials with no value to BRCB and inventory and supplies not reasonably required in the operation of the business (the "***<u>Purchase Right</u>***").

15.7.1 <u>Purchase Price</u>. The purchase price for the BRCB's exercise of the Purchase Right shall be as follows: (i) if Franchisee has been in operation for at least twelve (12) months after the Grand Opening, the purchase price shall be an amount equal to the product of five (5) multiplied by Franchisee's earnings before interest, taxes, depreciation and amortization ("***<u>EBITDA</u>***") for the twelve month period ended as of the last day of the month immediately preceding BRCB's exercise of the Purchase Right, less all of Franchisee's outstanding indebtedness, or (ii) if Franchisee has been in operation less than twelve months after the Grand Opening, the purchase price shall be the product of twelve (12) times the most recent month's EBITDA less all of Franchisee's outstanding indebtedness.

15.7.2 <u>Payment of the Purchase Price</u>. The purchase price for the Purchase Right shall be payable in cash or readily available funds, with at least twenty (20%) due at closing and the remainder due in equal monthly amounts on a monthly basis pursuant to a promissory note with a maturity date no greater than five (5) years from the closing.

15.7.3 <u>Tenancy Rights</u>. Franchisee shall assign all tenancy rights to the real estate to BRCB at closing. If Franchisee owns said real estate, the parties agree to a lease at a fair rental value. If Franchisee and BRCB cannot agree upon a fair rental value, then the fair rental value will be determined by a qualified and independent MAI appraiser (the "***<u>Appraiser</u>***"). The parties shall mutually agree upon one (1) Appraiser to make this determination, and if they are unable to agree upon one (1) Appraiser, they shall each appoint one Appraiser forthwith, and, if the two Appraisers cannot reach agreement upon the fair market rental rate, then the two (2) Appraisers so appointed shall appoint a third (3rd) Appraiser. The three (3) Appraisers shall make a determination of fair market rental rate with all reasonable dispatch, and a decision of any two (2) of the three (3) Appraisers shall be final and binding upon the parties hereto.

15.7.4 <u>Cooperation</u>. Franchisee agrees to cooperate with BRCB's exercise of the Purchase Right, and to take all actions to facilitate a smooth and orderly transition of ownership.

15.8 <u>Assignment of Leasehold Interest to BRCB</u>. 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.

Section 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 Franchisee's Principals and Controlling Principals. The term "Franchisee's Principals" shall include, collectively and individually, Franchisee's spouse, if Franchisee is an individual, all officers and directors of Franchisee (including the officers and directors of any entity that controls Franchisee) whom Franchisor designates as Franchisee's Principals and all holders of an ownership interest in Franchisee and of any entity directly or indirectly controlling Franchisee, and any other person or entity controlling, controlled by or under common control with Franchisee. The initial Franchisee's Principals shall be listed on Attachment A. The term "Controlling Principals" shall include, collectively and individually, any Franchisee's Principal who has been designated by Franchisor as a Controlling Principal hereunder. For purposes of this Agreement, a publicly held corporation is a corporation registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, or a corporation subject to the requirements of Section 15(d) of such Act.

16.3 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.

16.4 Mediation. THE PARTIES AGREE TO SUBMIT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT TO NON-BINDING MEDIATION PRIOR TO BRINGING SUCH CLAIM, CONTROVERSY OR DISPUTE IN A COURT OR BEFORE ANY OTHER TRIBUNAL. THE MEDIATION SHALL BE CONDUCTED THROUGH EITHER AN INDIVIDUAL MEDIATOR OR A MEDIATOR APPOINTED BY A MEDIATION SERVICES ORGANIZATION OR BODY, EXPERIENCED IN THE MEDIATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES, AGREED UPON BY THE PARTIES AND, FAILING SUCH AGREEMENT WITHIN A REASONABLE PERIOD OF TIME AFTER EITHER PARTY HAS NOTIFIED THE OTHER OF ITS DESIRE TO SEEK MEDIATION OF ANY CLAIM, CONTROVERSY OR DISPUTE (NOT TO EXCEED FIFTEEN (15) DAYS), BY THE ARBITRATION SERVICE OF PORTLAND IN ACCORDANCE WITH ITS RULES GOVERNING MEDIATION, AT FRANCHISOR'S CORPORATE HEADQUARTERS IN BEND, OREGON. THE COSTS AND EXPENSES OF MEDIATION, INCLUDING COMPENSATION AND EXPENSES OF THE MEDIATOR (AND EXCEPT FOR THE ATTORNEYS FEES INCURRED BY EITHER PARTY), SHALL BE BORNE BY THE PARTIES EQUALLY. IF THE PARTIES ARE UNABLE TO RESOLVE THE CLAIM, CONTROVERSY OR DISPUTE WITHIN NINETY (90) DAYS AFTER THE MEDIATOR HAS BEEN CHOSEN, THEN THE MATTER SHALL BE SUBMITTED TO ARBITRATION IN ACCORDANCE WITH SECTION 16.4 TO RESOLVE SUCH CLAIM, CONTROVERSY OR DISPUTE UNLESS SUCH TIME PERIOD IS EXTENDED BY WRITTEN AGREEMENT OF THE PARTIES. NOTWITHSTANDING THE FOREGOING, FRANCHISOR MAY BRING AN ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (3) INVOLVING THE POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY IN A COURT HAVING JURISDICTION AND IN ACCORDANCE WITH SECTION 16.6, WITHOUT FIRST SUBMITTING SUCH ACTION TO MEDIATION OR ARBITRATION.

