FRANCHISE DISCLOSURE DOCUMENT

Black Sheep Coffee Franchising LLC
(*a Delaware limited liability company*)
2950 SW 27th Avenue,
Suite 206
Miami, FL 33133
(786) 422-9717
franchising@blacksheepcoffee.us
www.blacksheepcoffee.us

A "Black Sheep Coffee" franchisee will operate a retail coffee shop business featuring, among other things, fresh roasted coffee beverages and retail items for on-premises and carry-out consumption.

The total investment necessary to begin operation of a Black Sheep Coffee franchised business ranges from $738,150 to $1,400,000. This includes $55,000 to $60,000 that must be paid to the franchisor or an affiliate.

If you enter into a Multi-Shop Development Agreement to develop multiple Shops, when you sign the Multi-Shop Development Agreement you will pay a development fee equal to 100% of the initial franchise fee for the first Black Sheep Coffee shop to be developed, plus 50% of the initial franchise fee multiplied by the remaining number of Black Sheep Coffee shops to be developed under the Multi-Shop Development Agreement. The total investment necessary to enter into a Multi-Shop Development Agreement for the development of between three and five Black Sheep Coffee shops ranges from $140,000 to $160,000, of which $80,000 to $120,000 must be paid to the franchisor or an affiliate; provided, however, that this is not a maximum and if you acquire additional development rights, the costs may be higher.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Izzy Childs, 2950 SW 27th Avenue, Suite 206, Miami, FL 33133 (Tel: (786) 422-9717) (Email: franchising@blacksheepcoffee.us).

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

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

The issuance date of this Franchise Disclosure Document is April 28, 2025, as amended January 26, 2026

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit B. Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution**. The franchise agreement requires you to resolve disputes with us by mediation and litigation in Florida. Out of state mediation and litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate and litigate in Florida than in your own state.

2. **GENERAL FINANCIAL CONDITION**. The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

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

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

Table of Contents

<u>Exhibits</u>

Item 1 The Franchisor and any Parents, Predecessors, and Affiliates

The Franchisor

The Franchisor is Black Sheep Coffee Franchising LLC. In this disclosure document ("**FDD**"), we refer to "Black Sheep Coffee Franchising LLC" as "**we**", "**us**", "**our**", "**BSC**", or the "**Company**". We were organized as a Delaware limited liability company on May 16, 2022. We conduct business under the name "Black Sheep Coffee." We do not do business under any other name. Our principal place of business is at 2950 SW 27th Avenue, Suite 206, Miami, FL 33133 (Tel: (786) 422-9717). Our agents for service of process are listed on Exhibit C to this Franchise Disclosure Document.

Our Parents, Predecessors, and Affiliates

We have no predecessors. Our corporate parents and affiliates are as follows:

Conilon Ltd., a United Kingdom company (Reg. No. 08663274) formed on August 27, 2013 ("Conilon"). 2nd Floor Crowne House, 56-58 Southwark Street, London, United Kingdom, SE1 1UN	Conilon is our parent company. Conilon is the owner of the Proprietary Marks and has licensed to us the right to use the Proprietary Marks as further described in Item 13 below. Conilon has never offered franchises in any line of business.
Black Sheep Coffee Franchising Ltd, a United Kingdom company (Reg. No. 10327362) formed on August 12, 2016 ("**Black Sheep UK**"). 2nd Floor Crowne House, 56-58 Southwark Street, London, United Kingdom, SE1 1UN	Black Sheep UK has offered franchises for BSC Shops in the United Kingdom and France since August 2018 and in the Middle East (including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) since 2023. As of December 31, 2024, Black Sheep UK had a combined total of 109 franchised and company-owned BSC Shops open globally. Black Sheep UK has not offered franchises in any other line of business.

The Franchise Offered

We offer franchises for the establishment and operation of "Black Sheep Coffee" businesses ("**BSC Shops**") that specialize in fresh roasted coffee beverages and retail items for on-premises and carry-out consumption. BSC Shops are characterized by our system (the "**System**"). Some of the features of our System are our distinctive products; signage; distinctive interior and exterior design and accessories; artwork; music playlists; operational procedures; standards and specifications; quality of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs. We may periodically change parts of the System.

You must operate your BSC Shop in accordance with our standards and procedures, as set out in our Confidential Brand Standards Manual (the "**Manual**"). We will lend you, or make available electronically, a copy of the Manual for the duration of the Franchise Agreement. In addition, we will grant you the right to use our marks, including the mark "Black Sheep Coffee" and any other trade names and marks that we designate in writing for use with the System (the "**Proprietary Marks**").

BSC Shops will be operated from an indoor structure that need not be free-standing, in a target size ranging from approximately 1,500 to 2,500 square feet and are decorated to meet our specifications (including the use of our trade dress, trademark, and design).

We offer to enter into franchise agreements ("**Franchise Agreements**") with qualified entities and persons ("**you**") that wish to establish and operate BSC Shops. We award franchises in our discretion, and in order to be qualified to become our franchisee, we will consider many factors that include, among other things, a prospective franchisee's financial resources, educational and work background, personality fit, and ability to work with our team. A copy of the form Franchise Agreement is attached to this FDD as Exhibit A-1.

In this disclosure document, "you" means the person or legal entity with whom we enter into an agreement. The term "you" also refers to the direct and indirect owners of a corporation, partnership, limited liability company, limited liability partnership, or trust that signs a Franchise Agreement as the "franchisee" or a Multi-Shop Development Agreement as the "Developer".)

We may also offer a Multi-Shop Development Agreement ("**MSDA**") to qualified parties ("**Developers**"). Our current form of MSDA is attached to this Disclosure Document as Exhibit A-2. If you sign an MSDA, we will grant you the right, and you will accept the responsibility, to establish an agreed-upon number of BSC Shops within an agreed-upon designated area (the "**Development Area**"), under an agreed-upon timetable (the "**Development Schedule**"). Each BSC Shop will be constructed and operated under a separate Franchise Agreement. The Franchise Agreement for the first BSC Shop developed under the MSDA will be in the form attached to the MSDA. The Franchise Agreement for each additional BSC Shop developed will be in the form of the Franchise Agreement that we generally offer to new franchisees at that time and may contain materially different terms and conditions than the first Franchise Agreement you sign.

Applicable Regulations

You must comply with all local, state, and federal laws that apply to your BSC Shop operations, including for example health, sanitation, no-smoking, EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disability Act of 1990 requires readily accessible accommodation for disabled persons and therefore may affect your building construction, site elements, entrance ramps, doors, seating, restrooms, drinking facilities, etc. For example, you must obtain real estate permits (e.g., zoning), real estate licenses, and operational licenses. There are also regulations that pertain to handling consumer data, sanitation, healthcare, labeling, caloric information, nutrition disclosures, allergen disclosures, food preparation, food handling, and food service. You will be required to comply with all applicable federal, state, and local laws and regulations in connection with the operation of your BSC Shop. You must also follow the Payment Card Industry Data Security Standards and comply with applicable privacy laws relating to customer credit card transactions. We recommend that you examine and consider the impact of these and all applicable laws, regulations, and standards before entering into any agreement with us. The laws in your state or municipality may be more or less stringent, and there may be specific laws or regulations in your state or municipality regarding the operation of a BSC Shop. You should consult with your attorney concerning those and other local laws and ordinances that may affect your Franchised Business' operation.

Competition

You can expect to compete in your market with locally-owned businesses, as well as with national and regional chains, that offer coffee and baked goods, and other items that may compete with the products offered at a BSC Shop. The market for these items is well-established and very highly competitive. These businesses vigorously compete on the basis of factors such as price, service, store location, and product quality. These businesses are often affected by other factors as well, such as changes in consumer taste, economic conditions, seasonal population fluctuation, and travel patterns. To the extent that customers may be able to buy "Black Sheep Coffee" brand products from other sources (for example, other BSC Shops, retailers, or our website), you may appear to, or actually, compete with other sellers of "Black Sheep Coffee" brand products.

Item 2 Business Experience

The following individuals have management responsibility for the sale or operation of the franchise offered by this disclosure document.

Co-Founder and Co-CEO: Eirik Holth

Mr. Holth co-founded Black Sheep Coffee in 2023 and has served as the co-CEO of the brand since that time. Mr. Holth was based in the United Kingdom until 2023, and is now based in Miami, Florida.

Co-Founder and Co-CEO: Gabriel Shohet

Mr. Shohet co-founded Black Sheep Coffee in 2023 and has served as the co-CEO of the brand since that time. Mr. Shohet was based in the United Kingdom until 2023, and is now based in Miami, Florida.

EMEA Growth Director and Chief of Staff: Isobel (Izzy) Childs

Ms. Childs has served as our EMEA Growth Director and Chief of Staff since September 2025. Ms. Childs previously served as our Head of Finance, Finance Director and Managing Director since 2018. Ms. Childs is based in the United Kingdom. She is a Chartered Accountant who qualified at EY in New Zealand.

Head of Franchising: Lewis Blakey

Mr. Blakey has served as the Head Of Franchising since July 2025. From October 2021 to June 2025, he was the Retail Franchise Manager for Costa Coffee Ltd., located in Buckinghamshire, United Kingdom. From January 2016 to October 2021, Mr. Blakey served as the Business Development Support Manager for Greggs PLC, located in Newcastle upon Tyne, United Kingdom. Mr. Blakey is based in the United Kingdom.

Chief Operating Officer: Ben Fenton

Mr. Fenton currently serves as Chief Operating Officer. He was promoted to this role in March 2025 and previously had served as Director of Operations at Black Sheep since 2022 in London, England. His prior experience includes multiple senior managerial roles at Itsu from 2012-2019, most notably serving as Senior Vice President in New York City, New York from 2016 to 2019.

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

Franchise Agreement

Initial Franchise Fee

The initial franchise fee is $40,000 and is due to us when you sign the Franchise Agreement. The initial franchise fee is nonrefundable due in one lump sum and uniformly applied.

Initial Inventory

Before you open for business, you must purchase certain initial inventory from us. This initial inventory will include our full range of coffee beans both for preparation of beverages and for retail sale of brew-at-home coffee products, our full range of Nespresso® compatible coffee capsules, ready-to-drink products, reusable coffee mugs, crockery to serve sit-in customers, uniforms (including aprons, t-shirts, and hoodies), tote bags, branded packaging for take-out and delivery orders and other merchandise products. We estimate that the cost of the initial inventory that you must buy from us will range from $5,000 to $10,000, depending on the size and configuration of your BSC Shop. The cost of the initial inventory is due to us in one lump sum and is non-refundable.

On-Site Opening Assistance

If you are opening your first Black Sheep Coffee Shop, we will provide you with one of our representatives, for up to 10 days, to furnish on-site opening assistance and training in connection with the opening of your Shop ("On-Site Opening Assistance"). The precise period of On-Site Opening Assistance furnished to your Shop will depend on the level of assistance and training required by your Shop (as we determine in our sole judgment). You will be required to pay us a non-refundable, lump sum fee of $10,000 in connection with such On-Site Opening Assistance (the "On-Site Opening Assistance Fee"). This On-Site Opening Assistance Fee is payable in a lump sum when you sign the Franchise Agreement and is not refundable. If you are opening your second or later Shop, or obtaining your Shop through a transfer or assignment of an existing Shop, we may (as determined in our sole discretion), but need not, furnish such On-Site Opening

Assistance. If we do, you will be required to pay us the On-Site Opening Assistance Fee for such second or later Shop.

Development Agreement

If you sign an MSDA with us, you must pay us a development fee ("Development Fee") that will vary depending on the number of BSC Shops you commit to develop thereunder, which is calculated as follows: (a) 100% of the initial franchise fee (i.e., $40,000) for the first BSC Shop to be developed under the MSDA plus (b) 50% of the Initial Franchise Fee multiplied by the remaining number of BSC Shops to be developed under the MSDA. By way of example only, if we grant you the right to develop three BSC Shops pursuant to the MSDA, you will be required to pay us a Development Fee equal to $80,000 (i.e., $40,000 + [$20,000 x 2]), and if we grant you the right to develop five BSC Shops pursuant to the MSDA, you will be required to pay us a Development Fee equal to $120,000 (i.e., $40,000 + [$20,000 x 4]). The Development is due in one lump sum and is non-refundable.

When we execute the then-current form of Franchise Agreement for the second and subsequent BSC Shop by the execution deadlines set forth on the Development Schedule, $20,000 of the Development Fee will be applied toward the balance of the initial franchise fee for each of the second and subsequent BSC Shops.

You pay us or our affiliates no other fees or payments for services or goods before your BSC Shop opens.

Item 6 Other Fees

Type of Fee	Amount	Due Date	Remarks
Royalty (Note 1)	7% of Gross Sales (Note 2)	Payable monthly, by the 14th day of each month based on the Gross Sales of the previous month (Note 3)	
Marketing Contribution (Note 1)	2% of Gross Sales	Same as Royalties.	
Supplier/Vendor or Supplies Approval (Note 4)	Cost of inspection of supplier's facilities and/or test of supplier's samples, plus our reasonable related costs and expenses	Upon demand	Only due if you propose a new supplier or vendors (or particular suppliers) that we have not previously approved
Product and Equipment Purchases	Will vary	Upon delivery or as agreed	We charge you for products and equipment you purchase from or through us.

Type of Fee	Amount	Due Date	Remarks
Inspection or Audit (Note 5)	Cost of inspection or audit plus our reasonable related costs and expenses	Upon demand	Only due if inspection or audit discloses that information provided to us was materially inaccurate or misleading
Interest	Interest is 1.5% per month on missed, overdue, or insufficient payments.	Upon demand.	Only due if you do not make proper payment on time. Interest begins to accrue when payment was initially due. If a maximum interest rate applies under your state's law, then interest will not exceed that maximum rate.
Renewal Fee	$20,000	Due upon execution of Renewal Agreement	Payable upon renewal of the Franchise Agreement on the terms described in that agreement. The renewal fee is due instead of a new initial franchise fee.
Transfer Fee (Franchise Agreement)	$5,000, plus the costs and expenses (including any professional fees) we incur in connection with our review and approval of the transfer, as well as any applicable broker fees	At the time of transfer	Only due if you propose a transfer. For a transfer upon disability or death of the franchisee's principal, or a simple assignment for the convenience of ownership, we will not charge a transfer fee (but ask instead to be reimbursed for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting the transaction).
Securities Offering Fee	$10,000 (or our reasonable costs and expenses, if more)	Upon demand	Only due if you or an affiliate engage in a securities offering. You also must indemnify us (see below).
Relocation Expenses	$10,000, plus our costs and expenses we reasonably expect to incur (including, for visits to the proposed location).	At the time of relocation	Only due if you propose to relocate your franchise.
Additional Training	$3,000 per person.	Upon demand	Only due if you ask to send more than the required

Type of Fee	Amount	Due Date	Remarks
			number of people to be trained or if someone that we trained leaves your employ, in which case you must enroll her/his replacement in our training program. If so, we may require you to pay this discounted per person training fee.
Cost of Enforcement or Defense (Note 6)	Will vary under circumstances	Upon demand	See Note 6
Insurance	Actual costs	Upon demand	Only due if you fail to purchase the required business insurance, and we exercise our right to buy insurance for you (we are not obligated to do so).
Indemnification	All costs and expenses, including attorneys' fees	Upon demand	Only due if the indemnification clause is involved. You will defend suits at your own cost and hold us harmless against suits involving damages resulting from your operation of the BSC Shop, including related securities offerings.
Tech and Card Processor Vendor Fees	Variable, currently $1,053 per Shop per month. See Note 7	As incurred.	Fees by tech and card processing vendors that provide products and/or services to you must be paid directly to those vendors in the ordinary course of business or, where we manage the accounts, to us as a pass-through to the vendors. These amounts are subject to increases as determined by the vendors. See Note 7.

Type of Fee	Amount	Due Date	Remarks
Liquidated Damages	If due, will vary. Please see Note 8.	If incurred	Only due if we terminate your Franchise Agreement due to default or if you abandon your operation. (Note 8)

Notes to Item 6 tables:

1. **Fees.** The fees listed in the Item 6 tables are payable only to us or our affiliates (except for the Additional Tech and Card Processor Vendor Fees, which may be paid to a vendor). All fees due to us or our affiliates (such as royalty fees, advertising contributions, amounts due for your purchases from us or our affiliates, and other amounts due under the Franchise Agreement) must be paid through electronic funds transfer (using the ACH network). We may debit this account to collect these amounts. You must keep a sufficient balance in the account from which the ACH deductions are made to pay all of the fees due under the Franchise Agreement. We have the right to change payment method requirements. All of the fees payable to us or our affiliates are uniformly imposed and collected, although in certain instances, we may waive the requirement to pay some of these fees. None of the fees payable to us or our affiliates are refundable.