16.5 Arbitration.

16.5.1 PROCEDURE. EXCEPT AS PROVIDED IN THIS AGREEMENT, FRANCHISOR, FRANCHISEE AND THE CONTROLLING PRINCIPALS AGREE THAT ANY CLAIM, CONTROVERSY OR DISPUTE ARISING OUT OF OR RELATING TO THE FRANCHISE, FRANCHISEE'S ESTABLISHMENT OR OPERATION OF ANY FRANCHISE UNDER THIS AGREEMENT (AND ANY AMENDMENTS THERETO) INCLUDING, BUT NOT LIMITED TO, ANY CLAIM BY FRANCHISEE, OR ANY OF THE CONTROLLING PRINCIPALS, OR PERSONS CLAIMING ON BEHALF OF FRANCHISEE OR THE CONTROLLING PRINCIPALS, CONCERNING THE ENTRY INTO, THE PERFORMANCE UNDER OR THE TERMINATION OF THE AGREEMENT, OR ANY OTHER AGREEMENT BETWEEN FRANCHISOR, OR ITS AFFILIATES, AND FRANCHISEE, ANY CLAIM AGAINST A PAST OR PRESENT OFFICER, DIRECTOR, EMPLOYEE OR AGENT OF FRANCHISOR, INCLUDING THOSE OCCURRING SUBSEQUENT TO THE TERMINATION OF THIS AGREEMENT, THAT CANNOT BE AMICABLY SETTLED AMONG THE PARTIES OR THROUGH

MEDIATION SHALL, EXCEPT AS SPECIFICALLY SET FORTH HEREIN AND IN SECTION 16.6, BE REFERRED TO ARBITRATION. THE ARBITRATION SHALL BE CONDUCTED THROUGH AN ORGANIZATION OR BODY EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES DESIGNATED BY FRANCHISOR. IF FRANCHISOR FAILS TO DESIGNATE AN ORGANIZATION OR BODY WITHIN A REASONABLE TIME AFTER THE DISPUTE HAS BEEN REFERRED FOR ARBITRATION (NOT TO EXCEED FIFTEEN (15) DAYS), ARBITRATION SHALL BE CONDUCTED BY THE ARBITRATION SERVICE OF PORTLAND IN ACCORDANCE WITH THE RULES OF THE ARBITRATION SERVICE OF PORTLAND, AS AMENDED, EXCEPT THAT THE ARBITRATOR SHALL APPLY THE FEDERAL RULES OF EVIDENCE DURING THE CONDUCT OF THE HEARING SESSIONS WITH RESPECT TO THE ADMISSIBILITY OF EVIDENCE. IF SUCH RULES ARE IN ANY WAY CONTRARY TO OR IN CONFLICT WITH THIS AGREEMENT, THE TERMS OF THE AGREEMENT SHALL CONTROL. ONLY CLAIMS, CONTROVERSIES OR DISPUTES INVOLVING FRANCHISEE AND THE CONTROLLING PRINCIPALS MAY BE BROUGHT HEREUNDER. NO CLAIM FOR OR ON BEHALF OF ANY OTHER FRANCHISEE OR SUPPLIER, OR CLASS, REPRESENTATIVE OR ASSOCIATION THEREOF, MAY BE BROUGHT BY FRANCHISEE OR THE CONTROLLING PRINCIPALS HEREUNDER.

16.5.2 ARBITRATOR. THE PARTIES SHALL AGREE ON AN ARBITRATOR WITHIN FIFTEEN (15) DAYS OF THE FILING OF ARBITRATION. IF THE PARTIES CANNOT AGREE ON A SINGLE ARBITRATOR, FRANCHISOR AND FRANCHISEE (OR CONTROLLING PRINCIPAL, AS APPLICABLE) SHALL EACH SELECT ONE ARBITRATOR. IF THE PARTY UPON WHOM THE DEMAND FOR ARBITRATION IS SERVED FAILS TO SELECT AN ARBITRATOR WITHIN FIFTEEN (15) DAYS AFTER THE RECEIPT OF THE DEMAND FOR ARBITRATION, THEN THE ARBITRATOR SO DESIGNATED BY THE PARTY REQUESTING ARBITRATION SHALL ACT AS THE SOLE ARBITRATOR TO RESOLVE THE CONTROVERSY AT HAND. THE TWO ARBITRATORS DESIGNATED BY THE PARTIES SHALL SELECT A THIRD ARBITRATOR. IF THE TWO ARBITRATORS DESIGNATED BY THE PARTIES FAIL TO SELECT A THIRD ARBITRATOR WITHIN FIFTEEN (15) DAYS, THE THIRD ARBITRATOR SHALL BE SELECTED BY THE ORGANIZATION AGREED UPON OR THE ARBITRATION SERVICE OF PORTLAND OR ANY SUCCESSOR THERETO, UPON APPLICATION BY EITHER PARTY. ALL OF THE ARBITRATORS SHALL BE EXPERIENCED IN THE ARBITRATION OF DISPUTES BETWEEN FRANCHISORS AND FRANCHISEES. THE ARBITRATION SHALL TAKE PLACE AT FRANCHISOR’S CORPORATE OFFICES. THE AWARD OF THE ARBITRATORS SHALL BE FINAL AND JUDGMENT UPON THE AWARD RENDERED IN ARBITRATION MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREOF. THE COSTS AND EXPENSES OF ARBITRATION MAY BE ENTERED IN ANY COURT

HAVING JURISDICTION THEREOF. THE ARBITRATORS SHALL BE REQUIRED TO SUBMIT WRITTEN FINDINGS OF FACT AND CONCLUSIONS OF LAW WITHIN THIRTY (30) BUSINESS DAYS FOLLOWING THE FINAL HEARING SESSION OF THE ARBITRATION. THE COSTS AND EXPENSES OF ARBITRATION, INCLUDING COMPENSATION AND EXPENSES OF THE ARBITRATORS, SHALL BE BORNE BY THE PARTIES AS THE ARBITRATORS DETERMINE.

16.5.3 EXCEPTIONS. NOTWITHSTANDING THE ABOVE, THE FOLLOWING SHALL NOT BE SUBJECT TO ARBITRATION:

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

16.5.3.2 DISPUTES AND CONTROVERSIES BASED UPON OR ARISING UNDER THE LANHAM ACT, AS NOW OR HEREAFTER AMENDED, RELATING TO THE OWNERSHIP OR VALIDITY OF THE MARKS; AND

16.5.3.3 DISPUTES AND CONTROVERSIES RELATING TO ACTIONS TO OBTAIN POSSESSION OF THE PREMISES OF THE FRANCHISE UNDER LEASE OR SUBLEASE.

16.5.4 SPECIFIC PERFORMANCE. IF FRANCHISOR SHALL DESIRE TO SEEK SPECIFIC PERFORMANCE OR OTHER EXTRAORDINARY RELIEF INCLUDING, BUT NOT LIMITED TO, INJUNCTIVE RELIEF UNDER THIS AGREEMENT AND ANY AMENDMENTS THERETO, OR TO COLLECT MONIES DUE, THEN ANY SUCH ACTION SHALL NOT BE SUBJECT TO ARBITRATION AND FRANCHISOR SHALL HAVE THE RIGHT TO BRING SUCH ACTION AS DESCRIBED IN SECTION 16.6.

16.5.5 LIMITS ON ARBITRATOR. IN PROCEEDING WITH ARBITRATION AND IN MAKING DETERMINATIONS HEREUNDER, THE ARBITRATORS SHALL NOT EXTEND, MODIFY OR SUSPEND ANY TERMS OF THIS AGREEMENT OR THE REASONABLE STANDARDS OF BUSINESS PERFORMANCE AND OPERATION ESTABLISHED BY FRANCHISOR IN GOOD FAITH. NOTICE OF OR REQUEST TO OR DEMAND FOR ARBITRATION SHALL NOT STAY, POSTPONE OR RESCIND THE EFFECTIVENESS OF ANY TERMINATION OF THIS AGREEMENT. THE ARBITRATORS SHALL APPLY OREGON LAW AND THE TERMS OF THIS AGREEMENT IN REACHING THEIR DECISION.

16.6 Governing Law and Venue. WITH RESPECT TO ANY CLAIMS, CONTROVERSIES OR DISPUTES THAT ARE NOT FINALLY RESOLVED THROUGH MEDIATION OR ARBITRATION, OR AS OTHERWISE PROVIDED ABOVE, FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY IRREVOCABLY SUBMIT THEMSELVES TO THE JURISDICTION OF THE STATE COURTS OF OREGON AND THE FEDERAL DISTRICT COURT FOR THE DISTRICT OF OREGON. FRANCHISEE AND THE

CONTROLLING PRINCIPALS HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. FRANCHISEE AND THE CONTROLLING PRINCIPALS HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ANY OF THEM IN ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY OREGON OR FEDERAL LAW. FRANCHISEE AND THE CONTROLLING PRINCIPALS FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE DESCHUTES COUNTY, OREGON; PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION (1) FOR MONIES OWED, (2) FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF, OR (3) INVOLVING POSSESSION OR DISPOSITION OF, OR OTHER RELIEF RELATING TO, REAL PROPERTY, FRANCHISOR MAY BRING SUCH ACTION IN ANY STATE OR FEDERAL DISTRICT COURT THAT HAS JURISDICTION. WITH RESPECT TO ALL CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS, RELATED TO THIS AGREEMENT OR THE RELATIONSHIP CREATED THEREBY, THIS AGREEMENT AND ANY SUCH RELATED CLAIMS, CONTROVERSIES, DISPUTES OR ACTIONS SHALL BE GOVERNED, ENFORCED AND INTERPRETED UNDER OREGON LAW.

16.7 **Mutual Benefit**. FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE PARTIES' AGREEMENT REGARDING APPLICABLE STATE LAW AND FORUM SET FORTH IN SECTION 16.6 PROVIDE EACH OF THE PARTIES WITH THE MUTUAL BENEFIT OF UNIFORM INTERPRETATION OF THIS AGREEMENT AND ANY DISPUTE ARISING OUT OF THIS AGREEMENT OR THE PARTIES' RELATIONSHIP CREATED BY THIS AGREEMENT. EACH OF FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR FURTHER ACKNOWLEDGES THE RECEIPT AND SUFFICIENCY OF MUTUAL CONSIDERATION FOR SUCH BENEFIT AND THAT EACH PARTY'S AGREEMENT REGARDING APPLICABLE STATE LAW AND CHOICE OF FORUM HAVE BEEN NEGOTIATED FOR IN GOOD FAITH AND ARE PART OF THE BENEFIT OF THE BARGAIN REFLECTED BY THIS AGREEMENT.

16.8 **Performance in Bend, Oregon**. FRANCHISEE, THE CONTROLLING PRINCIPALS AND FRANCHISOR ACKNOWLEDGE THAT THE EXECUTION OF THIS AGREEMENT AND ACCEPTANCE OF THE TERMS BY THE PARTIES OCCURRED IN BEND, OREGON, AND FURTHER ACKNOWLEDGE THAT THE PERFORMANCE OF CERTAIN OBLIGATIONS OF FRANCHISEE ARISING UNDER THIS AGREEMENT, INCLUDING, BUT NOT LIMITED TO, THE PAYMENT OF MONIES DUE HEREUNDER AND THE SATISFACTION OF CERTAIN TRAINING REQUIREMENTS OF FRANCHISOR, SHALL OCCUR IN BEND, OREGON.