2. **Gross Sales.** As used in the Franchise Agreement, "Gross Sales" means all revenue from the sale of all items and services at your BSC Shop (including offsite sales), as well as all other income of every kind that relates to, derives from, or originates from your BSC Shop. Gross Sales include barter proceeds as well as the proceeds of any business interruption insurance policies. Gross Sales include payments in cash or credit and regardless of theft, or of collection in the case of credit. Gross Sales excludes sales taxes and other taxes that you collect from your customers and remit to the appropriate taxing authorities, as well as revenue from selling gift cards (but your revenue from sales to customers redeeming those cards for payment is included in Gross Sales).

3. **Payments.** Payments are due in our account by 11:59pm (U.S. Central time) on the due date (although we may initiate ACH debits earlier so that the funds reach our account on time).

4. **Supplier/Vendor, Supplies Approval.** If you wish to sell or use any product that we have not already approved, or buy products from a vendor that we have not already approved, you must follow the procedure under the Franchise Agreement. Among other things, that includes submitting samples of the proposed item as well as other information, for inspection and testing. You or the proposed vendor will pay the reasonable cost of the inspection and evaluation and the actual cost of any testing.

5. **Inspection or Audit.** If we conduct an inspection or audit of your records and find that any payments due to us have been understated or underpaid, then you must immediately pay us, upon demand, the understated or underpaid amount plus interest from the date any amount was due until paid. If an inspection or audit shows that the information provided to us was materially inaccurate or misleading (or it cannot be determined whether it was

materially inaccurate or misleading because you did not maintain and preserve the required records), then you also must reimburse our costs and expenses, including accounting and attorneys' fees connected with the inspection or audit. An understatement of Gross Sales or underpayment of 2% or more in any report is deemed to be materially inaccurate and misleading.

6. **Cost of Enforcement or Defense.** If a claim for amounts you owe to us is asserted in any legal proceeding before a court of competent jurisdiction, or if we or you must enforce the Franchise Agreement, MSDA or a related agreement (including non-compete agreements) in a judicial or arbitration proceeding, we will be entitled to reimbursement of our costs, including reasonable accounting and attorneys' fees, resulting from this proceeding. You also will be responsible for our costs of enforcement if your personnel do not comply with their confidentiality or non-competition obligations. This fee will only become due if: (i) you are in default under the Franchise Agreement or MSDA, in which case you must reimburse us for our expenses (including reasonable attorneys' fees) in enforcing or terminating the agreement; (ii) if we successfully defend claims from you regarding the Franchise Agreement; or (iii) if we incur costs in your defense except where a court with competent jurisdiction determines the claim or expense was caused solely by our gross negligence or willful misconduct.

7. **Tech and Card Processor Vendor Fees**. You must use all technology hardware, software, and programs and services that we designate, including without limitation, related to the POS, kiosk and other ordering systems, loyalty and CRM systems, in-store music, WiFi solutions, inventory management and workforce management, listing services, mobile device management, emails, reporting solutions, etc. You must pay all fees and costs imposed by such vendors. We reserve the right (but not the obligation) to manage these accounts for you and if we do, you must pay us the amounts required by such vendors as a pass-through. These amounts are subject to increase from time to time based on increases determined and imposed by the vendors.

8. **Liquidated Damages**. If the Franchise Agreement is terminated or if you permanently close the Franchised Business before the term of the Franchise Agreement expires, then you will have to pay liquidated damages in the form of lost future royalties. Liquidated damages begin from the earlier of the termination date or the date that you cease to operate the Shop. You will have to pay these liquidated damages in a lump sum amount, which will be equal to the mathematical product of: (a) the Store's monthly average Gross Sales for the 12 months before termination or permanent closure (or if the Shop has not been operating for 12 months, the average of the months of actual operation)); (b) multiplied by the royalty fee rate, multiplied by the lesser of 36 or the number of months remaining in the term of the Franchise Agreement.

9. **CPI Adjustment**. We will have the right to make inflation adjustments to the fixed-dollar amounts under the Franchise Agreement (but not the Initial Franchise Fee, except if you sign an MSDA, in which case the second or subsequent Franchise Agreement you sign with us may have an Initial Franchise Fee that has increased based on cumulative CPI adjustments) if there are changes in the Index from the year in which you signed the Franchise Agreement. "**Index**" means the Consumer Price Index published by the U.S.

Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we can designate a reasonable alternative measure of inflation.

Item 7 Estimated Initial Investment

YOUR ESTIMATED INITIAL INVESTMENT

A SINGLE SHOP UNDER A FRANCHISE AGREEMENT

Type of Expenditure	**Amount**		**Method of Payment**	**When Due**	**To Whom Payment Is Made**
	From	To			
Initial Franchise Fee (Note 1)	$40,000	$40,000	Lump Sum	Upon signing Franchise Agreement	Us
Lease (Note 2)	$11,250	$50,000	As incurred	Before opening, as incurred	Landlord
Utility Deposit (Note 3)	$1,000	$5,000	As incurred	Before opening, as incurred	Utility Providers
Architect Fees (Note 4)	$21,000	$60,000	As incurred	Before opening, as incurred	Third Parties
Construction Costs (Note 4)	$400,000	$800,000	As incurred	Before opening, as incurred	Third Parties
Expenses for Initial Training (Note 5)	$5,000	$10,000	As incurred	Before opening, as incurred	Third Parties
On-Site Opening Assistance (Note 6)	$10,000	$10,000	Lump Sum	Upon signing Franchise Agreement	Us
Business Licenses and Permits (Note 7)	$5,000	$10,000	As incurred	Before opening, as incurred	Licensing Authorities
Business Insurance (Note 8)	$5,000	$10,000	As incurred	Before opening, as incurred	Insurance Providers
Initial Inventory (Note 9)	$5,000	$10,000	As incurred	Before opening, as incurred	Approved Suppliers or Us

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
IT, Computer Hardware & Software (Note 10)	$35,000	$40,000	As incurred	Before opening, as incurred	Approved Vendor
Furniture, Fixtures, & Eqpt (Note 11)	$50,000	$100,000	As incurred	Before opening, as incurred	Approved Suppliers
Signage (Note 11)	$20,000	$50,000	As incurred	Before opening, as incurred	Approved Suppliers
Grand Opening Marketing Program (Note 12)	$5,000	$10,000	As incurred	Before and during opening	Various
Professional Fees (Note 13)	$20,000	$40,000	As incurred	Before opening, as incurred	Accountants, Attorneys, and Consultants
Additional Funds (3 months) (Note 14)	$104,900	$155,000	As incurred	After opening	Various
Total	**$738,150**	**$1,400,000**			

Notes to Item 7 tables:

We do not offer direct or indirect financing for any part of the initial investment. We do not guarantee your note, lease or obligations. None of the fees payable to us or our affiliates is refundable. We cannot estimate whether and to what extent fees payable to third parties may be refunded.

1. **Initial Franchise Fee.** The initial franchise fee is $40,000, as described in Item 5, and is used to defray our costs for providing training, promotional assistance and materials, site selection guidance, and other services.

2. **Lease.** You must purchase or lease a space at which to operate your BSC Shop. The estimate set forth in the table above assumes three months of rent (security deposit, plus first and last month's rent) for a BSC Shop that is approximately 1,500 to 2,500 square feet, with rent at $30 to $80 per square foot per year, and no obligation to pay rent during the build-out period (before you actually open for business). BSC Shop locations include prime downtown store fronts, suburban centers, entertainment centers, major residential developments, high traffic drive thrus and shopping centers. Rent varies considerably from

market to market, and from location to location within each market. Rents may vary beyond the range that we have provided based on factors such as competition and market conditions in your area, the type and nature of improvements needed to the premises, the size of the BSC Shop, the terms of the lease, and the desirability of the location. If you cannot negotiate a pre-opening rent abatement your costs will be higher. If you choose to buy (instead of leasing) the real estate for your BSC Shop, you will incur additional costs that we cannot estimate.

3. **Utility Deposit.** You may be required to pay deposits before the installation or beginning of service of telephone, gas, electric and other utilities. This estimate excludes utility tap fees which are typically covered by the landlord.

4. **Architect's Fees and Construction Costs.** The cost of construction depends upon the size and condition of the premises, the nature and extent of leasehold improvements required, including awning, general construction, permits, architectural fees and legal fees. The location, age and size of the BSC Shop and the extent of landlord participation in the build-out significantly affect that cost. The lower figure assumes that the cost of leasehold improvements is borne by the landlord through a tenant improvement allowance for leasehold improvements. The range of figures in the table above includes the cost of reasonable renovation or leasehold improvements. The extent of the required leasehold improvements may vary widely depending upon the existing facility and modifications required to accommodate a coffee shop/bakery operation. The architect's fee is not included in the total estimate for construction and is shown as a separate entry in the above chart. The estimate is a range based upon a 1,500 square foot unit to a 2,500 square foot freestanding, newly constructed pad site. If you incur higher build-out costs, then your total expenditure will be higher as well.

5. **Initial Training Expenses.** You are responsible for making arrangements and paying the expenses for any persons attending the training program, including transportation, lodging, meals and wages. The amount expended will depend, in part, on the distance you must travel and the type of accommodation you choose. The estimate provided contemplates the training of 1 franchisee owner for 1 day attending the Owner Training, and 4 people (the operating owner, Shop manager, and 2 designees) for approximately 2 weeks in attendance at the Operator / Management Training in accordance with the training schedule in Item 11. The estimate assumes a per diem cost per person of $50 to $100 and a travel allowance of $500 to $1,500 per person.

6. **On-Site Opening Assistance**. If you are opening your first Black Sheep Coffee Shop, we will provide you with one of our representatives, for up to 10 days, to furnish on-site opening assistance and training in connection with the opening of your Shop ("On-Site Opening Assistance"). The precise period of On-Site Opening Assistance furnished to your Shop will depend on the level of assistance and training required by your Shop (as we determine in our sole judgment). You will be required to pay us a non-refundable fee of $10,000 in connection with such On-Site Opening Assistance (the "On-Site Opening Assistance Fee"). This On-Site Opening Assistance Fee is payable in a lump sum when you sign the Franchise Agreement and is not refundable. If you are opening your second or later Shop, or obtaining your Shop through a transfer or assignment of an existing Shop,

we may (as determined in our sole discretion), but need not, furnish such On-Site Opening Assistance. If we do, you will be required to pay us the On-Site Opening Assistance Fee for such second or later Shop.

7. **Business Licenses and Permits.** This estimate includes costs relating to business license requirements, health and safety regulations (including occupancy), employment regulations, food handling regulations, music and entertainment (including license fees to copyright and other intellectual property owners and vending licenses). You should not consider this list as comprehensive. The laws in your state, county or municipality may be more or less stringent. You are advised to examine these laws before purchasing a franchise from us. You may need to hire accountants and/or legal counsel to assist you in obtaining required licenses and permits and other legal compliance, which is shown as a separate entry in the above chart.

8. **Business Insurance.** The estimate is to pay for 12 months' insurance coverage under the required minimums under your Franchise Agreement, both before and after you open your BSC Shop. The cost of insurance will vary based on the type of policies procured, nature and value of physical assets, gross revenues, number of employees, square footage, geographical location, size, and contents of the business, and other factors bearing on risk exposure.

9. **Initial Inventory.** These amounts represent your initial inventory of food and beverage supplies, paper goods, to-go packaging, menus and uniforms for the initial phase of operating the coffee shop. An estimated range of $5,000 to $10,000 of the initial inventory amount represents inventory which you must purchase from us.

10. **IT, Computer Hardware & Software.** The estimated initial investment includes costs related to the mandatory purchase of POS System hardware and software as well as video surveillance, security cameras, audio equipment, IT networking, electronic menu boards, televisions and, if applicable, drive-thru technologies for the Franchised Business. We reserve the right to implement as a part of our standards and specifications contained in the Manuals the requirement that you obtain approved accounting, reporting and operational software. We do not currently anticipate that any required software will be customized and proprietary, thus the terms and conditions of any software license or other agreement which may be required to be executed by you in connection with software are not known to us at this time.

11. **Furniture, Fixtures, Equipment, and Signage.** You must furnish your Franchised Business in accordance with our standards. This will include certain required equipment, furniture, fixtures, trade dress, and signage. These costs will vary depending on the size and condition of the Franchise BSC Shop. Your required equipment will include the necessary coffee and equipment systems, dry and cold storage equipment, work areas and all other equipment required to properly operate the BSC Shop. Your furniture, fixtures, equipment, trade dress, and signage must be obtained from our approved or your pre-approved supplier and conform to our standards, including standards related to the use of our trademarks as described in the Manual.

12. **Grand Opening Marketing Program.** You will be required to spend the amount specified in your Franchise Agreement on for grand opening marketing and promotional programs in conjunction with the initial launch of your BSC Shop, an amount which we estimate will be at least $5,000. These programs include marketing spanning from 14 days before opening to no later than 2 days post-opening, and may include food and beverage giveaways, and related direct labor.

13. **Professional Fees.** The estimate is for legal, accounting, administrative, traffic studies, demographic studies, and miscellaneous other professional fees that you may incur before you open for business, including (among other things) to assist you in reviewing the Franchise Agreement. Your actual costs may vary, for example, depending on the degree to which you rely upon your advisors, type of financing, lease negotiations, and the permitting process in your city. The hourly rates for advisors, accountants, and legal professionals will also vary.

14. **Additional Funds.** You will need capital to support on-going expenses, such as payroll and utilities, to the extent that these costs are not covered by sales revenue. New businesses often generate a negative cash flow. We estimate that the amount given will be sufficient to cover ongoing expenses for the start-up phase of the business, which we calculate to be three months. This is only an estimate, however, and there is no assurance that additional working capital will not be necessary during this start-up phase or after. Our estimate is based on our own business experience and information and that of our affiliates. The estimates do not and cannot account for the impact of future inflation.

    Your credit history could impact the amount (and cost) of funds needed during the startup phase. If you have no credit history or a weak credit history suppliers may give you less favorable lending and payment terms, which might increase the amount of funds you will need during this period.

    You will need to have staff on-hand before opening to prepare the Store for opening, training, orientation, and related purposes. We estimate that you will need approximately three days of staff time to get ready for your opening. Your staffing costs will depend on the prevailing wage rates in your area.

    The figures in the chart and the explanatory notes are only estimates. Your actual costs may vary considerably, depending, for example, on factors such as: local economic conditions; the local market for the Store; timing of your Store opening; the prevailing wage rate; competition; the sales level achieved during the initial period of operation; and your management and training experience, skill, and business acumen.

    You should review these figures carefully with a business advisor before making any decision to purchase the franchise. You should take into account the cash outlays and probable losses that you may incur while you are trying to get established. Extensive start-up costs may be involved, depending upon your circumstances.

YOUR ESTIMATED INITIAL INVESTMENT

FIVE SHOPS UNDER AN MSDA

Type of Expenditure	Amount		Method of Payment	When Due	To Whom Payment Is Made
	From	To			
Development Fee (Note 1)	$120,000	$120,000	Lump Sum	Upon signing MSDA	Us
Professional Fees (Note 2)	$20,000	$40,000	As Arranged	As Arranged	Attorney, Accountant
Total (Note 3)	**$140,000**	**$160,000**			

Notes to Item 7 tables, continued:
We do not offer direct or indirect financing for any part of the initial investment. We do not guarantee your note, lease or obligations. None of the fees payable to us or our affiliates is refundable. We cannot estimate whether and to what extent fees payable to third parties may be refunded.

1. **Development Fee.** The Development Fee will vary depending on the number of BSC Shops you commit to develop under the MSDA, and is calculated as follows: (a) 100% of the initial franchise fee (i.e., $40,000) for the first BSC Shop to be developed under the MSDA plus (b) 50% ($20,000) multiplied by the remaining number of BSC Shops to be developed under the MSDA. The estimate above assumes that you will develop five Shops under the MSDA; however, this is not a maximum. The Development Fee is non-refundable.

2. **Professional Fees.** We recommend strongly that you engage the services of professionals to assist you in evaluating our franchise and to enter into the MSDA. This will include attorneys and accountants. Actual costs depend on the work done by your attorneys and accountants and their rates

3. **Totals.** If you sign an MSDA, the estimated initial investment for the first BSC Shop you open thereunder is as disclosed in the Item 7 table above for individual Franchise Agreements (i.e., between $738,150 and $1,400,000). You should be aware that the estimated initial investment (the estimate of which is disclosed in the Item 7 table above for individual Franchise Agreements) for your second and subsequent BSC Shops, however, will likely be higher than for your first BSC Shop due to inflation and other economic factors that may vary over time. In addition, we expect that if you need a vehicle to view potential sites, oversee the build-outs, supervise multiple locations, etc., you will already have such a vehicle prior to your acquisition of development rights that you can use for this purpose, so have not included these costs.