16.9 **Dispute Resolution Program**. WITHOUT LIMITING ANY OF THE FOREGOING, FRANCHISOR RESERVES THE RIGHT, AT ANY TIME, TO CREATE A DISPUTE RESOLUTION PROGRAM AND RELATED SPECIFICATIONS, STANDARDS, PROCEDURES AND RULES FOR THE IMPLEMENTATION THEREOF TO BE ADMINISTERED BY FRANCHISOR OR ITS DESIGNEES FOR THE BENEFIT OF ALL FRANCHISEES CONDUCTING BUSINESS UNDER THE SYSTEM. THE STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES FOR SUCH DISPUTE RESOLUTION PROGRAM SHALL BE MADE PART OF THE MANUALS AND IF MADE PART OF THE

MANUALS, ON EITHER A VOLUNTARY OR MANDATORY BASIS, FRANCHISEE SHALL COMPLY WITH ALL SUCH STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES IN SEEKING RESOLUTION OF ANY CLAIMS, CONTROVERSIES OR DISPUTES WITH OR INVOLVING FRANCHISOR OR OTHER FRANCHISEES, IF APPLICABLE UNDER THE PROGRAM. IF SUCH DISPUTE RESOLUTION PROGRAM IS MADE MANDATORY, THEN FRANCHISEE AND FRANCHISOR AGREE TO SUBMIT ANY CLAIMS, CONTROVERSIES OR DISPUTES ARISING OUT OF OR RELATING TO THIS AGREEMENT (AND ATTACHMENTS) OR THE RELATIONSHIP CREATED BY THIS AGREEMENT FOR RESOLUTION IN ACCORDANCE WITH SUCH DISPUTE RESOLUTION PROGRAM PRIOR TO SEEKING RESOLUTION OF SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN THE MANNER DESCRIBED IN SECTIONS 16.3 to 16.6 (PROVIDED THAT THE PROVISIONS OF SECTION 16.6 CONCERNING FRANCHISOR'S RIGHT TO SEEK RELIEF IN A COURT FOR CERTAIN ACTIONS INCLUDING FOR INJUNCTIVE OR OTHER EXTRAORDINARY RELIEF SHALL NOT BE SUPERSEDED OR AFFECTED BY THIS SECTION) OR IF SUCH CLAIM, CONTROVERSY OR DISPUTE RELATES TO ANOTHER FRANCHISEE, FRANCHISEE AGREES TO PARTICIPATE IN THE PROGRAM AND SUBMIT ANY SUCH CLAIMS, CONTROVERSIES OR DISPUTES IN ACCORDANCE WITH THE PROGRAM'S STANDARDS, SPECIFICATIONS, PROCEDURES AND RULES, PRIOR TO SEEKING RESOLUTION OF SUCH CLAIM BY ANY OTHER JUDICIAL OR LEGALLY AVAILABLE MEANS.

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

16.11 <u>Notices</u>. 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.

16.12 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.

16.13 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.

16.14 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).

16.15 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.

16.16 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.

Section 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
	______________________________

ATTACHMENT A

STATEMENT OF OWNERSHIP INTERESTS AND FRANCHISEES PRINCIPALS

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

Name	Percentage of Ownership	Nature of Interest
______________________________	______	________________________
______________________________	______	________________________
______________________________	______	________________________
______________________________	______	________________________

(I) FRANCHISEE'S PRINCIPALS

In addition to the persons listed in Paragraph I, the following is a list of all of Franchisee's Principals described in and designated pursuant to Section 16.2 of the Franchise Agreement:

____

____

____

____

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 (**"*BRCBB"***), 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 2.1 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-Seven Thousand Five Hundred Dollars ($27,500) for Franchisee's first Coffee Bar, (ii) Twenty-Two Thousand Dollars ($22,000) for Franchisee's second Coffee Bar, and (iii) Sixteen Thousand Five Hundred Dollars ($16,500) 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 ($5,500) as liquidated damages.

2. **Disputes**. Section 16.4 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 16.13 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.

4. **Additional Provisions**.

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 of your franchise.

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 shall prevail.

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

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

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 GUARANTY OF FRANCHISE AGREEMENT
BLACK ROCK COFFEE BAR

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 616 NW Arizona Avenue, Bend, Oregon 97703 ("***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

1.1 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.

1.2 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.

1.3 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.

1.4 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.

1.5 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.

1.6 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.

1.7 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.

1.8 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 One Hundred Dollars ($1,100) if all proposed sites are located within 100 miles of our principal business address at 616 NW Arizona Avenue, Bend 97703, or (ii) Two Thousand Seven Hundred Fifty Dollars ($2,750) 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 One Hundred Dollars ($1,100) if all proposed sites are located within 100 miles of our principal business address at 616 NW Arizona Avenue, Bend 97703, or (ii) Two Thousand Seven Hundred Fifty Dollars ($2,750) 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-Seven Thousand Five Hundred Dollars ($27,500) for Prospective Franchisee's first Coffee Bar, (ii) Twenty-Two Thousand Dollars ($22,000) for Prospective Franchisee's second Coffee Bar, and (iii) Sixteen Thousand Five Hundred Dollars ($16,500) 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:

HL Oregon LLC
1331 NW Lovejoy St, Suite 950
Portland, OR 97209

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

EXHIBIT E

LIST OF STATE ADMINISTRATORS

California
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

Oregon
Corporate Securities Section
Dept. of Insurance & Finance
Labor & Industries Bldg.
Salem, OR 97310
Telephone: 503-378-4387
Effective Date: September [5], 2018

Washington
Department of Financial Institutions
Securities Division
150 Israel Road SW
Tumwater, WA 98501
Telephone: 360-902-8760
Effective Date: pending

EXHIBIT F

FINANCIAL STATEMENTS

(attached)

BLACK ROCK COFFEE BAR, INC.

AUDIT REPORT

For the Years Ended

December 31, 2017 and 2016

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

BLACK ROCK COFFEE BAR, INC.
For the Years Ended December 31, 2017 and 2016

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INDEPENDENT AUDITOR'S REPORT

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

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MEDFORD, OREGON 97504
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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, 2017 and 2016, 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, 2017 and 2016, 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

April 17, 2018

FINANCIAL STATEMENTS

BLACK ROCK COFFEE BAR, INC.
Balance Sheets
December 31, 2017 and 2016

ASSETS

	Current	Prior
ASSETS		
Current assets		
Cash	$ 42,487	$ 73,115
Accounts receivable	92,490	134,586
Total current assets	134,977	207,701
Property and equipment		
Furniture and equipment	1,011	1,011
Less accumulated depreciation	(1,011)	(1,011)
Net property and equipment	-	-
Other assets		
Related party receivables	59,157	25,150
Intangible assets (net of amortization)	44,727	30,140
Total other assets	103,884	55,290
TOTAL ASSETS	$ 238,861	$ 262,991

See notes to the financial statements.

BLACK ROCK COFFEE BAR, INC.
Balance Sheets
December 31, 2017 and 2016

LIABILITIES AND SHAREHOLDERS' EQUITY

	Current	Prior
LIABILITIES		
Current liabilities		
State tax payable	$ 150	$ 150
Total current liabilities	150	150
Other liabilities		
Related party loans	12,255	12,636
Total other liabilities	12,255	12,636
TOTAL LIABILITIES	12,405	12,786
SHAREHOLDERS' EQUITY		
Shareholders' equity		
Common stock: 10,000 shares authorized; 3,000 shares issued and outstanding	3,000	3,000
Retained earnings	223,456	247,205
TOTAL SHAREHOLDERS' EQUITY	226,456	250,205
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 238,861	$ 262,991

See notes to the financial statements.

BLACK ROCK COFFEE BAR, INC.
Statements Retained Earnings
For the Years Ended December 31, 2017 and 2016

	Current	Prior
RETAINED EARNINGS, BEGINNING OF YEAR	$ 247,205	$ 96,282
Net income	181,836	368,798
Shareholder distributions	(205,585)	(217,875)
RETAINED EARNINGS, END OF YEAR	$ 223,456	$ 247,205

See notes to the financial statements.

BLACK ROCK COFFEE BAR, INC.
Statements of Income
For the Years Ended December 31, 2017 and 2016

	Current	Prior
SALES		
Franchise fees	$ 100,000	$ 120,002
Royalties	675,526	577,890
Total sales	775,526	697,892
GENERAL AND ADMINISTRATIVE EXPENSES		
Administration costs	-	24,460
Royalties to Black Rock Roasting Company	202,779	145,739
Management fees	182,113	103,121
Advertising	300	4,232
Amortization	4,588	4,346
Bank charges	770	54
Contributions and donations	4,060	4,060
Insurance	-	269
Miscellaneous	13	5,754
Payroll expense	116,106	-
Professional fees	60,806	24,916
Shipping	6,195	-
Subscriptions	727	2,344
Taxes and licenses	13,474	9,213
Total general and administrative expenses	591,931	328,508
NET INCOME FROM OPERATIONS	183,595	369,384
OTHER INCOME AND (EXPENSE)		
Interest expense	(241)	(286)
Miscellaneous expense	(1,357)	-
State tax	(161)	(300)
Total other income and (expense)	(1,759)	(586)
NET INCOME	$ 181,836	$ 368,798

See notes to the financial statements.

BLACK ROCK COFFEE BAR, INC.
Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	Current	Prior
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 181,836	$ 368,798
Adjustments needed to reconcile to net cash provided by operating activities		
Depreciation and amortization	4,588	4,346
Changes in		
Receivables	42,096	(76,909)
Prepaid expenses	-	917
Accounts payable	-	(2,937)
Net cash from (used in) operating activities	228,520	294,215
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of intangible asset	(19,175)	-
Net cash from (used in) investing activities	(19,175)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Shareholder distributions	(205,585)	(217,875)
Related party loans receivable change	(34,007)	-
Related party loans payments paid	(381)	(19,901)
Net cash from (used in) financing activities	(239,973)	(237,776)
NET INCREASE (DECREASE) IN CASH	(30,628)	56,439
CASH BEGINNING OF YEAR	73,115	16,676
CASH END OF YEAR	$ 42,487	$ 73,115
SUPPLEMENTAL SCHEDULE OF CASH FLOW INFORMATION		
CASH PAID DURING THE YEAR FOR INTEREST	$ 241	$ 286
CASH PAID DURING THE YEAR FOR OREGON TAXES	$ 161	$ 300

There were no material noncash transactions.

See notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements
For the Years Ended December 31, 2017 and 2016

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, Arizona, 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, 2017 and 2016, 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, 2017 and 2016 were $300 and $4,232, respectively.

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 additional costs were capitalized for the years ended December 31, 2017 and 2016. These costs are being amortized over 15 years.

2. ACCOUNTS RECEIVABLE

Accounts receivable at year end consisted of the following:

	2017	2016
Royalties on cup sales	$ 62,488	$ 59,584
Franchise fees	30,002	75,002
Total	$ 92,490	$ 134,586

3. PROPERTY AND EQUIPMENT

	2017	2016
Equipment	$ 1,011	$ 1,011
Less accumulated depreciation	(1,011)	(1,011)
Net property and equipment	$ -	$ -

Depreciation expense was $0 for 2017 and $0 for 2016.

4. RELATED PARTY RECEIVABLES

Related party receivables at December 31, 2017, and 2016, consisted of $59,157 and $25,150 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. During 2017, the Company also had additional intangible costs of $19,175. The amortization expenses for December 31, 2017 and 2016 were $4,588 and $4,346 respectively. The amortization expense is expected to be $4,588 each of the next five years. See the schedule below for accumulated amortization:

	2017	2016
Intangible asset costs	$ 83,161	$ 63,986
Less accumulated amortization	(38,434)	(33,846)
Net intangible assets	$ 44,727	$ 30,140

6. ACCOUNTS PAYABLE

There were no accounts payables as of December 31, 2017, or 2016.

7. RELATED PARTY LOANS

Related party loans outstanding at December 31, 2017 and 2016 were as follows:

	2017	2016
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.	$ 12,255	$ 12,636

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, 2017 and 2016, 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 2016, the Company sold 10 franchises. At December 31, 2016, the Company had 39 drive-thrus in operation, 13 were operated and owned by certain shareholders of the Company and 26 were operated and owned by non-related franchisees.