Item 8 Restrictions on Sources of Products and Services

Required Purchases of Goods and Services

You must operate the Franchised Business in conformity with the methods, standards, and specifications that we require (whether in the Manual or otherwise). Among other things, these standards require that you must:

- sell or offer for sale only those products and services, using the equipment and other items, that we have approved in writing for you to offer and use at your Franchised Business;

- sell or offer for sale all those products and services, using the equipment and other items, and employing the techniques that we specify in writing;

- not deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent;

- stop using and offering for use any products or services that we at any time disapprove in writing (recognizing that we have the right to do so at any time).

If you deviate (or propose to deviate) from our standards and specifications, whether or not we have approved, the deviation will become our exclusive property.

You must at all times operate the Franchised Business according to the key performance indicators ("**KPIs**") applicable to the operation of all BSC Shops that we periodically establish in the Manual.

We have the right to designate only one supplier for certain items used at the Franchised Business in order to take advantage of marketplace efficiencies, and to maintain BSC brand standards. We and our affiliates and designees are presently the only approved supplier for coffee and certain food items (however, we also require you to purchase certain technology related products and services through us, which accounts we manage as a pass-through). We reserve the right to also serve as the only approved supplier for furniture, fixtures, and equipment you are required to purchase for the operation of your Franchised Business.

The Franchise Agreement also provides that you may not use any item bearing our trademarks without our prior written approval as to those items. We estimate that the cost of your purchases and leases from sources that we designate or approve, as well as purchases in accordance with our standards and specifications, will be approximately 75% to 100% of the total cost of establishing a Franchised Business and approximately 40% to 75% of the cost of continued operation of the franchise.

You must allow us or our agents, at any reasonable time, to inspect the Franchised Business and to remove samples of items or products, without payment, in amounts reasonably necessary for inspection or testing by us or a third party to determine whether those samples meet our then-current standards and specifications. We may require you to bear the cost of that testing if we did not previously approve in writing the supplier of the item or if the sample that we take from your Franchised Business fails to conform to our specifications.

Approval of Alternative Suppliers

If you want to buy any supplies, or any other items from an unapproved supplier, you first must submit to us a written request asking for our approval to do so. You may not purchase from any proposed new supplier until we have reviewed and, if we think it is appropriate, approved in writing the proposed new supplier. We will provide our decision within sixty days after we have received your proposal. When considering whether to approve any particular possible supplier, we will consider (among others) the following factors:

- whether the supplier can show, to our reasonable satisfaction, the ability to meet our then-current standards and specifications;

- whether the supplier has adequate quality controls, insurance, capability, and capacity to supply the System's needs promptly and reliably; and

- whether the supplier's approval would enable the System, in our sole opinion, to take advantage of marketplace efficiencies.

Among other things, we will have the right to require that our representatives be permitted to inspect the proposed new supplier's facilities, and that samples from that supplier be delivered either to us or to an independent laboratory that we designate for testing. Either you or the proposed new supplier must pay us a charge (which will not exceed the reasonable cost of the inspection and the actual cost of the tests). We also may require that the proposed new supplier comply with certain other requirements that we may deem appropriate, including for example payment of reasonable continuing inspection fees and administrative costs, or other payment to us by the supplier on account of their dealings with you or other franchisees, for use, without restriction (unless otherwise instructed by the supplier) and for services that we may render to our suppliers.

Our criteria for approving a proposed supplier include various quality related factors, including for example the supplier's history, its other production work, product quality, quality controls, and related benchmarks. We typically will provide you with our response to a proposed new supplier within 30-45 days, but that vary depending on factors such as the nature of the item that is proposed for our consideration and the supplier's cooperation and response. We have the right to periodically re-inspect the facilities and products of any approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria (if we revoke our approval, we will notify you in writing). You may not buy items from any supplier that we do not approve in writing, and you must stop buying items from any supplier that we may have approved but later disapprove.

Except for those products that you are required to purchase from us or our affiliates, none of our officers own any interest in any other approved or designated supplier for any product, good or service that you are required to purchase for the operation of your Franchised Business.

Our current designated mainline supplier for the System is Sysco (“Sysco”). In connection with procuring approved products and services from Sysco, you may be required to sign a joinder agreement to our Sysco Master Services Agreement. We have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**Allowances**") offered by suppliers to you or to us (or our affiliates) based upon franchisee purchases of products, equipment, and other goods and services. These Allowances include those based on System-wide purchases of products, equipment and other items. We may either retain the credit of any volume discounts, rebates or incentives received as a result of your purchases or contribute all or a portion of them to the Marketing Fund, should such a fund be established.

We and our affiliates intend to derive revenue based on franchisee purchases. During our last fiscal year ended December 31, 2024, we and our affiliates did not derive any revenue during the last fiscal year from the sale of products to our franchisees and licensees.

We have no purchasing or distribution cooperatives at the current time. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products or services to some or all of the BSC Shops in our System. If we do establish those types of alliances or programs, we may limit the number of approved suppliers with whom you may deal, we may designate sources that you must use for some or all products and services, and we may refuse to approve proposals from franchisees to add new suppliers if we believe that action would be in the best interests of the System or the licensed network of BSC Shops.

We have the right to negotiate prices and terms with suppliers for the benefit of our franchisees. As of the Issuance Date of this Disclosure Document, we and/or our affiliates have negotiated various arrangements with suppliers for the benefit of our franchisees. We do not provide material benefits to franchisees based on a franchisee's purchase of particular products or services or use of a designated or approved supplier.

Insurance

You are required to obtain and maintain, throughout the term of the Franchise Agreement, certain minimum insurance types and coverages, including:

- commercial general liability insurance protecting against any and all claims for personal, bodily and/or property injury occurring in or about the BSC Shop and protecting against assumed or contractual liability under the Franchise Agreement with respect to the BSC Shop and your operations, with such policy to be placed with minimum limits of $1,000,000 combined single limit per occurrence and $2,000,000 general aggregate per location;

- comprehensive automobile liability insurance, including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than $1,000,000 combined single limit for both bodily injury and property damage;

- statutory workers' compensation insurance and employer's liability insurance for a minimum limit equal to at least the greater of $1,000,000 or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the BSC Shop is located;

- data theft and cybersecurity coverage with limits of liability not less than $500,000 combined single limit;

- employment practices liability insurance with limits of liability not less than $1,000,000 combined single limit;

- foodborne illness coverage shall be included within the general liability coverage noted above, with coverage of at least $1,000,000 combined single limit for both bodily injury and property damage;

- commercial umbrella liability insurance with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than $4,000,000 total limit of liability (to provide at least those coverages and endorsements required in the underlying policies);

- property insurance providing coverage for direct physical loss or damage to real and personal property in minimum coverage of $500,000 for the building and $250,000 for contents coverage (with no more than a $5,000 deductible) for all risk perils, including the perils of flood and earthquake (plus appropriate coverage for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis, as well as coverage for food spoilage of at least $25,000, including wind or named storm deductible at 2% with $25,000 minimum per occurrence deductible;

- products liability insurance with limits of liability not less than $1,000,000, which policy will be considered primary;

- fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass (with no more than a $2,000 deductible); and

- any other insurance coverage that is required by federal, state, or municipal law. These policies must all include us and any entity in which we have an interest, as well as our affiliates, and each of our respective members, managers, shareholders, directors, officers, partners, employees, servants, and agents, as additional insured parties.

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 item of this disclosure document.

	Obligation	Section in Franchise Agreement	Section in MSDA	Disclosure Document Item
a.	Site selection and acquisition/lease	1.2, 5	Not applicable	11, 12
b.	Pre-opening purchase/leases	5, 6, 7, and 14	Not applicable	11
c.	Site development and other pre-opening requirements	3.2, 5	2	5, 6, 7, 11
d.	Initial and ongoing training	3.1 and 6	Not applicable	11
e.	Opening	3.4, 3.8, 5, and 8.2	Not applicable	5, 6, 7, 11
f.	Fees	1.2.3, 2.2.6, 4, 6.2., 6.4, 6.5, 7.1.1, 7.1.4, 8.4.8, 9.2.9, 11.2, 12.5, 12.7, 13, 14, 16.5.9, 16.7.1, 16.11, 17.7, 18, 19.10, 21.4, 27.9	3	5, 6
g.	Compliance with standards and policies/operating manual	1.6, 2.2, 3.5, 5, 6, 7, 8, 10, 12, 13.7, 14, and 15	1.3	8, 11, 15
h.	Trademarks and proprietary information	1.1, 7.4, 8.9, 9, and 10	8.2, 15	13, 14
i.	Restrictions on products/services offered	1.5 and 7	8.2	8, 16
j.	Warranty and customer service requirements	8	Not applicable	15
k.	Territorial development and sales quotas	1.3	2, Ex. 1, Ex. 2	12
l.	Ongoing product/service purchases	7	Not applicable	8
m.	Maintenance, appearance and remodeling requirements	5 and 8.8	Not applicable	11
n.	Insurance	15	Not applicable	7, 8, 11
o.	Advertising	3.6, 3.7, and 13	Not applicable	6, 11
p.	Indemnification	9.2.9, 16.11.2, 21, and Ex. C	13	14
q.	Owner's participation / management / staffing	8.3	Not applicable	11, 15
r.	Records and reports	4.2, 12, and 15.5	Not applicable	6, 11
s.	Inspections and audits	3.8, 6.4, 7.1, 8.11 and 12	Not applicable	6, 11
t.	Transfer	8.10, 16 and 19.5	21 and 22	17
u.	Renewal	2.2	Not applicable	17

	Obligation	Section in Franchise Agreement	Section in MSDA	Disclosure Document Item
v.	Post-termination obligations	11.1.1, 12.1.2, 18, 19.3, and 19.5	23, and 24	17
w.	Non-competition covenants	19	16, 17, 18, 19, and 20 Ex. 5	17
x.	Dispute resolution	27	25	17
y.	Taxes/permits	4.2, 5.3, 8.7, and 20	11	Not applicable
z.	Other: Personal Guarantee	Ex. B	10, Ex. 4	15

Item 10 Financing

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

Item 11 Franchisor's Assistance, Advertising, Computer Systems, and Training

Except as listed below, we are not required to provide you with any assistance.
Pre-Opening Assistance:
Before your open your Franchised Business, we will:

1. Provide services in connection with your site, including:

   - Site selection guidelines, counseling, and assistance as we deem advisable (*Franchise Agreement, Section 3.2; Site Selection Addendum, Section 2*);

   - One on-site evaluation without a separate charge upon receipt of a completed site selection package submission (*Site Selection Addendum, Section 2)*;

   - Written notice of approval or disapproval of the proposed site within 10 days of receiving your site selection package submission (*Site Selection Addendum, Section 3*);

   - Review of lease or sublease key business terms, design plans, and renovation plans for the BSC Shop (*Site Selection Addendum, Section 4*);

   - We may (but need not) lease sites for sublease to franchisees;

2. Make available our standard layout, design and image specifications for a BSC Shop, including:

   - Plans for exterior and interior design and layout (*Franchise Agreement, Section 3.3*); and

   - Written specifications for fixtures, furnishings, equipment, and signage (*Franchise Agreement, Section 3.3*), including the names of approved suppliers (however, we do not supply these items directly nor do we assist with delivery or installation);

3. Provide you with a copy of the Manual (as more fully described below in this Item 11 of this FDD) (*Franchise Agreement, Section 3.5*);

4. Provide you with training (as more fully described below in this Item 11 of this FDD) (*Franchise Agreement, Section 3.1*);

5. Assist you in developing your Grand Opening Marketing Program (*Franchise Agreement, Section 3.6*);

6. Inspect and evaluate your BSC Shop before it first opens for business (*Franchise Agreement, Section 3.8*); and

7. We may provide a representative to be present at the opening of the BSC Shop, and such additional on site pre opening and opening supervision and assistance that we think is advisable (*Franchise Agreement, Section 3.4*).

We are not required by the Franchise Agreement to furnish any other service or assistance to you before the opening of your Franchised Business.

<u>Continuing Assistance:</u>

We are required by the Franchise Agreement to provide certain assistance and service to you during the operation of your Franchised Business:

1. Provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine (*Franchise Agreement, Section 3.9*);

2. Periodically offer you the services of certain of our representatives, such as field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations (*Franchise Agreement, Section 3.9*); and

3. Provide ongoing training that we periodically deem appropriate, at such places and times that we deem proper (*Franchise Agreement, Section 6.4*)

Neither the Franchise Agreement, nor any other agreement, requires us to provide any other assistance or services to you during the operation of the Franchised Business.

<u>Typical Length of Time Before Start of Operations:</u>

When your BSC Shop opens for business, the development right for that BSC Shop will be satisfied. You must open your Franchised Business within 18 months following the date you sign the Franchise Agreement (if you have signed an MSDA, then by the required date under the Development Schedule of that MSDA). If you do not do so, that will be a default under both the MSDA and the Franchise Agreement for which we have the right to terminate those agreements.

We estimate the length of time between the signing of the Franchise Agreement and the time you open your BSC Shop at 180 to 300 days. Factors that may affect this time period include your ability to acquire financing or permits, build out your location, have signs and equipment installed in your location, and complete the required training. You must have a suitable location and signed lease within 180 days of signing the Franchise Agreement.

Advertising:

The Marketing Fund. You are required to contribute 2% of your Shop's Gross Revenues each month to our Marketing Fund. The following provisions (and others in the Franchise Agreement) apply to our Marketing Fund:

(1) We have sole decision-making authority and direction over all marketing programs, and any concepts, materials, and media used in such programs.

(2) The Marketing Fund, all contributions to that fund, and the fund's earnings, are used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System.

(3) The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon request an annual statement of the operations of the Marketing Fund as shown on our books.

(4) Although the Marketing Fund is intended to be of perpetual duration, we have the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

(5) None of the amounts that we will collect in connection with the Marketing Fund are used for marketing that is principally a solicitation for the sale of franchises.

(6) As to the Marketing Fund: (a) we are not required to spend any particular amount on marketing in the area where your Store is located; and (b) if there are unspent amounts in the Marketing Fund at fiscal year-end, those amounts are carried over by the Marketing Fund for expenditure in the following year. We do not currently have an advertising council composed of franchisees that advises us on advertising policies.

(7) We will make an annual accounting of the Marketing Fund available upon request. The Marketing Fund will not be audited.

(8) Company- or affiliate-owned Stores contribute to the Marketing Fund based on the same calculations that apply to a franchised Store.

During our last fiscal year ended December 31, 2024, the Marketing Fund did not collect any contributions or make any expenditures.

Regional Fund. If we have two or more franchisees operating in the same geographic DMA, or other circumstances arise that suggest it would be helpful, we have the right (but not the obligation) to establish a Regional Fund for that DMA. DMAs ("**Designated Market Areas**") are determined by Nielsen Media Research. We do not currently have any Regional Funds. If we establish a Regional Fund for your area, the following provisions (and others in the Franchise Agreement) will apply:

(1) If a Regional Fund for the geographic area in which the Franchised Business is located has already been established when you start operating under the Franchise Agreement, then you will have to immediately become a member of that Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is later established, then you will have to join that Regional Fund within thirty days after we give you notice that the Regional Fund is established. You will not be required to join more than one Regional Fund per individual BSC Shop.

(2) Each Regional Fund will be organized and governed in a form and manner, and start operations on a date, that we have approved, in writing. Voting will be on the basis of one vote per full-service BSC Shop (regardless of number of owners or whether the shop is franchised or owned by us or our affiliates).

(3) Regional Funds will be organized for the exclusive purpose of administering regional marketing programs and developing (subject to our approval) standardized marketing materials for use by the members in regional marketing. Regional Funds may not use marketing, advertising, promotional plans, or materials without our prior written consent.

(4) Although, if established, a Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

Local Marketing. We recommend but do not require that you expend any minimum amount on local marketing or promotion for your Franchised Business.

(1) We will apply certain criteria in reviewing and evaluating the local marketing that you conduct. All of your local marketing must be dignified, must conform to our standards and requirements, and must be conducted in the media, type, and format that we have approved. You may not use any marketing, advertising, or promotional plans that we have not approved in writing. You must submit to us samples of all proposed plans. If we do not give our approval within 14 days, we will have been deemed to disapprove the plans or materials. Any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property.