During the year 2017, the Company sold 8 franchises. At December 31, 2017, the Company had 47 drive-thrus in operation, 13 were operated and owned by certain shareholders of the Company, 5 hybrids, which means there is a corporate shareholder/owner with at least 51% ownership and at least one other individual owner who is not a shareholder, and 29 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, 2017 and 2016, 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 $59,157 as of December 31, 2017 were from coffee stands for $24,407 and $34,750 from Black Rock Roasting Company. The related party receivables from the prior year were for $10,650 for coffee stands and $14,500 from Black Rock Roasting 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 2017 and 2016, Seed to Cup sold supplies, and equipment to franchisees.

9. RELATED PARTIES (Continued)

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.

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
Black Rock Coffee Store, LLC
BR Admin Corp.
Owyhee Coffee Co. LLC
South Sister Coffee Co. LLC

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

As of January 1, 2018, 2 shareholders sold their interests in Black Rock Coffee Bar, Inc. As a part of this sale, 1,000 shares of common stock were retired and a promissory note payable by Black Rock Coffee Bar was executed for $150,000 dated January 1, 2018. This note has an interest rate of 6% for the first 12 months and 10% thereafter. As of April 16, 2018, $50,991 had been paid on this note which includes interest.

10. SUBSEQUENT EVENTS

The Company evaluated subsequent events as of April 17, 2018, which is the date of the audit report. The report was available to be issued on April 25, 2018.

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.

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

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.
Profit and Loss
January - September, 2018

		Total
Income		
4021 Royalties on Cup Sales		670,739.61
4040 Franchise Fee Income		20,000.00
Total Income	**$**	**690,739.61**
Expenses		
4500 Promotional Expense		1,600.00
466 Travel Expense		951.96
60000 Advertising and Promotion		12,499.98
6100 Business & Admin		
6105 Health Insurance		47,452.56
6110 Bank Service Charges		519.20
6150 Professional Fees		20,804.69
6151 Franchise Attorney		2,420.00
6152 Trademark Attorney		6,847.50
6153 Misc. Legal Services		95,165.66
6157 Tax Accounting Services		35,000.00
Total 6150 Professional Fees	**$**	**160,237.85**
6196 Operational Subscriptions		492.00
Total 6100 Business & Admin	**$**	**208,701.61**
6162 State Permits & Fees		7,808.00
620 Interest expense		9,143.58
6230 Payroll Processing Fees		1,161.93
6300 Marketing & Promotion		2,000.00
664 Payroll Taxes		125,901.11
665 Payroll		212,208.82
66700 Professional Fees		7,000.00
Admiistration Fees		3,191.35
Late fee		302.09
Total Expenses	**$**	**592,470.43**
Net Operating Income	**$**	**98,269.18**

Black Rock Coffee Bar, Inc.
Balance Sheet
As of September 30, 2018

		Total
ASSETS		
Current Assets		
Bank Accounts		
Checking		60,211.02
Total Bank Accounts	**$**	**60,211.02**
Accounts Receivable		
1001 Accounts Receivable		30,001.60
Total Accounts Receivable	**$**	**30,001.60**
Other Current Assets		
Due to/from Related Party		115,414.32
Total Other Current Assets	**$**	**115,414.32**
Total Current Assets	**$**	**205,626.94**
Other Assets		
1560 Intangible Assets		33,533.75
180 Start-up Costs		48,626.89
181 Accumulated Amortization		-38,434.00
182 Website design		1,000.00
Total Other Assets	**$**	**44,726.64**
TOTAL ASSETS	**$**	**250,353.58**
LIABILITIES AND EQUITY		
Liabilities		
Current Liabilities		
Accounts Payable		
2001 Accounts Payable		35,255.10
Total Accounts Payable	**$**	**35,255.10**
Total Current Liabilities	**$**	**35,255.10**
Long-Term Liabilities		
Note Payable		233,608.89
Total Long-Term Liabilities	**$**	**233,608.89**
Total Liabilities	**$**	**268,863.99**
Equity		
Total Equity	**-$**	**18,510.41**
TOTAL LIABILITIES AND EQUITY	**$**	**250,353.58**

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 Five Hundred Dollars ($5,500) 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:
____

ADDENDUM TO THE BLACK ROCK COFFEE BAR, INC. GEOGRAPHIC TERRITORY AGREEMENT FOR USE IN WASHINGTON

The state of Washington has a statute, RCW 19.100.180 which may supersede the Geographic Territory 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 Geographic Territory Agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

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 shall prevail.

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

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

The undersigned does hereby acknowledge receipt of this addendum.

BLACK ROCK COFFEE BAR, INC.	____________________ "Franchisee"
By:____________________	By:____________________
Name: ____________________	Name: ____________________
Title:____________________	Title:____________________
Date:____________________	Date:____________________
	S.S.N.s or T.I.N. of Franchisee
	____________________

EXHIBIT H

ELECTRONIC FUNDS TRANSFER AUTHORIZATION

ELECTRONIC FUNDS TRANSFER
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND PAYABLE TO BLACK ROCK COFFEE BAR, INC. ("Payee")

The undersigned Depositor hereby authorizes and requests the Depository designated below to honor and to charge to the following designated account, checks and electronic debits (collectively, "debits") drawn on such account that are payable to the above-named Payee. It is agreed that Depository's rights with respect to each such debit shall be the same as if it were a check drawn and signed by the Depositor. It is further agreed that if any such debit is not honored, whether with or without cause and whether intentionally or inadvertently, Depository shall be under no liability whatsoever. This authorization shall continue in force until Depository and Payee have received at least thirty (30) days written notification from Depositor of its termination.

The Depositor agrees with respect to any action taken pursuant to the above authorization:

(1) To indemnify the Depository and hold it harmless from any loss it may suffer resulting from or in connection with any debit, including, without limitation, execution and issuance of any check, draft or order, whether or not genuine, purporting to be authorized or executed by the Payee and received by the Depository in the regular course of business for the purpose of payment, including any costs or expenses reasonably incurred in connection therewith.

(2) To indemnify Payee and the Depository for any loss arising in the event that any such debit shall be dishonored, whether with or without cause and whether intentionally or inadvertently.