(2) We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail

materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

Grand Opening Marketing Program. You are also required to spend at least $5,000 for grand opening marketing and promotional programs in conjunction with the BSC Shop's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening Marketing Program is in addition to your required Marketing Contribution for the Franchised Business, and must begin 14 days before the scheduled opening date for your Franchised Business and must be completed no later than two days after the Franchised Business starts to operate. The Grand Opening Marketing Program will be subject to our marketing standards and requirements.

IT, Computer, and POS Requirements:

We have the right to require you to use certain brands, types, makes, and/or models of communications, computer systems, hardware, and software to be used by, between, or among BSC Shops, and in accordance with our standards, including:

1. back office systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at BSC Shops, between or among BSC Shops, and between and among the Franchised Business, and you, and us;

2. point of sale (POS) and back office system;

3. physical, electronic, and other security systems and measures;

4. printers and other peripheral devices;

5. archival back-up systems;

6. internet access mode (e.g., form of telecommunications connection) and speed;

7. technology used to enhance and evaluate the customer experience, including all drive-thru technologies;

8. digital and virtual menu boards and related technology, hardware, software, and firmware;

9. front-of-the-house WiFi and other connectivity service for customers;

10. cloud-based back-end management systems and storage sites; and

11. in-shop music systems.

You must install, use, maintain, update, and replace (as needed) the computer system and required software at your own expense. You must pay us or third party vendors the initial and ongoing fees in order to install, maintain, and continue to use the required software, hardware, and other elements of the computer system. You must implement and periodically make upgrades and other changes (at your expense) to the computer system and required software as we reasonably request. These upgrades and changes may be in conjunction with a minor refurbishment or as otherwise needed.

We estimate that the cost of purchasing the required Computer System hardware and software will typically range between $35,000 and $40,000 (as explained in Item 7 of this FDD). The estimated annual cost of computer maintenance, POS subscriptions, support, and upgrades is $20,000 to $25,000 (although if you choose more expensive equipment or high levels of computer support and training, your costs will go up). Neither we nor any of our affiliates have an obligation to provide ongoing maintenance, repairs, upgrades, or updates to your computer hardware or software.

You must comply with all specifications that we issue with respect to the computer system and the required software, and with respect to computer upgrades, at your expense. Under the Franchise Agreement, you must afford us independent, unimpeded, and complete access to your computer system and required software, including all information and data maintained thereon, in the manner, form, and at the times that we request, and there are no contractual limitations on our right to such access. We will have the right to approve or disapprove your use of any other technology solutions.

Operating Manual:

We will loan you a copy of our Manual (in such format as we deem appropriate) for your use during the term of the Franchise Agreement. The Manual contains our standards and specifications for you to follow in the operation of your BSC Shop. The Manual will at all times remain our sole property and you will agree under the terms of the Franchise Agreement to treat the Manual as confidential and to promptly return any and all copies to us following termination or expiration of the Franchise Agreement. (*Franchise Agreement Section 10*). We reserve the right to periodically update and modify the contents and format of the Manual (which currently has 73 pages or screens), which includes links to online content. The Table of Contents of the current Manual is found as Exhibit E to this FDD.

Training:

The Initial Training Program is comprised of (a) our Initial Owner Training, which will be conducted over a two-day period as outlined below, and will focus on franchisee owners that will not be the day-to-day Operating Owner of their Franchised Business, and (b) our Initial Operator and Management Training, which will be conducted over a two and a half week period, as outlined below.

OWNER TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction / Enrollment Day	8 hours	0 hours	Black Sheep Coffee shop, our

			headquarters or elsewhere
Totals	**8 hours**	**0 hours**	

OPERATOR / MANAGEMENT TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Intensive onboarding for Shop manager, supervisor and head barista	40 hours	40 hours	Black Sheep Coffee shop, our headquarters or elsewhere
Barista masterclass	16 hours	0 hours	Black Sheep Coffee shop, our headquarters or elsewhere
Totals	**56 hours**	**40 hours**	

As of the issuance date of this Disclosure Document, the minimum experience of lead trainer is at least 18 year in the field relevant to the subject taught and 1 year with our operations; however, the minimum experience of our other trainers is at least 1 year in the field relevant to the subject taught and less than 1 year with our operations.

The Initial Training Program will take place at any location we designate (which may include a current operating Black Sheep Coffee shop, our headquarters or elsewhere). We will determine the date of commencement, location and duration of the Initial Training Program and notify you of them. We, in our sole judgment, may change, modify, amend or designate the content and process of Initial Training Program at any time. The Initial Training Program may be conducted, as many times a year as is necessary. The instructional materials consist of our Manual, various print and electronic materials and vides that may be posted from time to time on our intranet portal. We conduct training as frequently as we determine it necessary to hold a training class. The instructional materials for our training programs include the Manual, lecture, discussions, online programs, and practice.

Under the Franchise Agreement, the Operating Owner and Store Manager must attend and successfully complete, to our satisfaction, the Owner Training program and Management Training program, respectively. You must complete training at least 15 days before you open your BSC Shop (unless we specify a shorter period of time). You may send up to three additional individuals to the initial training program (for a total of five individuals attending training). If you wish to send additional to the initial training program, and we agree to have them join the session, then you must pay us a discounted training fee.

If for any reason your Operating Owner and/or Store Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your Store Manager to serve in that capacity, then you must enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. Under the Franchise Agreement, you will agree to pay us a discounted training fee (currently $3,000) for each replacement individual to be trained, with payment to be made in full before training starts.

We may require that you and your Operating Owner, Store Manager and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically. We may further require you to enroll each of your employees in web-based training programs relating to the Retail Products and services that will be offered to customers of the BSC Shop.

We will bear the cost of providing the instruction and required materials, except for additional and replacement training. You are responsible for making arrangements and paying all of the expenses, wages, and compensation for your staff that attends the training program.

All initial training required under the Franchise Agreement must be completed to our satisfaction before your BSC Shop may open for business, which must occur within twelve months of the effective date of the Franchise Agreement.

On-Site Opening Assistance:

If you are opening your first Black Sheep Coffee Shop, we will provide you with one of our representatives, for up to 10 days, to furnish On-Site Opening Assistance. The precise period of On-Site Opening Assistance furnished to your Shop will depend on the level of assistance and training required by your Shop (as we determine in our sole judgment). You will be required to pay us the On-Site Opening Assistance Fee in one lump sum when you sign the Franchise Agreement. If you are opening your second or later Shop, or obtaining your Shop through a transfer or assignment of an existing Shop, we may (as determined in our sole discretion), but need not, furnish such On-Site Opening Assistance. If we do, you will be required to pay us the On-Site Opening Assistance Fee for such second or later Shop.

Item 12 Territory

MSDA

If you sign an MSDA, we will grant you the right, and you will undertake the obligation, to develop and establish a specified number of BSC Shops within your Development Area, pursuant to the Development Schedule.

Your right to operate BSC Shops will be limited to the location of the BSC Shops; however, subject to our reserved rights, we will not operate ourselves or grant a third party the right to operate, within the Development Area, a BSC Shop business of the type contemplated by the MSDA and franchised under the individual Franchise Agreements. These restrictions do not apply to any BSC Shop business in operation or under lease or other commitment to open in the Development Area as of the effective date of the MSDA. We and our affiliates reserve all rights not specifically granted to you pursuant to the MSDA, including but not limited to the following:

1. We and our affiliates reserve the right to operate any number of BSC Shops, or authorize others to operate any number of BSC Shops, at any location whatsoever, including one or more locations that may be immediately proximate to, but not within, the Development Area.

2. Within the Development Area, we and our affiliates may engage in any business activity and deploy any business concept whatsoever, and use the Proprietary Marks or any other names or marks owned or developed by us or our affiliates, in connection with such other concepts and business activities, including:

   (a) owning, operating or authorizing others to own or operate any type of business whatsoever so long as such other business does not sell under identical Proprietary Marks the identical type of programs, products or services which your BSC Shops will offer and sell;

   (b) offering and selling, under the Proprietary Marks, any and all System programs, products or services at wholesale or retail, through any alternative methods of distribution, or through any alternative channels of distribution;

   (c) developing, opening and operating, and granting third parties the right to develop open and operate, BSC Shops located in non-traditional locations, such as sports arenas and venues, theatres, resorts, food retailers, malls and mall food courts, schools and universities, etc.;

   (d) opening BSC Shops at and selling System programs, products and services to, national, regional and institutional accounts;

   (e) selling and distributing products identified by the Proprietary Marks in to restaurants and food service establishments other than coffee shops identified by the Proprietary Marks, or awarding national, regional or local licenses to third parties to sell products under the Proprietary Marks in foodservice facilities primarily identified by the third-party's trademark, provided those food service establishments and facilities are not licensed to use the Proprietary Marks in connection with their retail sales;

   (f) developing or owning other franchise systems for the same or similar products and services using trade names and trademarks other than the Proprietary Marks; and

   (g) purchasing, merging, acquiring, being acquired by or affiliating with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business's facilities and then operating, franchising or licensing those other businesses or facilities under any names or marks, including the Proprietary Marks.

If you fail to comply with your Development Schedule, we may immediately terminate the MSDA. However, we also have the right, in lieu of terminating the MSDA, to: (a) reduce in whole or in part the size of your Development Area; or (b) reduce in whole or in part the total number of BSC Shops that you have the right to develop under the MSDA.

Under the MSDA, you will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

Franchise Agreement

Under the Franchise Agreement, you have the right to establish and operate one BSC Shop at a specific approved location. You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control.

We reserve all rights to sell our products and services under the Marks at any location (including immediately proximate to your BSC Shop) and including through alternative distribution channels, as discussed below. There is no minimum sales requirement, market penetration or other contingency that will affect your right to operate your location during the term of your Franchise Agreement, unless you are in default of your obligations to us.

You may not change the location of your Franchised Business, without our written consent, which we are not required to give. If you wish to relocate, you must identify a new location for the Franchised Business that meets our approval, in accordance with our then-current site selection procedures, within 90 days. If you do not identify a site within this time period, we may terminate the Franchise Agreement.

We may, but have no obligation to, consider granting to you the right to establish additional BSC Shops under other franchise agreements if you are in compliance with the Franchise Agreement, demonstrate that you have the financial strength to open an additional BSC Shop, and propose to open another BSC Shop in an area and at a location we approve. The Franchise Agreement grants you no options, rights of first refusal or similar rights to acquire additional franchises.

We reserve all rights not expressly granted in the Franchise Agreement. For example, we or our affiliates may own, operate or authorize others to own or operate BSC Shops regardless of location (including immediately proximate to your BSC Shop) and may operate other kinds of businesses in any location (including immediately proximate to your BSC Shop). Although we do not currently do so and have no plans to do so, we and our affiliates may own, acquire, conduct, or authorize others to conduct, any form of business at any location (including immediately proximate to your BSC Shop) selling any type of product or service not offered under the Proprietary Marks, including a product or service similar to those you will sell at your Franchised Business. There are no limitations on us soliciting or accepting orders from within the geographic area near your store (including by Alternative Distribution Channels (as explained below), and we will not compensate you for sales we might make there or elsewhere.

In addition, we and our affiliates may sell products and services under the Marks in any location (including immediately proximate to your BSC Shop) through any method of distribution, including, licensing our designs for use in other formats, and sales through such channels of distribution as the Internet and other non-traditional retail locations. These non-traditional locations include sports arenas, train stations, airports, seasonal or "pop-up" stores, large retailers, convenience stores, and mall kiosks ("**Alternative Distribution Channels**").

The Franchise Agreement grants you only the right to operate your BSC Shop, and does not grant you any right to engage into other business opportunities for the sale and distribution of "Black Sheep Coffee" products or services through any other channel. Neither we nor our affiliates currently operate or franchise businesses, or plan to operate or franchise businesses, under a different trademark that will sell goods or services that are the same as or similar to those the franchisee will sell.

Item 13 Trademarks

Under the Franchise Agreement, we will license you the right to use certain Proprietary Marks, including the principal marks described below which appear on the Principal Register of the U.S. Patent and Trademark Office (USPTO):

Registered Federal Proprietary Marks

Mark	**U.S. Trademark Registration No.**	**Registration Date**
	5,547,786	August 28, 2018
BLACK SHEEP COFFEE	5,107,079	December 27, 2016
	7,451,908	July 23, 2024
AIN'T NO COFFEE WITHOUT BEANS	7369501	April 30, 2024
BLUE VOLCANO	7369583	April 30, 2024
LEAVE THE HERD BEHIND	7369637	April 30, 2024
LOVE BERRIES	7416171	June 18, 2024
REBEL DECAF	7369540	April 30, 2024
ROBUSTA REVIVAL	7369602	April 30, 2024

Pending Federal Proprietary Marks (the "Pending Mark")

Mark	U.S. Trademark Serial No.	Application Date
GOOD FOR THE SOUL	79349093	July 22, 2022
BLACK SHEEP	79390893	Aug 29, 2023

We do not have a federal registration for the Pending Marks: the USPTO has preliminarily objected to registration of the above applications, which are still under examination by the USPTO. With regard to the application for BLACK SHEEP, the objections raised (other than requested amendments to the goods/services), are limited to only certain of the goods in the application. Therefore, the Pending Marks do not have many legal benefits and rights as a federally-registered trademark. If our rights to use the Pending Marks are challenged, you may have to change to an alternative trademark, which may increase your expenses.

In addition, we have secured registration of the following Proprietary Marks in the State of Puerto Rico:

Registered State Proprietary Marks

Mark	Registration Number	Registration Date
BLACK SHEEP	234701	September 19, 2023
BLACK SHEEP	234700	September 19, 2023

Conilon intends to file, when due, affidavits of use and affidavits of incontestability, as well as a renewal application, for the marks listed above for the goods/services for which they are in use in the US.

On September 14, 2022, we entered into a license agreement with Conilon that licensed to us the use of the Proprietary Marks (the "**License Agreement**"). Under the License Agreement, Conilon granted us a non-exclusive, royalty-free right to use, and to license others to use, the Proprietary Marks in the United States for the purpose of operating and franchising BSC Shops. The License Agreement is for an initial term that expires on December 31, 2023, after which the License Agreement continues to renew perpetually unless either party gives the other party notice of termination. If the License Agreement is terminated, we may not be able to continue to use (and if that happens, you may no longer have the right to use) the Proprietary Marks.

Except with respect to the Pending Marks, there are no currently effective determinations of the USPTO, the trademark administrator of this state, or of any court, nor any pending interference, opposition, or cancellation proceedings, nor any pending material litigation involving the trademarks, service marks, trade names, logotypes, or other commercial symbols which is relevant to their use in this state or any other state in which the Franchised Business is to be located. There are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks (including trademarks, service marks, trade names, logotypes, or other commercial symbols) that are in any manner material to the franchise. There are no infringing uses actually known to us which could materially affect your use of the Proprietary Marks in the state where you will operate the Franchised Business.

We have the right to substitute different Proprietary Marks for use in identifying the System if our currently owned Proprietary Marks no longer can be used or if we determine that updated or changed Proprietary Marks will be beneficial to the System. In such circumstances, you must adopt the new Proprietary Marks at your expense.

You must promptly notify us of any suspected infringement of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, or your right to use, the Proprietary Marks licensed under the Franchise Agreement. Under the Franchise Agreement, we will have the sole right to initiate, direct, and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. We also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. If you used the Proprietary Marks in accordance with the Franchise Agreement, we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use. If you did not use the Proprietary Marks in accordance with the Franchise Agreement, we will defend you, at your expense, against those third party claims, suits, or demands.

If we undertake the defense or prosecution of any litigation concerning the Proprietary Marks, you must sign any documents and agree to do the things that, in our counsel's opinion, may be necessary to carry out such defense or prosecution, such as becoming a nominal party to any legal action. Except to the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, we agree to reimburse you for your out of pocket costs in doing these things, except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement. To the extent that the litigation is the result of your use of the Proprietary Marks in a manner inconsistent with the terms of the Franchise Agreement, you must reimburse us for the cost of the litigation, including attorneys' fees, as well as the cost of any judgment or settlement.

Item 14 Patents, Copyrights, and Proprietary Information

We own common law copyrights in the Manual, our recipe books and advertising materials, and we will make these available to you. These materials are our proprietary property and must be returned to us upon expiration or termination of the Franchise Agreement.

We will provide to you, under the terms of the Franchise Agreement, standard floor plans and specifications for construction of a BSC Shop. You may be required to employ a licensed architect or engineer, who will be subject to our reasonable approval, to prepare plans and specifications for construction of your BSC Shop, based upon our standard plans. These revised plans will be subject to our approval. You will be entitled to use the plans only for the construction of a single BSC Shop at the site approved in the Franchise Agreement, and for no other purpose. We will require your architect and contractor to agree to maintain the confidentiality of our plans and to assign to us any copyright in the derivative plans they create.