(3) To defend at Depositor's own cost and expense any action which might be brought by a depositor or any other persons because of any actions taken by the Depository or Payee pursuant to the foregoing request and authorization, or in any manner arising by reason of the Depository's or Payee's participation therein.

Notwithstanding the above, Depositor shall be entitled to all rights and remedies pursuant to the Electronic Fund Transfer Act, 15 U.S.C. § 1693 *et.seq.*, and its accompanying regulations.

Name of Depository: ______________________________
Name of Depositor: ______________________________
Designated Bank Acct.: ______________________________
(Please attach one voided check for the above account.)
Location: ______________________________
For Depository information call: ______________________________
Address: ______________________________
Phone #: ______________________________
Fax #: ______________________________

Name of Franchisee/____________________
By: ______________________________ Date: ________________, 20__
Name: ______________________________
Title: ______________________________

EXHIBIT I

POWER OF ATTORNEY (TELEPHONE)

IRREVOCABLE POWER OF ATTORNEY (TELECOMMUNICATIONS)

KNOW ALL MEN BY THESE PRESENTS, that ________________________ ("Franchisee") does hereby irrevocably constitute and appoint BLACK ROCK COFFEE BAR, INC., an Oregon corporation ("Franchisor"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead, to do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of assigning to Franchisor all of Franchisee's right, title and interest in and to any and all telephone numbers of Franchisee's franchise and all related Yellow Pages, White Pages and other business listings and all Internet listings, domain names, Internet accounts, advertising on the Internet or World Wide Web, websites, listings with search engines, e-mail addresses or any other similar listings or usages related to the Franchisee's franchise, including but not limited to, the execution and delivery of any Transfer of Service Agreement and any other transfer documentation required by the applicable telephone service or Internet company providing telephone or Internet services to Franchisee, hereby granting unto Franchisor full power and authority to do and to perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

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

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of __________________, 20___, by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of Oregon and the laws of the State of Oregon shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _______ day of ___________________, 20___.

FRANCHISEE:

____

By: _______________________________________
Name: _____________________________________
Title: _____________________________________

STATE OF _____________________§
§
COUNTY OF ___________________§

BEFORE ME, the undersigned authority, on this day personally appeared ___________________,____ of ___________________________ known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _______________, 20___.
(SEAL)

____
Notary Public in and for the State of
My Commission Expires:__________

EXHIBIT J

POWER OF ATTORNEY (TAX)

IRREVOCABLE POWER OF ATTORNEY (TAX RETURNS)

KNOW ALL MEN BY THESE PRESENTS, that ______________________ ("Franchisee") does hereby irrevocably constitute and appoint BLACK ROCK COFFEE BAR, INC., an Oregon corporation ("Franchisor"), true and lawful attorney-in-fact and agent for Franchisee and in Franchisee's name, place and stead do or cause to be done all things and to sign, execute, acknowledge, certify, deliver, accept, record and file all such agreements, certificates, instruments and documents as, in the sole discretion of Franchisor, shall be necessary or advisable for the sole purpose of obtaining any and all returns, records, reports and other documentation relating to the payment of taxes filed by Franchisee with any state and/or federal taxing authority, including but not limited to the execution and delivery of any and all formal requests and other documentation as may be required by the applicable state and/or federal taxing authority, including, but not limited to the Department of Revenue of the State of Oregon, hereby granting unto Franchisor full power and authority to do and perform any and all acts and things which, in the sole discretion of Franchisor, are necessary or advisable to be done as fully to all intents and purposes as Franchisee might or could itself do, hereby ratifying and confirming all that Franchisor may lawfully do or cause to be done by virtue of this Power of Attorney and the powers herein granted.

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

This Power of Attorney shall terminate two (2) years following the expiration or termination of that certain Franchise Agreement dated as of ______________________ 20____, by and between Franchisor and Franchisee. Such termination, however, shall not affect the validity of any act or deed that Franchisor may have effected prior to such date pursuant to the powers herein granted.

This instrument is to be construed and interpreted as an irrevocable power of attorney coupled with an interest. It is executed and delivered in the State of Oregon and the laws of the State of Oregon shall govern all questions as to the validity of this Power of Attorney and the construction of its provisions.

IN WITNESS WHEREOF, the undersigned has executed this Power of Attorney as of the _____ day of _______________, 20____.

FRANCHISEE:

____

By: ________________________________
Name: ______________________________
Title: ______________________________

STATE OF _____________________§
§
COUNTY OF ___________________§

BEFORE ME, the undersigned authority, on this day personally appeared ___________________,____________________________ of ___________________________ known to me to be the person whose name is subscribed to the foregoing instrument, who acknowledged to me that he executed the same for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _______________, 20___.
(SEAL)

Notary Public in and for the State of ___________
My Commission Expires: ____________________

EXHIBIT K

BLACK ROCK COFFEE BAR, INC. FRANCHISE AGREEMENT ADDENDUM
ABANDONMENT, RELINQUISHMENT, AND TERMINATION OF ASSUMED OR FICTITIOUS BUSINESS NAME

BLACK ROCK COFFEE BAR, INC. FRANCHISE AGREEMENT ADDENDUM ABANDONMENT, RELINQUISHMENT, AND TERMINATION OF ASSUMED OR FICTITIOUS BUSINESS NAME

Pursuant to the provisions of relevant state laws concerning the registration and use of assumed or fictitious business names, the undersigned applicant, being a franchisee of **BLACK ROCK COFFEE BAR, INC.**, submits the following to evidence its intent to abandon, relinquish and terminate its right to use the business name **BLACK ROCK COFFEE BAR.**

1. Name of Applicant Who is Using the Assumed or Fictitious Business Name:

   ____

   a (an) individual/partnership/corporation organized and doing business under the laws of the State of Oregon

2. Date when Original Assumed or Fictitious Business Name was Filed by Applicant:

   ____

3. Address of Applicant's Registered Office in the State of:

   ____

4. Please cancel the Applicant's registration to use the name **BLACK ROCK COFFEE BAR**

DATED: ___________________________________

Applicant

By: ________________________

Title: _______________________

EXHIBIT L

FRANCHISE LIST

Current Franchisees

Name	Address	Phone Number
4th and Grand LLC	2630 E Fourth Plain Blvd. Vancouver, WA 98681	(503) 860-6775
Baby Deer LLC	11538 SW Pacific Highway Tigard, OR 97224	(503) 970-3376
BR McLoughlin LLC	14423 SE McLoughlin Blvd. Portland, OR 97267	(503) 849-0742
BDONE, LLC	10910 SE 82nd Ave. Happy Valley, OR 97086	(541) 941-5958
BDTWO LLC	7434 N Vancouver Ave. Portland, OR 97217	(541) 941-5959
BE Coffee, LLC	16138 SE 82nd Dr. Clackamas, OR 97015	(503) 310-6260
BE Coffee, LLC	8325 SE Augusta National Ave. Happy Valley, OR 97086	(503) 310-6260
Black Rock Store Operations LLC	617 NW 13th Ave. Portland, OR 97209	(503) 860-6775
Black Rock Store Operations LLC	8700 NE Vancouver Mall Dr. Vancouver, WA 98662	(503) 860-6775
BR Chandler LLC	5329 S Power Rd. Mesa, AZ 85212	(503) 860-6775
BR Coffee, LLC	1801 Molalla Ave. Oregon City, OR 97045	(503) 310-6260
BR Gladstone LLC	20180 McLoughlin Blvd. Gladstone, OR 97027	(503) 849-0742
Brand Fam Corporation	765 SW 185th Ave. Beaverton, OR 97006	(541) 941-5958

Brand Fam Corporation	15035 SW Walker Rd. Beaverton, OR 97006	(541) 941-5959
BRCB Capitol, LLC	10020 Capitol Hwy. Portland, OR 97219	(503) 881-2614
BRHV LLC - Zach Waters	16000 SE Sunnyside Rd. Happy Valley, OR 97015	(503) 849-0743
DKAK LLC	1757 W Chinden Blvd. Meridian, ID 93646	(541) 531-0260
DKAK LLC	1604 S Broadway Ave. Boise, ID 93706	(541) 531-0260
DKAK LLC	2499 E Fairview Ave. Meridian, ID 83642	(541) 531-0260
DKAK LLC	7901 W. Fairview Boise, ID 83642	(541) 531-0260
DKAK LLC	12067 W Ustick Rd. Boise, ID 83713	(541) 531-0260
Double J & R Development, LLC	8128 SE Powell Blvd. Portland, OR 97206	(503) 860-6775
Double J & R Washington, LLC	1801 SE 164th Ave., Ste. 111 Vancouver, WA 98683	(503) 860-6775
Double J & R Washington, LLC	7710 NE 5th Ave., Ste 122 Vancouver, WA 98685	(503) 860-6775
Double J & R Washington, LLC	11609 NE 76th St. Vancouver, WA 98682	(503) 860-6775
Double J & R Washington, LLC	13721 SE Mill Plain Blvd. Vancouver, WA 98683	(503) 860-6775
Gantner LLC	17455 SW Tualatin Valley Hwy. Aloha, OR 97006	(503) 440-6553
Geyer-Yunkherr, LLC	24699 SE Stark St. Troutdale, OR 97060	(541) 727-1492
Geyer-Yunkherr, LLC	2600 SE Stark (Mt Hood College) Gresham, OR 97030	(541) 727-1492
Hopi LLC	4050 S Alma School Rd. Chandler, AZ 85248	(503) 860-6775
J A Java Inc.	15300 SW Pacific Hwy. Tigard, OR 97224	(503) 347-9898

J A Java Inc.	1444 NE Highway 99 McMinnville, OR 97128	(503) 347-9898
J CHRIS HAGLER & SONS LLC	14313 Aurora Ave. N. Seattle, WA 98133	(503) 860-6775
K2H, LLC	13309 NE 20th Ave. Vancouver, WA 98686	(360) 921-5275
K2H, LLC	8720 NE Centerpointe Dr. Vancouver, WA 98685	(360) 921-5275
K2H, LLC	1001 Broadway St. Vancouver, WA 98680	(360) 921-5275
Kansiime LLC	3100 NE Andresen Rd. Vancouver, WA 98661	Not Provided
KL COFFEE, LLC	2228 SE 182nd Ave. Gresham, OR 97233	(503) 849-0742
RBCC Black Rock LLC	1051 SE TV Highway Hillsboro, OR 97124	(503) 550-5144
RH Coffee LLC	303 NE 192nd Ave. Camas, WA 98607	Not Provided
Table Rock LLC	1975 Biddle Rd. Medford, OR 97504	(503) 860-6775
Table Rock LLC	151 Rossanlyey Dr. Medford, OR 97501	(503) 860-6775
ThreeBeans, LLC	212 NE 164th Ave. Vancouver, WA 98684	(541) 646-8351
True Designs, Inc.	1918 Oceanside Blvd. Oceanside, CA 92054	(760) 936-3751
Wandering Star LLC	1288 Lancaster Dr. NE Salem, OR 97301	(541) 890-4876
Wandering Star LLC	33140 Highway 34 Albany, OR 97321	(541) 890-4876
Wandering Star LLC	112 W Linn Rd. Eagle Point, OR 97030	(541) 890-4876

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 M

RECEIPTS

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 and Daniel Brand at 616 NW Arizona Avenue, Bend OR 97703, (503) 860-6775, and the following:

Name:________________________________ Business Phone:________________________

Business Address:____

I received a disclosure document dated __________________, 20___, which 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. Electronic Funds Transfer Authorization
I. Power of Attorney (Telephone)
J. Power of Attorney (Tax)
K. Assumed Business Name Relinquishment
L. Franchise List
M. Receipt

_________________________ Date

______________________________________ Prospective Franchisee

______________________________________ Printed Name

RECEIPT

(Our Copy)

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__________________________ ________________________________
Date Prospective Franchisee

____
Printed Name