There are no currently effective determinations of the U.S. Copyright Office or any court concerning any of our copyrights. There are no currently effective agreements under which we derive our rights in the copyrights and that could limit your use of those copyrighted materials. The Franchise Agreement does not obligate us to protect any of the rights that you have to use any copyright, nor does the Franchise Agreement impose any other obligation upon us concerning copyrights. We are not aware of any infringements that could materially affect your use of any copyright in any state.

Confidential Manuals

In order to protect our reputation and goodwill and to maintain high standards of operation under our Proprietary Marks, you must conduct your business in accordance with the Manual. We will lend you one set of our Manual, which we have the right to provide in any format we choose (including paper or digital), for the term of the Franchise Agreement.

You must at all times accord confidential treatment to the Manual, any other Manuals we create (or that we approve) for use with the Franchised Business, and the information contained in the Manual. You must use all reasonable efforts to maintain this information as secret and confidential. You may never copy, duplicate, record, or otherwise reproduce the Manual and the related materials, in whole or in part (except for the parts of the Manual that are meant for you to copy, which we will clearly mark as such), nor may you otherwise let any unauthorized person have access to these materials. The Manual will always be our sole property. You must always maintain the security of the Manual.

We may periodically revise the contents of the Manual, and you must consult the most current version and comply with each new or changed standard. If there is ever a dispute as to the contents of the Manual, the version of the Manual that we maintain will be controlling.

Confidential Information

Except for the purpose of operating the BSC Shop under the Franchise Agreement, you may never (during Franchise Agreement's term or later) communicate, disclose, or use for any person's benefit any of the confidential information, knowledge, or know how concerning the operation of the Franchised Business that may be communicated to you or that you may learn by virtue of your operation of a BSC Shop. You may divulge confidential information only to those of your employees who must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know how, and techniques that we designate as confidential will be deemed confidential for purposes of the Franchise Agreement. However, this will not include information that you can show came to your attention before we disclosed it to you; or that at any time became a part of the public domain, through publication or communication by others having the right to do so.

In addition, you must require each of your Principals and your Store Managers to sign confidentiality covenants. Every one of these covenants must provide that the person signing will maintain the confidentiality of information that they receive in their employment or affiliation with you or the BSC Shop. These agreements must be in a form that we find satisfactory, and must include, among other things, specific identification of our company as a third party beneficiary with the independent right to enforce the covenants. Our current forms for this agreement are attached as Exhibit F to the Franchise Agreement). Once signed, you must provide us a copy of each executed confidentiality agreement.

Patents

We have no patents are material to the franchise. If it becomes advisable to us at any time to acquire a patent, you will be obligated to use the acquired patent as we may require.

Item 15 Obligation to Participate in the Actual Operation of the Franchise Business

The Franchise Agreement requires that you (or your Operating Owner or one of your Additional Trained Personnel who will assume primary responsibility for the franchise operations and who we have previously approved in writing) must devote full time, energy, and best efforts to the management and operation of the Franchised Business, and must successfully complete the initial training program. Your BSC Shop must be managed at all times by you (or your Operating Owner or Store Manager) or by a manager who has completed our initial training program to our satisfaction. The Operating Owner must own at least 10% of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. You must obtain personal covenants from your Additional Trained Personnel, supervisors, and principals regarding confidentiality, Proprietary Marks, and non-competition. There is no requirement that you obtain a spousal guarantee.

Item 16 Restrictions on What Franchisee May Sell

You must offer and sell only those products and services that we have approved. We may change the approved product offerings and any related merchandising and promotional materials at any time. You must use only displays, forms and other paper and plastic products imprinted with the Proprietary Marks.

All food and beverage products must be prepared and served only by properly trained personnel in accordance with the Manual. All items offered from the BSC Shop will be sold only at retail to customers unless otherwise approved by us.

We may prescribe standard uniforms and attire for all BSC Shop personnel, from time to time. The BSC branded apparel must be acquired directly from us, unless we approve otherwise.

We have the right to add other authorized products and services that you must offer. These changes also may include new, different or modified equipment or fixtures necessary to offer such products and services. There are no limits on our right to make these changes.

Item 17 Renewal, Termination, Transfer and Dispute Resolution

THE FRANCHISE RELATIONSHIP

The table that follows lists important provisions of the Franchise Agreement, which is attached as Exhibit A to this Franchise Disclosure Document. Please read the portions of the agreement referred to in this chart for a full explanation of these key provisions

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
a.	Length of the franchise term	2.1	Term expires on the earlier to occur of: (a) ten years from BSC Shop's opening date; or (b) eleven years from the Effective Date of the Franchise Agreement
b.	Renewal or extension of the term	2.2	Renewal of right to operate the franchised business for two additional five-year terms by signing our then-current franchise agreement (which may contain terms and conditions materially different from those in your original agreement), subject to contractual requirements described in "c" below
c.	Requirements for you to renew or extend	2.2.1 to 2.2.9	“Renewal” means that a franchisee is permitted to continue operating the BSC Shop after the initial term of the Franchise Agreement expires. Timely written notice of intent to renew; refurbishment to comply with our then-current standards; compliance with agreement terms during agreement term and at time of renewal; timely compliance with all financial obligations; execution of then-current franchise agreement (which may contain materially different terms and conditions from those in its original Franchise Agreement); payment of renewal fee; execution of renewal agreement with general release; compliance with then-current personnel and training requirements; and demonstrated right to remain in accepted location.
d.	Termination by you	Not applicable	
e.	Termination by us without cause	Not applicable	
f.	Termination by us with cause	17	Default under Franchise Agreement, abandonment, and other grounds; see § 17 of the Franchise Agreement.
g.	"Cause" defined – curable defaults	17.3	All defaults not specified in §§ 17.1 and 17.2 of the Franchise Agreement.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
h.	"Cause" defined – non-curable defaults	17.1 to 17.2	Abandonment, conviction of felony, and others; see § 17.2 of the Franchise Agreement.
i.	Your obligations on termination or non-renewal	18 to 19	Cease operating Franchised Business, payment of amounts due, and others; see §§ 18.1 to 18.12, 19.
j.	Assignment of contracts by us	16.1	There are no limits on our right to assign the Franchise Agreement.
k.	"Transfer" by you – definition	16.4	Includes any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security, direct, or indirect interest in: (a) the Franchise Agreement; (b) you; (c) any or all of your rights and/or obligations under the Franchise Agreement; and/or (d) all or substantially all of the assets of the Franchised Business.
l.	Our approval of transfer by you	16.4 to 16.5	You may not make any transfers without our prior consent.
m.	Conditions for our approval of transfer	16.5	Release, signature of new Franchise Agreement, payment of transfer fee, and others; see §§ 16.5.1 to 16.5.10.
n.	Our right of first refusal to acquire your business	16.6	We have the right (not obligation) to match any bona fide offer.
o.	Our option to purchase your business	18.4 to 18.5	Upon termination or expiration of the Franchise Agreement, we can acquire any interest which you have in any lease or sublease for the premises and purchase your furnishings, equipment, material, or inventory at the lesser of cost or fair market value.
p.	Your death or disability	16.7	Representative must promptly apply for our approval to transfer interest and pay reasonable costs we incur in reviewing transfer.
q.	Non-competition covenants during the franchise term	19.2 to 19.6	Prohibits engaging in "Competitive Business" (meaning any foodservice business as to which the sale of coffee and coffee-based or flavored beverages (in any combination or individually) comprise 20% or more of its gross revenues). during the Franchise Agreement term with no other temporal or geographical limitation.

FRANCHISE AGREEMENT			
	Provision	**Section in Franchise Agreement**	**Summary**
r.	Non-competition covenants after the franchise is terminated or expires	19.2 to 19.6	Prohibits engaging in Competitive Business within 5 miles of (a) Accepted Location for your BSC Shop and (b) any other BSC Shop. Applies for two years after expiration, termination, or a transfer.
s.	Modification of the agreement	25.2	By mutual agreement in writing.
t.	Integration/merger clause	25.1	Final complete agreement with exhibits is binding and supersedes all prior agreements. Only the terms of the Franchise Agreement and other related written agreements are binding (subject to applicable state law). No other representations or promises will be binding. Nothing in the Franchise Agreement or in any other related written agreement is intended to disclaim representations made in the franchise disclosure document.
u.	Dispute resolution by arbitration or mediation	27	Before bringing an action in court, the parties must first submit the dispute to non-binding mediation (except for injunctive relief). The Franchise Agreement contains provisions that may affect your legal rights, including a waiver of jury trial, waiver of punitive or exemplary damages, and limitations on when claims may be raised. See Section 27 of the Franchise Agreement. Please also see the various state disclosure addenda and agreement amendments attached to this disclosure document, which contain additional terms that may be required under applicable state law.
v.	Choice of forum	27.2	Any action you bring against us must be brought only within state or federal district court of competent jurisdiction in Miami Dade County, Florida. (subject to applicable state law).
w.	Choice of law	27.1	The law of the State of Florida. Your state law may impact this provision. (subject to applicable state law).

MSDA			
	Provision	**Section in MSDA**	**Summary**
a.	Length of the franchise term	6	The term commences on the effective date of the MSDA and ends on the earlier of the actual date the last BSC Shop is developed under the Development Schedule or the date that the last BSC Shop is required to be developed under the Development Schedule.
b.	Renewal or extension of the term	6	The MSDA is not subject to renewal.
c.	Requirements for you to renew or extend	Not Applicable	Not applicable.
d.	Termination by you	Not Applicable	The MSDA does not provide you with a right to terminate (subject to state law).
e.	Termination by us without cause	Not Applicable	None.
f.	Termination by us with cause	23	We may terminate only if you default. The MSDA describes defaults throughout – please read it carefully.
g.	"Cause" defined – curable defaults	23.3	Unless another cure period is set forth in the MSDA, and unless the default is uncurable, you have 30 calendar days to cure any default under the MSDA.
h.	"Cause" defined – non-curable defaults	23.1 and 23.2	The MSDA will immediately and automatically terminate if you, the BSC Shop or the business is adjudicated bankrupt or insolvent, if all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor, a petition in bankruptcy is filed by or against you or the BSC Shop and is not immediately contested or dismissed within 60 days of filing, a receiver is appointed, you are dissolved, or an execution is levied. We may terminate the MSDA, effective immediately upon notice to you, for the following defaults: a. You fail to meet the Development Schedule. b. Your omission or misrepresentation of any material fact in entering into the MSDA

MSDA			
	Provision	**Section in MSDA**	**Summary**
			or any Franchise Agreement for any BSC Shop. c. You and we agree in writing to terminate the MSDA. d. You or any principal are convicted of a felony, fraud, or related crime. e. You purport to make an unauthorized transfer. f. You do not comply with the in-term covenant not to compete, you fail to obtain the required additional covenants, or you violate the restrictions pertaining to the use of confidential information. g. You commence operations of a BSC Shop without a fully executed Franchise Agreement and our prior written approval. h. You cease to operate all of the BSC Shops developed pursuant to the MSDA. i. You engage in any business or market any service or product under a name or mark confusingly similar to our Proprietary Marks. j. You engage in conduct which reflects materially and unfavorably upon the operation and reputation of the BSC Shops, us, or the System.
i.	Your obligations on termination or non-renewal	24	Immediately pay all money owing to us or our affiliates, plus interest, and all sums due to third parties. b. If we terminate the MSDA for your default, you must pay us all expenses and damages incurred as a result of your default or termination. Damages may include, for example, lost profits, lost opportunities, damage to our Proprietary Marks and reputation, travel and personnel costs and the cost of securing a new developer for the Development Area. c. Immediately sign agreements necessary to effectuate termination. d. Strictly comply with the post-termination/post-expiration covenants not to compete.

MSDA			
	Provision	**Section in MSDA**	**Summary**
			e. Continue to abide by restrictions on the use of our confidential information, trade secrets and know-how.
j.	Assignment of contracts by us	21	We may freely assign the MSDA and all of our rights and obligations under the MSDA.
k.	"Transfer" by you – definition	22	Any assignment, sale, transfer, sharing, sublicensing or dividing, voluntarily or involuntarily, directly or indirectly, by operation of law or otherwise of all or any part of your interest in the MSDA, you or the BSC Shops developed pursuant to the MSDA.
l.	Our approval of transfer by you	22	You may not transfer of MSDA or rights thereunder. Transfer of any existing Shops developed under MSDA is governed by the Franchise Agreement for each Shop, respectively.
m.	Conditions for our approval of transfer	22	
n.	Our right of first refusal to acquire your business	Not applicable	None.
o.	Our option to purchase your business	Not applicable	None.
p.	Your death or disability	22	No transfer upon death or disability of an Operating Principal.
q.	Non-competition covenants during the franchise term	16 and 18	No involvement in a "Competitive Business" anywhere during the term of the MSDA. "Competitive Business" means any other foodservice business or activity as to which the sale of coffee and coffee-based or flavored beverages comprises 10% or more of its gross revenues. These provisions are subject to state law.
r.	Non-competition covenants after the franchise is terminated or expires	17 and 18	No involvement in a "Competitive Business" for two years following the termination or expiration of the MSDA within the Development Area, within a 5 mile radius of the Development Area, or within 5 miles of the Development Area of any other BSC Shop. These provisions are subject to state law.

MSDA			
	Provision	**Section in MSDA**	**Summary**
s.	Modification of the agreement	27.8	No modifications unless in writing, specifically identified as an amendment, and signed by a duly authorized representative of both parties.
t.	Integration/merger clause	27.7	The MSDA, the exhibits to the MSDA and all ancillary agreements constitute the entire agreement between you and us (subject to state law).
u.	Dispute resolution by arbitration or mediation	25	Before you bring an action against us or our affiliates, you must first submit the dispute to non-binding mediation.
v.	Choice of forum	25.5	Any action you bring against us must be brought only within state or federal district court of competent jurisdiction in the Miami Dade County, Florida (subject to applicable state law).
w.	Choice of law	25.3	The law of the state of Florida governs the MSDA (subject to applicable state law).

Item 18 Public Figures

We do not use any public figures to promote our 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 financial 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 Izzy Childs, 2950 SW 27th Avenue, Suite 206, Miami, FL 33133 (Tel: (786) 422-9717) (Email: franchising@blacksheepcoffee.us), the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20 Outlets and Franchisee Information

Table No. 1
Systemwide Outlet Summary for 2022 to 2024

Outlet Type	Year	Outlets at Start of Year	Outlets at End of Year	Net Change
Franchised	2022	0	0	0
	2023	0	0	0
	2024	0	0	0
Company-Owned	2022	0	0	0
	2023	0	0	0
	2024	0	2	+2
Total Outlets	2022	0	0	0
	2023	0	0	0
	2024	0	2	+2

Notes to all Item 20 charts:

(1) All details are as of our fiscal year ends, which fall on December 31 each year.
(2) States not listed had no activity during the relevant time frame.

Table No. 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
for 2022 to 2024

State	Year	Number of Transfers
All States	2022	0
	2023	0
	2024	0
Total	2022	0
	2023	0
	2024	0

Table No. 3
Status of Franchised Outlets
for 2022 to 2024

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
All States	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0
Total	2022	0	0	0	0	0	0	0

	2023	0	0	0	0	0	0	0
	2024	0	0	0	0	0	0	0

Table No. 4
Status of Company-Owned Outlets
for 2022 to 2024

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Texas	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	2	0	0	0	2
Total	2022	0	0	0	0	0	0
	2023	0	0	0	0	0	0
	2024	0	2	0	0	0	2

Table No. 5
Projected Openings for 2025
(as of December 31, 2024)

State	Franchise Agreements Signed but Outlets Not Yet Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Affiliate-Owned Outlets in the Next Fiscal Year
Florida	1	1	0
Texas	3	7	0
Total	**4**	**8**	**0**

The names, addresses, and telephone numbers of our franchisees as of our fiscal year ending December 31, 2024 are listed in Exhibit H. The name and last known home address and telephone number of every one of our franchisees who has had an agreement terminated, canceled, not renewed, or who otherwise voluntarily or involuntarily ceased to do business under an agreement during the one-year period ending December 31, 2024, or who has not communicated with us within ten weeks of the date of this disclosure document, is also listed in Exhibit H. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

No franchisees have signed a confidentiality clause in a Franchise Agreement, settlement or other contract within the last three years that would restrict their ability to speak openly about their experience with our company.

As of the date of this franchise disclosure document, there are no Black Sheep Coffee franchisee associations in existence regardless of whether they use our trademarks or not.

Item 21 Financial Statements

Black Sheep Coffee was formed on May 16, 2022.

Attached as Exhibit F is our audited financial statements as of December 31, 2022, December 31, 2023 and December 31, 2024, and our unaudited financial statements as of January 31, 2025.

Our fiscal years end each year on December 31st

Item 22 Contracts

Exhibit A-1	Franchise Agreement with Exhibits A – Data Sheet B – Guarantee, Indemnification, & Acknowledgements C – List of Principals D – ACH – Authorization Agreement for Direct Debit E – ADA Certification F – Sample Form of Non-Disclosure & Non-Competition Agreement G – Site Selection Addendum H – Lease Rider I – Index to Defined Terms J – State-Specific Addenda
Exhibit A-2	MSDA with Exhibits 1 – Development Schedule, Development Fee 2 – Development Area 3 – Statement of Ownership 4 – Guarantee of Multi-Shop Development Agreement 5 – Confidentiality/Non-Competition Agreement 6 – State-Specific Addenda
Exhibit D	Form of General Release
Exhibit G	State-Specific Addenda

Item 23 Receipts

The last two pages of this disclosure document (Exhibit J) are identical pages acknowledging receipt of this entire document (including the exhibits). Please sign and return to us one copy of the receipt page and please keep the other copy together with this disclosure document.

Black Sheep Coffee Franchising LLC
Franchise Agreement

Black Sheep Coffee Franchising LLC
Franchise Agreement

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Exhibits:

A Data Sheet

B Guarantee, Indemnification, and Acknowledgement

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E ADA Certification

F Sample Form of Non-Disclosure and Non-Competition Agreement

G Site Selection Addendum

H Lease Rider

I Index to Defined Terms

J State-Specific Addenda

Black Sheep Coffee Franchising LLC
Franchise Agreement

THIS FRANCHISE AGREEMENT (the "**Agreement**") is made and entered into as of the date that we have indicated on the signature page of this Agreement (the "**Effective Date**") by and between:

- Black Sheep Coffee Franchising LLC, a Delaware limited liability company with its principal place of business at 2950 SW 27th Avenue, Suite 206, Miami, FL 33133 ("**we**," "**us**," "**our**", or "**Franchisor**"); and

- __________, a [resident of] [corporation organized in] [limited liability company organized in] the State of __________ and having offices at __________ ("**you**" or the "**Franchisee**").

Introduction

*We and our affiliates (as defined below) own a format and system relating to the establishment and operation of "Black Sheep Coffee" retail coffee shop businesses that feature, among other things, fresh roasted coffee beverages and retail items (each a "**BSC Shop**"). BSC Shops specialize in the sale of beverages and products that we may periodically specify for on-premises and carry-out consumption, which may include Proprietary Items (as defined in this Agreement) as well as non-Proprietary Items to customers on-site (collectively, the "**Retail Products**"). The services associated with offering Retail Products to consumers are referred to as the "**Services**".*

*Among the distinguishing characteristics of a BSC Shop are that it operates under our "Black Sheep Coffee" System. Our System includes (among other things): Retail Products; signage; distinctive interior and exterior design and accessories; opening hours; operational procedures; standards and specifications; quality and uniformity of products and services offered; recipes and preparation techniques; management and inventory control procedures; software; training and assistance; business format, layouts and floor plans, methods, equipment lists and layouts, menus, the Proprietary Marks (defined below), as well as advertising and promotional programs (together, the "**System**").*

*We identify the System by means of our Proprietary Marks. Our proprietary marks include certain trade names (for example, the mark "BLACK SHEEP COFFEE" and logo), service marks, trademarks, logos, emblems, and indicia of origin (for example, the "BLACK SHEEP COFFEE" mark and logo), as well as other trade names, service marks, and trademarks that we may periodically specify in writing for use in connection with the System (all of these are referred to as our "**Proprietary Marks**"). We and our affiliates continue to develop, use, and control the use of our Proprietary Marks in order to identify for the public the source of Retail Products and Services marketed under those marks and under the System, and to represent the System's standards of quality, cleanliness, appearance, and service.*

We are in the business of developing, programming and awarding franchise rights to third party franchisees, such as you. You will be in the business of operating a BSC Shop, using the same brand and Proprietary Marks as other independent businesses that operate other BSC Shops under *the System (including some operated by our affiliates). We will not operate your BSC Shop for you, although we have (and will continue) to set standards for BSC Shops that you will have chosen to adopt as yours by signing this Agreement and by your day-to-day management of your BSC Shop according to our brand standards.*

You have asked to enter into the business of operating a BSC Shop under our System and wish to obtain a franchise from us for that purpose, as well as to receive the training and other assistance we provide as described in this Agreement. You also understand and acknowledge the importance of our standards of quality, cleanliness, appearance, and service and the necessity of operating the business franchised under this Agreement in conformity with our standards and specifications.

In recognition of all of the details noted above, the parties have chosen to enter into this Agreement, taking into account all of the promises and commitments that they are each making to one another in this Agreement, and for other good and valuable consideration (the sufficiency and receipt of which they hereby acknowledge) and they agree as follows:

1. GRANT

1.1 *Rights and Obligations*. We grant you the right, and you accept the obligation, all under the terms (and subject to the conditions) of this Agreement:

1.1.1 To operate one BSC Shop under the System (the "**Franchised Business**");

1.1.2 To use the Proprietary Marks and the System, but only in connection with the Franchised Business (recognizing that we may periodically change or improve the Proprietary Marks and the System); and

1.1.3 To do all of those things only at the Accepted Location (as defined in Section 1.2 below).

1.2 *Accepted Location*. The street address of the location for the Franchised Business approved under this Agreement is specified in Exhibit A to this Agreement, and is referred to as the "**Accepted Location**."

1.2.1 When this Agreement is signed, if you have not yet obtained (and we have not yet approved in writing) a location for the Franchised Business, then:

1.2.1.1 you agree to enter into the site selection addendum (the "**Site Selection Addendum**," attached as Exhibit G to this Agreement) at the same time as you sign this Agreement; and

1.2.1.2 you will then find a site which will become the Accepted Location after we have given you our written approval for that site and you have obtained the right to occupy the premises, by lease, sublease, or acquisition of the property, all subject to our prior written approval and in accordance with the Site Selection Addendum.

1.2.2 We have the right to grant, condition, and/or to withhold approval of the Accepted Location under this Section 1.2. You agree that our review and approval of your proposed location, under this Section 1.2 or pursuant to the Site Selection Addendum, does not constitute our assurance, representation, or warranty of any kind that your Franchised Business at the Accepted Location will be profitable or successful (as further described in Section 5 of the Site Selection Addendum).

1.2.3 You agree not to relocate the Franchised Business without our prior written consent. Any proposed relocation will be subject to our review of the proposed new site under our then-current standards for site selection, and we will also have the right to take into consideration commitments that we have made to other franchisees, licensees, landlords, real estate developers, and other parties relating to the proximity of a new BSC Shop to their establishment. If you wish to relocate, then you must pay us $10,000 and reimburse us (in advance) for the costs and expenses that we reasonably expect to incur (including, if we deem necessary to visit the proposed new location, the costs of travel, lodging and meals for our representatives to visit the proposed location), in connection with reviewing, approving, and documenting your relocation of the Franchised Business to a new site (the "**Relocation Expenses**"). The parties will reconcile the Relocation Expenses within thirty (30) days after you have reopened your BSC Shop at the new location, based on a statement of our actual Relocation Expenses, at which time: (**a**) we will refund to you the unused balance of the funds that you have advanced as compared to our actual Relocation Expenses; or (**b**) you will pay us the additional amount necessary to fully reimburse us for our actual Relocation Expenses.

1.3 *No Protected Territory*. You agree that the rights granted under this Agreement are non-exclusive, and that this Agreement does not grant or imply any protected area or territory for the Franchised Business. Accordingly, we retain the right to conduct any business at any location (including immediately proximate to your Franchised Business), notwithstanding the proximity of that business activity to the Accepted Location. We retain all rights, including: (**a**) the right to use, and to license others to use, the System and the Proprietary Marks for the operation of BSC Shops and other "Black Sheep Coffee" businesses at any location; (**b**) the right to sell, and to license others to sell, products and services that are also authorized for sale at BSC Shops through other channels of distribution (including, through Catering and/or Delivery (as defined in Section 1.5 below), catalogs, mail order, toll free numbers for delivery, sales via Digital Sites (defined below), and other forms of electronic commerce); (**c**) the right to acquire and operate businesses of any kind and to grant or franchise the right to others to operate other businesses of any kind, no matter where located; and (**d**) the right to use and license the use of the Proprietary Marks and other marks in connection with the operation of restaurants at any location, which restaurants and marks may be the same as, similar to, or different from the BSC Shop and the Proprietary Marks, on such terms and conditions as we deem advisable, and without granting you any rights therein.

1.4 Limits on Where You May Operate.

1.4.1 You may offer and sell the Retail Products and Services only: (**a**) in accordance with the requirements of this Agreement and the procedures set out in the Brand Manual (defined below); and (**b**) to customers of the Franchised Business.

1.4.2 You agree not to offer or sell any products or services (including the Retail Products and the Services) through any means other than through the Franchised Business at the Accepted Location (so for example, you agree not to offer or sell services or products from satellite locations, temporary locations, mobile vehicles or formats, carts or kiosks, by use of catalogs, the Internet, Digital Sites, through other businesses, and/or through any other electronic or print media).

1.4.3 You agree that you will offer and sell Retail Products from the Accepted Location only to retail customers:

1.4.3.1 Face to face, for consumption on the BSC Shop premises;

1.4.3.2 Face to face, for personal carry-out consumption; and/or

1.4.3.3 For catering service provided at customers' homes, offices, and other locations ("**Catering**"), and for delivery service through the use of an approved local third-party provider of delivery services ("**Delivery**"), but only as provided in Section 1.6 below.

1.4.4 You further understand that we will not prohibit other BSC Shops or any other restaurant or food service business (whether owned or franchised by us or by our affiliates) from delivering food to customers at any location.

1.5 *Delivery and Catering.* You agree that BSC Shops are primarily intended for on-premises and off-premises carry-out consumption, and that we have the right to approve or disapprove any activity(ies) proposed to take place outside the BSC Shop, including Delivery and Catering activities. We will consider various factors in determining whether to permit you to provide Delivery and/or Catering services from the Franchised Business (whether directly and/or through third parties), including the period of time you have been operating your Franchised Business, your sales volume, whether you have met certain quality standards and other benchmarks, and other standards that we may determine. In addition:

1.5.1 You agree not to engage in Delivery and/or Catering services unless you have obtained our prior written consent as to each proposed Delivery and/or Catering order.

1.5.2 Any Delivery or Catering activities that you undertake must be conducted in accordance with the procedures that we specify in the Brand Manual or otherwise in writing. By granting approval to any one or more proposals to cater or deliver, we will not be deemed to have given our approval to, or waived our right to disapprove or condition our approval of, any ongoing or additional Catering or Delivery activities.

1.5.3 We have the right (but not the obligation) to establish a catering program that may include online and telephone ordering features, on our own and/or in conjunction with one or more outside vendors (the "**Catering Program**"). If we establish a Catering Program, you agree to participate and to pay the fees and costs associated with doing so.

1.5.4 We have the right to require that you conduct Delivery only through BSC Shop staff and/or approved third-party Delivery vendors. We will have the right at all times to approve or disapprove of any such Delivery services and other vendors (including aggregators), including the arrangements that you propose to make with any third-party Delivery vendor.

1.5.5 All Delivery and Catering sales will be considered as part of the Gross Sales (see Section 4.2.2 below) of your Franchised Business.

1.6 *Other Brands*. You understand that we may operate (or be affiliated with companies that operate) businesses under brand names (whether as company-owned concepts, as a franchisor, or as a franchisee) in addition to the "Black Sheep Coffee" brand, and also that we may acquire other brands (or be acquired by a company that operates other brands) (collectively, "**Other Brands**"). You understand and agree that this Agreement does not grant you any rights with respect to any such Other Brands.

2. TERM AND RENEWAL

2.1 *Term*. The term of this Agreement starts on the Effective Date and, unless this Agreement is earlier terminated in accordance with its provisions, will expire upon the earlier to occur of:

(i) ten (10) years following the date the Franchised Business is first open to the public; or

(ii) eleven (11) years following the Effective Date.

2.2 *Renewal*. You will have the right to renew your rights to operate the Franchise Business for two (2) additional consecutive successor terms of five (5) years each, so long as you have satisfied all of the conditions specified in Sections 2.2.1 through 2.2.9 before each such renewal:

2.2.1 You agree to give us written notice of your choice to renew at least six (6) months before the end of the term of this Agreement (but not more than twelve (12) months before the term expires).

2.2.2 You agree to remodel and refurbish the Franchised Business to comply with our then-current standards in effect for new BSC Shops (as well as the provisions of Section 8.8 below).

2.2.3 At the time of renewal: (**a**) you must be in compliance with the provisions of this Agreement (including any amendment to this Agreement), any successor to this Agreement, and/or any other contract between you (and your affiliates) and us (and our affiliates) and (**b**) in our reasonable judgment, you must have been in compliance during the term of this Agreement, even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet those obligations.

2.2.4 You must have timely met all of your financial obligations to us, our affiliates, the Marketing Fund, and/or the Regional Fund, as well as your vendors (including your lessors, suppliers, staff, and all other parties with whom you do business), throughout the term of this Agreement (even if we did not issue a notice of default or exercise our right to terminate this Agreement if you did not meet your obligations). You must be current with respect to your financial and other obligations to your lessor, suppliers, and all other parties with whom you do business.

2.2.5 You must sign our then-current form of franchise agreement, which will supersede this Agreement in all respects (except with respect to the renewal provisions of the new franchise agreement, which will not supersede this Section 2), and which you agree may contain terms, conditions, obligations, rights, and other provisions that are substantially and materially different from those spelled out in this Agreement (including, for example, a higher percentage Royalty Fee and marketing contribution). Your direct and indirect owners must also sign and deliver to us a personal guarantee of your obligations under the renewal form of franchise agreement. (In this Agreement, the term "**entity**" includes a corporation, a limited liability company, a partnership, and/or a limited liability partnership.)

2.2.6 Instead of a new initial franchise fee or renewal fee, you agree to pay us a renewal fee in an amount equal to $20,000.

2.2.7 You agree to sign and deliver to us a renewal agreement that will include a mutual general release (which will be effective as of when signed as well as the date of renewal), in a form that we will provide (which will include limited exclusions), which will release all claims against us and our affiliates, and our respective officers, directors, members, managers, agents, and employees. Your affiliates and your respective direct and indirect owners (and any other parties that we reasonably request) must also sign and deliver that release to us.

2.2.8 You and your personnel must meet our then-current qualification and training requirements.

2.2.9 You agree to present to us satisfactory evidence that you have the right to remain in possession of the Accepted Location for the entire renewal term of this Agreement.

3. OUR DUTIES

3.1 *Training*. We will provide you with the training specified in Section 6 below.

3.2 *Site Selection.* We will provide the site selection assistance that we think is needed, but you will retain the sole responsibility for choosing a viable site (even though we will have provided assistance and our opinions on the options).

3.3 *Standard Layout and Equipping of a BSC Shop*. We will make available to, at no additional charge, our standard layout, design and image specifications for a BSC Shop, including the exterior and interior design and layout, fixtures, furnishings, equipment, and signs. We have the right to modify our standard layout plans and specifications as we deem appropriate periodically (however, once we have provided those plans and specifications to you, we will not further modify the layout plans and specifications for the initial construction of your BSC Shop). We will also provide the site selection and lease review assistance called for under Section 5.3 below.

3.4 *Opening and Additional Assistance*. We may provide a representative to be present at the opening of the Franchised Business. We will provide such additional on-site pre-opening and opening supervision and assistance that we think is advisable, and as may be described in the Brand Manual (defined below).

3.5 *Brand Manual*. We will lend to you one (1) copy of (or provide you with access to), during the term of this Agreement, our confidential brand manuals and other written instructions relating to the operation of a BSC Shop (the "**Brand Manual**"), in the manner and as described in Section 10 below.

3.6 *Marketing Materials*. We will assist you in developing the Grand Opening Marketing Program (defined below). We have the right to approve or disapprove all marketing and promotional materials that you propose to use, pursuant to Section 13 below.

3.7 *Marketing Funds*. We will administer the Marketing Fund (as defined in Section 13 below) in the manner set forth in Section 13 below.

3.8 *Inspection Before Opening*. We will evaluate the Franchised Business before it first opens for business. You agree to not open the Franchised Business to customers or otherwise start operation until you have received our prior written approval to do so. You agree to provide us with written notice of the date that you intend to start operating at least thirty (30) days in advance of the planned opening date.

3.9 *Periodic Assistance.* We will provide you periodic assistance in the marketing, management, and operation of the Franchised Business at the times and in the manner that we determine. We will periodically offer you the services of certain of our representatives, such as a field consultant, and these representatives will periodically visit your Franchised Business and offer advice regarding your operations.

3.10 *Services Performed*. You agree that any of our designees, employees, agents, or independent contractors (such as an "area representative") may perform any duty or obligation imposed on us by the Agreement, as we may direct (if so, we will, nonetheless, remain responsible to you for the performance of these obligations).

3.11 *Our Decision-Making*. In fulfilling our obligations under this Agreement, and in conducting any activities or exercising our rights pursuant to this Agreement, we (and our affiliates) will always have the right: (**a**) to take into account, as we see fit, the effect on, and the interests of, other franchised and company-owned or affiliated businesses and systems; (**b**) to share market and product research, and other proprietary and non-proprietary business information, with other franchised businesses and systems in which we (or our affiliates) have an interest, and/or with our affiliates; (**c**) to test market various items in some or all parts of the System; (**d**) to introduce new Proprietary Items, products that are not Proprietary Items, and operational equipment; and/or (**e**) to allocate resources and new developments between and among systems, and/or our affiliates, as we see fit. You understand and agree that all of our obligations under this Agreement are subject to this Section, and that nothing in this Section will in any way affect your obligations under this Agreement.

3.12 *Confirmation of Performance*. After we have performed our pre-opening obligations to you under this Agreement, we may ask that you execute and deliver to us a confirmation (the "**Confirmation of Performance**"), in a form we reasonably request, confirming that we have performed those obligations. If we ask you to provide us with such a certificate, you agree to execute and deliver the Confirmation of Performance to us within three (3) business days after our request. However, if you do not reasonably believe that we have performed all of our pre-opening obligations, you must, within that same three (3) business day period, provide us with written notice specifically describing the obligations that we have not performed. Not later than three (3) business days after we complete all the obligations that you specified in that notice, you agree to execute and deliver the Confirmation of Performance to us. You agree to do so even if we performed such obligations after the time performance was due under this Agreement. The term "pre-opening obligations" means the obligations we have to you under this Agreement that must be performed before your open your BSC Shop.

4. FEES; SALES REPORTING

4.1 *Initial Franchise Fee*. You agree to pay us an initial franchise fee of Forty Thousand Dollars ($40,000) (the "**Initial Franchise Fee**"). The Initial Franchise Fee is due and payable to us on the day that you sign this Agreement. The Initial Franchise Fee is not refundable. The Initial Franchise Fee is payable in consideration of the services that we provide to you in connection with helping you to establish your new BSC Shop.

4.2 *Royalty Fee and Sales Reports*. For each month during the term of this Agreement, you agree to: (**a**) pay us a continuing royalty fee in the amount equal to seven percent (7%) of the Gross Sales of the Franchised Business ("**Royalty Fees**" or "**Royalties**"); and (**b**) report to us your Gross Sales, in the form and manner that we specify (a "**Sales Report**"), by the time specified in Section 4.3 below. As used in this Agreement: the term "**Gross Sales**" means all revenue from the sale of all Retail Products and Services and all other income of every kind and nature related to, derived from, or originating from the Franchised Business (whether or not permitted under this Agreement), including barter and the proceeds of any business interruption insurance policies, whether for cash or credit, and regardless of theft, or of collection in the case of credit. Gross Sales excludes sales taxes and other taxes that you collect from your customers and actually pay to the appropriate taxing authorities.

4.3 *Due Date*. All payments required by Section 4.2 above and Section 13 below must be made by ACH (as specified below) by the 14th day of each month (the "**Due Date**"), based on the Gross Sales of the previous month. In addition, you agree to all of the following:

4.3.1 You agree to deliver to us all of the reports, statements, and/or other information that is required under Section 12 below, at the time and in the format that we reasonably request. You also agree to deliver the Sales Report to us by the Due Date based on the sales of the previous month.

4.3.2 You agree to establish an arrangement for electronic funds transfer to us, or electronic deposit to us of any payments required under this Agreement. Among other things, to implement this point, you agree to sign and return to us our current form of "ACH - Authorization Agreement for Prearranged Payments (Direct Debits)," a copy of which is attached to this Agreement as Exhibit D (and any replacements for that form that we deem to be periodically needed to implement this Section 4.3.2), and you agree to: (**a**) comply with the payment and reporting procedures that we may specify in the Brand Manual or otherwise in writing; and (**b**) maintain an adequate balance in your bank account at all times to pay by electronic means the charges that you owe under this Agreement. If we elect to use ACH withdrawal to sweep payment of fees, then you will not be required to submit a separate payment to us unless you do not maintain sufficient funds to pay the full amount due. Accordingly: (**i**) you agree to maintain a proper and sufficient balance in the account from which your ACH deductions are made to pay all of the fees that are due under this Agreement; and (**ii**) if you do not do so, then you agree to pay us upon demand the amounts due and also reimburse us for the bank fees (if any) that we incur as well as a reasonable additional administrative fee that we will have the right to impose.

4.3.3 You agree that your obligations to make full and timely payment of Royalty Fees and Marketing Contributions (and all other sums due to us) are absolute, unconditional, fully-earned (by us), and due as soon as you are first open to the public.

4.3.4 You agree not to, for any reason, delay or withhold the payment of any amount due to us under this Agreement; put into escrow any payment due to us; set-off payments due to us against any claims or alleged claims that you may allege against us, the Marketing Fund, the Regional Fund, our affiliates, suppliers, or others.

4.3.5 You agree that if you do not provide us, as requested, with access to your Computer System to obtain sales information or, if we require pursuant to Section 12.1.4 below or otherwise, printed and signed sales reports, then we will have the right to impute your sales for any period using (among other things) your sales figures from any month(s) that we choose (which may be those with your highest grossing sales), and that you agree to pay the Royalties on that amount by our deduction of that amount from your direct debit account.

4.4 *No Subordination*. You agree: (**a**) not to subordinate to any other obligation your obligation to pay us the Royalty Fee and/or any other amount payable to us, whether under this Agreement or otherwise; and (**b**) that any such subordination commitment that you may give without our prior written consent will be null and void.

4.5 *Late Payment*. If we do not receive any payment due under this Agreement (and if the appropriate marketing fund does not receive payment due) on or before the due date, then that amount will be deemed overdue. If any payment is late, then you agree to pay us, in addition to the overdue amount, interest on the overdue amount from the date it was due until paid, at the rate of one and one-half percent (1.5%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). Our entitlement to such interest will be in addition to any other remedies we may have. Any report that we do not receive on or before the due date will also be deemed overdue.

4.6 *Other Funds Due*. You agree to pay us, within ten (10) days of our written request (which is accompanied by reasonable substantiating material), any amounts that we have paid, that we have become obligated to pay, and/or that we choose to pay on your behalf.

4.7 *Index*. We have the right to adjust, for inflation, the fixed-dollar amounts under this Agreement (except for the Initial Franchise Fee) to reflect changes in the Index from the year in which you signed this Agreement. For the purpose of this Section 4.7, the term "**Index**" means the Consumer Price Index as published by the U.S. Bureau of Labor Statistics ("**BLS**") (1982-84=100; all items; CPI-U; all urban consumers). If the BLS no longer publishes the Index, then we will have the right to designate a reasonable alternative measure of inflation.

4.8 *Funds*. You agree to make all payments to us in U.S. Dollars to such bank account as we may periodically designate in writing (or as we otherwise direct in writing).

5. FRANCHISED BUSINESS LOCATION, CONSTRUCTION AND RENOVATION

5.1 *Opening Deadline.* You are responsible for purchasing, leasing, or subleasing a suitable site for the Franchised Business. You agree to establish the Franchised Business and have it open and in operation within eighteen (18) months after the Effective Date of this Agreement. Time is of the essence.

5.2 *Site for the BSC Shop*. As provided in Section 1.2 above, if you do not have (and we have not approved in writing) a location for the BSC Shop as of the Effective Date, then you must find and obtain the right to occupy (by lease, sublease, or acquisition of the property) premises that we find acceptable to serve as your BSC Shop, all in accordance with the Site Selection Addendum.

5.3 *Our Review and Your Responsibilities*. Any reviews that we conduct of the proposed site, lease, and other details concerning your site are for our benefit only, and to evaluate the proposed site against our internal standards. In addition:

5.3.1 You agree that our review, comments about, and even our approval of a proposed site, lease, sublease, design plans, and/or renovation plans for the BSC Shop is not (and shall not be deemed) our recommendation, endorsement, and/or guarantee of the suitability of that location or the terms of the lease, sublease, and/or purchase agreement.

5.3.2 You agree to take all steps necessary to determine for yourself whether a particular location and the terms of any lease, sublease, and/or purchase agreement for the site are beneficial and acceptable to you (including retaining your own legal counsel to review the lease). Additionally, no matter to what extent (if any) that we participate in any lease, sublease, and/or purchase negotiations, discussions with the landlords or property owners, and/or otherwise in connection with reviewing the lease, sublease and/or purchase agreement, you have to make the final decision as to whether or not the proposed contract is sensible for your business, and the final decision as to whether or not to sign the lease, sublease, and/or purchase agreement is yours, and we will not be responsible for the terms and conditions of your lease, sublease, and/or purchase agreement.

5.3.3 You agree that: (**a**) any standard layout and equipment plans that we provide to you, as well as any review and comments that we provide to the plans that you develop for your BSC Shop, are not meant to address the requirements of any Operating Codes (as defined in Section 8.7 below); (**b**) our standard plans or comments to your modified plans, will not reflect the requirements of, nor may they be used for, construction drawings or other documentation that you will need in order to obtain permits or authorization to build a specific BSC Shop; (**c**) you will be solely responsible to comply with all local laws, requirements, architectural needs, and similar design and construction obligations associated with the site, at your expense; and (**d**) our review, comment, and approval of your plans will be limited to reviewing those plans to assess compliance with our standards (including issues such as trade dress, presentation of Proprietary Marks, and the provision to the potential customer of certain products and services that are central to the purpose, atmosphere, and functioning of BSC Shops).

5.3.4 You agree that our recommendation or acceptance of the Accepted Location indicates only that we believe that the Accepted Location falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the Accepted Location.

5.3.5 We will not review nor may our approval be deemed to address whether or not you have complied with any of the Operating Codes, including provisions of the Americans with Disabilities Act (the "**ADA**"); and you agree that compliance with such laws is and will be your sole responsibility.

5.3.6 You acknowledge that we will have no liability to you or any regulatory authority if you fail to obtain and/or maintain any necessary licenses or approvals required for the operation of the Franchised Business.

5.4 *Lease Review.* You agree to provide us with a copy of the proposed lease, sublease, or purchase agreement for the Accepted Location, and you agree not to enter into that lease, sublease, or purchase agreement until you have received our written approval. We have the right to condition our approval of the lease, sublease, or purchase agreement upon the inclusion of terms that we find acceptable and that are consistent with our rights and your responsibilities under this Agreement, including, that you and the landlord execute a lease rider in the form attached to this Agreement as Exhibit H. You also agree:

5.4.1 to provide us with a copy of the fully signed lease and/or sublease, including a signed lease rider (in the form attached as Exhibit H), before you begin construction or renovations as the Accepted Location;

5.4.2 that our recommendation or acceptance of the proposed lease, sublease, or purchase agreement for the Accepted Location indicates only that we believe that the lease, sublease, or purchase agreement falls within the acceptable criteria for sites and premises that we have established as of the time of our recommendation or acceptance of the lease, sublease, or purchase agreement for the Accepted Location;

5.4.3 that our acceptance of the proposed site as well as your proposed lease, sublease, or purchase agreement for the Accepted Location does not constitute any guarantee or warranty, express or implied, of the successful operation or profitability of your BSC Shop operated at the Accepted Location (and that our acceptance indicates only that we believe that the Accepted Location and the terms of the lease, sublease, or purchase agreement fall within our own internal criteria); and

5.4.4 that we have advised that you have your own attorney review and evaluate the lease, sublease, or purchase agreement.

5.5 *Preparing the Site.* You agree that promptly after obtaining possession of the Accepted Location, you will do all of the following things:

5.5.1 obtain all required zoning permits, all required building, utility, health, sign permits and licenses, and any other required permits and licenses;

5.5.2 purchase or lease equipment, fixtures, furniture and signs as required under this Agreement (including the specifications we have provided in writing, whether in the Brand Manual or otherwise);

5.5.3 complete the construction and/or remodeling as described in Section 8.8 below, and installation of all equipment, fixtures, furniture and signs and decorating of the Franchised Business in full and strict compliance with plans and specifications for the Franchised Business that we have approved in writing, as well as all applicable ordinances, building codes and permit requirements;

5.5.4 obtain all customary contractors' partial and final waivers of lien for construction, remodeling, decorating and installation services; and

5.5.5 purchase an opening inventory of ingredients for Retail Products and other materials and supplies.

5.6 *Construction or Renovation*. In connection with any construction or renovation of the Franchised Business (and before you start any such construction or renovation) you agree to comply, at your expense, with all of the following requirements, which you agree to satisfy to our reasonable satisfaction:

5.6.1 You agree to employ a qualified, licensed architect or engineer who is reasonably acceptable to us to prepare, for our approval, preliminary architectural drawings and equipment layout and specifications for site improvement and construction of the Franchised Business based upon standard layout, design and image specifications we will furnish in the Brand Manual (depending on whether, for example, your Franchised Business will be operated in a stand-alone facility, and end-cap, or as a retro-fit of an existing building). The materials that you submit to us must include a description of any modifications to our specifications (including requirements for dimensions, interior and exterior design and layout, equipment, fixtures, furnishings, signs, and decorating materials) required for the development of a Franchised Business. Our approval will be limited to conformance with our standard image specifications and layout, and will not relate to your obligations with respect to any applicable Operating Codes, including the ADA. After we have responded to your preliminary plans and you have obtained any permits and certifications, you agree to submit to us, for our prior written approval, final architectural drawings, plans and specifications. We will have the right to request changes and approve, but we will not supervise or otherwise oversee your project. We will not unreasonably withhold our approval of your adapted plans, provided that such plans and specifications conform to our general criteria. Once we have approved those final plans, you cannot later change or modify the plans without our prior written consent.

5.6.2 You agree to comply with all Operating Codes, including, the applicable provisions of the ADA regarding the construction and design of the Franchised Business. Additionally, before opening the Franchised Business, and after any renovation, you agree to execute and deliver to us an ADA Certification in the form attached to this Agreement as Exhibit E, to certify that the Franchised Business and any proposed renovations comply with the ADA.

5.6.3 You are solely responsible for obtaining (and maintaining) all permits and certifications (including, zoning permits, licenses, construction, building, utility, health, sign permits and licenses) which may be required by state or local laws, ordinances, or regulations (or that may be necessary or advisable due to any restrictive covenants relating to your location) for the lawful construction and operation of the Franchised Business. You must certify in writing to us that all such permits and certifications have been obtained.

5.6.4 You agree to employ a qualified licensed general contractor who is reasonably acceptable to us to construct the Franchised Business and to complete all improvements.

5.6.5 You agree to obtain (and maintain) during the entire period of construction the insurance required under Section 15 below; and you agree to deliver to us such proof of such insurance as we may reasonably require.

5.7 *Pre-Opening*. Before opening for business, you agree to meet all of the pre-opening requirements specified in this Agreement, the Brand Manual, and/or that we may otherwise specify in writing.

5.8 *Reporting Development Costs*. Within ninety (90) days after the Franchised Business first opens for business, you agree to give us a full written breakdown of all costs associated with the development and construction of the Franchised Business, in the form that we may reasonably find acceptable or that we may otherwise require.

6. OPERATING OWNER, PERSONNEL, AND TRAINING

6.1 Operating Owner and Management.

6.1.1 One of the parties that owns an interest in you must serve as your "**Operating Owner**." The Operating Owner must supervise the operation of the Franchised Business and must own at least ten percent (10%) of the voting and ownership interests in the franchisee entity, unless you obtain our prior written approval for the Operating Owner to hold a smaller interest. The Operating Owner (and any replacement for that individual) must have qualifications reasonably acceptable to us to serve in this capacity, complete our training program as described below, must have authority over all business decisions related to the Franchised Business, must have the power to bind you in all dealings with us, and must have signed and delivered to us the Guarantee, Indemnification, and Acknowledgement attached to this Agreement as Exhibit B.

6.1.2 You must inform us in writing whether the Operating Owner will assume full-time responsibility for the daily supervision and operation of the Franchised Business. If not, then you must employ a full-time Store Manager (a "**Store Manager**") with qualifications reasonably acceptable to us, who will assume responsibility for the daily operation of the Franchised Business.

6.1.3 The Franchised Business must at all times be under the active full-time management of either Operating Owner or Store Manager (who must have successfully completed our initial training program to our satisfaction).

6.1.4 The term "**Additional Trained Personnel**" means Store personnel, in addition to the Operating Owner and Store Manager, who have successfully completed our initial and ongoing training requirements and possess the qualifications necessary to the management and/or service roles that each such person will perform in operating the Franchised Business.

6.2 Initial Management Training.

6.2.1 The Operating Owner and your Store Manager must attend and successfully complete, to our satisfaction, the owners' training program and brand management training program that we offer at our headquarters or another location that we specify. (Your Store Manager will train your subsequently hired general managers and assistant managers.)

6.2.2 You may send up to five (5) individuals to the initial training program to our designated training facilities. If you wish to send additional individuals to be trained (including the Operating Owner, Store Manager, and Additional Trained Personnel) to the initial training program, you must pay us our then-current training fee.

6.3 Additional Obligations and Terms Regarding Training.

6.3.1 If for any reason your Operating Owner and/or Store Manager cease active management or employment at the Franchised Business, or if we revoke the certification of your Operating Owner or your Store Manager to serve in that capacity, then you agree to enroll a qualified replacement (who must be reasonably acceptable to us to serve in that capacity) in our initial training program within thirty (30) days after the former individual ended his/her full time employment and/or management responsibilities. The replacement must attend and successfully complete the basic management training program, to our reasonable satisfaction, as soon as it is practical to do so. You agree to pay us our then-current training fee for each replacement individual to be trained, with payment to be made in full before training starts.

6.3.2 We may require that you and your Operating Owner, Store Manager and Additional Trained Personnel attend such refresher courses, seminars, and other training programs as we may reasonably require periodically.

6.3.3 We may require you to enroll each of your employees in web-based training programs relating to the Retail Products and Services that will be offered to customers of the BSC Shop.

6.3.4 All of your trainees must sign and deliver to us a personal covenant of confidentiality in substantially the form of Exhibit F to this Agreement.

6.3.5 *Training Costs and Expenses*.

6.3.5.1 We agree to bear the cost of providing the instruction and required materials, except as otherwise provided in Sections 6.2, 6.3, 6.4, and 6.5 of this Agreement.

6.3.5.2 You agree to bear all expenses incurred in connection with any training, including the costs of transportation, lodging, meals, wages, benefits, and worker's compensation insurance for you and your employees. Training may take place at one or more locations that we designate.

6.3.5.3 You also agree to cover all of your employees at all times (including the pre- opening period, and including those attending training) under the insurance policies required in Section 15 below.

6.3.5.4 We have the right to reduce the duration or content of the training program for any trainee who has prior experience with our System.

6.4 *On-Site Opening Assistance*. If you are opening your first Black Sheep Coffee Shop under this Agreement, we will provide you with one of our representatives, for up to 10 days, to furnish on-site opening assistance and training in connection with the opening of your Shop ("**On-Site Opening Assistance**"). The precise period of On-Site Opening Assistance furnished to your Shop will depend on the level of assistance and training required by your Shop (as we determine in our sole judgment). You will be required to pay us a non-refundable fee of $10,000 in connection with such On-Site Opening Assistance (the "**On-Site Opening Assistance Fee**"). This On-Site Opening Assistance Fee is payable in a lump sum when you sign this Agreement and is not refundable. If you are opening your second or later Shop under this Agreement, or obtaining your Shop through a transfer or assignment of an existing Shop, we may (as determined in our sole discretion), but need not, furnish such On-Site Opening Assistance. If we do, you will be required to pay us the On-Site Opening Assistance Fee for such second or later Shop.

6.5 *Additional On-Site Training*. You may ask us to provide on-site training in addition to that which we will provide to you in connection with the initial training program and/or the opening of the Franchised Business, and if we are able to do so, then you agree to pay us our then-current per diem training charges as well as our out-of-pocket expenses. Additionally, if you do not pass one or more mystery shopper visits and/or inspections, then we have the right to determine that you are not operating your BSC Shop in accordance with our brand standards, and we may place you in default of this Agreement and/or require you and/or your employees to complete additional training at the Franchised Business or a location that we designate, at your expense, which will include our then-current per diem training charges and our out-of-pocket expenses for any training conducted at your Franchised Business.

6.6 *Conventions and Meetings*. You agree to attend the conventions and meetings that we may periodically require and to pay a reasonable fee (if we charge a fee) for each person who is required to attend (and, if applicable, additional attendees that you choose to send as well).

You will also be responsible for all of the other costs of attendance, including travel, room and board, and your employees' wages, benefits and other expenses.

7. PURCHASING AND SUPPLY

The requirements of this Section 7 apply to Proprietary Items (Section 7.2), Input Items that you must purchase or otherwise source from approved suppliers (Section 7.1), and Input Items that you must otherwise purchase or source in accordance with our standards and specifications (Section 7.3).

7.1 *Input Items*. You agree to buy all ingredients, equipment, furniture, supplies, paper products, t-shirts, and other apparel), materials (such as packaging), and other products and services used (or offered for sale) at the BSC Shop (together, "**Input Items**") only from suppliers as to whom we have given our prior written approval (and whom we have not subsequently disapproved). (The term Input Items also includes any pre-packaged Retail Products that you buy from approved suppliers.) In this regard, the parties further agree:

7.1.1 In determining whether we will approve any particular supplier for an Input Item, we will consider various factors, including: (**a**) whether the supplier can demonstrate, to our continuing reasonable satisfaction, the ability to meet our then-current standards and specifications for such items; (**b**) whether the supplier has adequate quality controls and capacity to supply your needs promptly and reliably; (**c**) whether approval of the supplier would enable the System, in our sole opinion, to take advantage of marketplace efficiencies; and/or (**d**) whether the supplier will sign a confidentiality agreement and a license agreement in the form that we may require (which may include a royalty fee for the right to use our Proprietary Marks and any other proprietary rights, recipes, and/or formulae).

7.1.2 For the purpose of this Agreement, the term "**supplier**" includes, but is not limited to, manufacturers, distributors, resellers, and other vendors. You agree that we have the right to appoint only one supplier for any particular product, ingredient or item (which may be us or one of our affiliates).

7.1.3 You agree to offer and sell only Retail Products and Services at the Franchised Business. You may not offer or sell anything at the Franchised Business that is not a Retail Product or a Service.

7.1.4 If you want to buy any Input Item from an unapproved supplier (except for Proprietary Items, which are addressed in Section 7.2 below), then you must first submit a written request to us asking for our prior written approval. You agree not to buy from any such supplier unless and until we have given you our prior written consent to do so. We have the right to require that our representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered, either to us or to an independent laboratory that we have designated for testing. You (or the supplier) may be required to pay a charge, not to exceed the reasonable cost of the inspection, as well as the actual cost of the test. We have the right to also require that the supplier comply with such other requirements that we have the right to designate, including payment of reasonable continuing inspection fees and administrative costs and/or other payment to us by the supplier on account of their dealings with you or other franchisees, for use of our trademarks, and for services that we may render to such suppliers. We also reserve the right, at our option, to periodically re-inspect the facilities and products of any such approved supplier and to revoke our approval if the supplier does not continue to meet any of our then-current criteria. We are not required to approve any particular supplier, nor to make available our standards, specifications, or formulas to prospective suppliers, which we have the right to deem confidential.

7.1.5 You agree we have the right to establish one or more strategic alliances or preferred vendor programs with one or more nationally or regionally-known suppliers that are willing to supply all or some BSC Shops with some or all of the products and/or services that we require for use and/or sale in the development and/or operation of BSC Shops, notwithstanding anything to the contrary contained in this Agreement. In this event, we may limit the number of approved suppliers with whom you may deal, designate sources that you must use for some or all Input Items, and/or refuse any of your requests if we believe that this action is in the best interests of the System or the network of BSC Shops. We have the right to approve or disapprove of the suppliers who may be permitted to sell Input Items to you. Any of our affiliates that sell Input Items to you will do so at our direction. If you are in default of this Agreement, we reserve the right to direct our affiliates not to sell Input Items to you, or to withhold certain discounts that might otherwise be available to you.

7.1.6 You agree that we have the right to collect and retain all manufacturing allowances, marketing allowances, rebates, credits, monies, payments or benefits (collectively, "**<u>Allowances</u>**") offered by suppliers to you or to us (or our affiliates) based upon your purchases of Input Items. These Allowances include those based on purchases of products, paper goods, ingredients, beverages, and other items (such as packaging). You assign to us or our designee all of your right, title and interest in and to any and all such Allowances and authorize us (or our designee) to collect and retain any or all such Allowances without restriction.

7.1.7 If we require you to offer and sell items that bear our Proprietary Marks, or to use items that bear our Proprietary Marks, then you must buy, use, and sell only the items that we require, and you must buy those items only from our approved suppliers.

7.2 *Proprietary Items*. You agree that: (**a**) we have the right to require that certain Retail Products that you offer at the Franchised Business must be produced in accordance with our proprietary standards and specifications (and/or those of our affiliates), and that such items are our proprietary products ("**<u>Proprietary Items</u>**"); (**b**) we have the right to require that you purchase and offer Proprietary Items (as well as any packaging bearing the

Proprietary Marks) only from us, our affiliates, and/or our designated suppliers, and not to offer or sell any other such products at or from the Franchised Business; and (**c**) we have the right to determine whether any particular item (now or in the future) is or will be deemed a "Proprietary Item."

7.3 *Specifications.* In addition to the provisions of Sections 7.1 and 7.2 above, as to those Input Items that we do not require you to buy or otherwise source from approved suppliers and that are not proprietary items (as specified in Section 7.2 above), you agree to purchase or otherwise source those Input Items only in accordance with the standards and specifications that we specify in the Brand Manual or otherwise in writing (for example, USDA Grade A eggs).

7.4 *Use of the Marks*. You agree to use all Logo Items that we require and not to use any items that are a substitute for a Logo Item without our prior written consent. The term "**Logo Items**" is agreed to mean all marketing materials, signs, decorations, paper goods (including and all forms and stationery used in the Franchised Business). You agree that all Logo Items that you use will bear the Proprietary Marks in the form, color, location, and manner we prescribe (and that all such Logo Items will be subject to our prior written approval as provided in Section 13.8 below).

7.5 *Manufacturing*. You agree not to produce or otherwise manufacture any items in your BSC Shop (except for products that we have otherwise authorized and approved for production in the Brand Manual or otherwise in writing).

8. YOUR DUTIES

In addition to all of the other duties specified in this Agreement, for the sake of brand enhancement and protection, you agree to all of the following:

8.1 *Importance of Following Standards*. You understand and acknowledge that every detail of the Franchised Business is important to you, to us, and to other "Black Sheep Coffee" franchisees in order to develop and maintain our brand and operating standards, to provide customer service to customers and participants, to increase the demand for the Retail Products and Services sold, by all franchisees, and to protect and enhance the reputation and goodwill associated with our brand.

8.2 *Opening*. In connection with the opening of the Franchised Business:

8.2.1 You agree to conduct, at your expense, such promotional and marketing activities as we may require.

8.2.2 You agree to open the Franchised Business by the date specified in Section 5.1 above. Subject to availability and scheduling, we will send a representative to attend the opening; and you agree not to open the Franchised Business without our representative present. If we cannot provide our representative on the date that you propose to first open the Franchised Business for business, then you must reschedule such opening to a date on which our representative can be in attendance; provided, that we will not unreasonably delay opening of the Franchised Business due to these considerations.

8.2.3 You will not open the Franchised Business until we have determined that all construction has been substantially completed, and that such construction conforms to our standards including to materials, quality of work, signage, decor, paint, and equipment, and we have given you our prior written approval to open, which we will not unreasonably withhold.

8.2.4 You agree not to open the Franchised Business until the Operating Owner, Store Manager, and Additional Trained Personnel have successfully completed all training that we require, and not until you have hired and trained to our standards a sufficient number of employees to service the anticipated level of the Franchised Business's customers.

8.2.5 In addition, you agree not to open the Franchised Business until the Initial Franchise Fee and any other amounts due to us (and our affiliates) under this Agreement or any other agreements have been paid.

8.3 *Staffing*.

8.3.1 You agree to maintain a competent, conscientious staff in numbers sufficient to promptly service customers and to comply with staffing and service criteria, which may include without limitation specified positions that we may designate from time to time as necessary or appropriate for providing quality member experience according to our standards. We will provide our requirements for service/function positions that we may establish from time to time and which will be set forth in our Brand Manual.

8.3.2 For the sake of efficiency and to enhance and protect our brand you and your staff must, at all times, cooperate with us and with our representatives, and conduct the operation of the business in a first-class and professional manner in terms of dealing with customers, vendors, and our staff as well.

8.3.3 Your employees must comply with such dress code and other brand standards as we may reasonably require, which may include use of branded (or other "**uniform**") apparel, and otherwise identify themselves with the Proprietary Marks at all times in the manner we specify (whether in the Brand Manual or otherwise in writing) while on a job for the Franchised Business. We may also require that you (and that you ensure that your employees also) comply with our brand standards concerning personal appearance (including dress code, footwear, hair color, body art, piercing, sanitation and personal hygiene, foundation garments, personal displays at work stations, etc.).

8.3.4 You agree to develop, cultivate, and at all times maintain a cooperative, cordial, and respectful work environment for your staff and among all of the owners of the Franchised Business.

8.4 *Operate According to Our Standards.* To ensure that the highest degree of quality and service is maintained, you agree to operate your Franchised Business in strict conformity with such methods, standards, and specifications that we may periodically require in the Brand Manual or otherwise in writing. In this regard, you agree to do all of the following:

8.4.1 You agree to maintain in sufficient supply, and to use at all times only the items, products, equipment, services, materials, and supplies that meet our written standards and specifications, and you also agree not to deviate from our standards and specifications by using or offering any non-conforming items without our specific prior written consent.

8.4.2 You agree: (**a**) to sell or offer for sale only those Services, items, and Retail Products using the standards and techniques that we have approved in writing for you to offer and use at your Franchised Business; (**b**) to sell or offer for sale all Services, items, and Products using the standards and techniques that we specify in writing; (**c**) not to deviate from our standards and specifications; (**d**) to stop using and offering for use any Services or Retail Products that we at any time disapprove in writing (recognizing that we have the right to do so at any time); and (**e**) that if you propose to deviate (or if you do deviate) from our standards and specifications, whether or not we have approved the deviation, that deviation will become our property.

8.4.3 You agree to permit us, or our agents, at any reasonable time, to inspect the Retail Products, equipment and to remove samples of items or Retail Products, without payment, in amounts reasonably necessary for testing by us or an independent third party to determine whether the Retail Products, equipment, or samples meet our then-current standards and specifications. In addition to any other remedies we may have under this Agreement, we may require you to bear the cost of such testing if we had not previously approved the supplier of the item or if the sample fails to conform to our specifications.

8.4.4 You agree to buy and install, at your expense, all fixtures, furnishings, equipment, decor, and signs as we may specify, and to periodically make upgrades and other changes to such items at your expense as we may reasonably request in writing. Without limiting the above, you agree that changes in our System standard may require you to purchase new and/or additional equipment for use in the Franchised Business.

8.4.5 You agree not to install or permit to be installed on or about the premises of the Franchised Business, without our prior written consent, any fixtures, furnishings, equipment, machines, décor, signs, or other items that we have not previously in writing approved as meeting our standards and specifications.

8.4.6 You must at all times operate the Franchised Business according to the key performance indicators ("**KPIs**") applicable to the operation of all BSC Shops that we periodically establish in the Brand Manual.

8.4.7 You agree to immediately notify us in writing if you or any of your Principals are convicted of a felony, a crime involving moral turpitude, or any other crime or offense that is likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein.

8.4.8 You agree to purchase or lease, and use, the music system and playlist that we require, and pay fees to the licensing organization associated with playing that music.

8.5 *Use of the Premises.* You may use the Accepted Location only for the purpose of operating the Franchised Business and for no other purpose. You agree not to co-brand or permit any other business to operate at the Accepted Location.

8.6 *Hours and Days of Operation.* You agree to keep the Franchised Business open and in normal operation for such hours and days as we may periodically specify in the Brand Manual or as we may otherwise approve in writing.

8.7 *Health Standards and Operating Codes.* You agree to meet and maintain the highest health standards and ratings applicable to the operation of the Franchised Business. You agree to fully and faithfully comply with all Operating Codes applicable to your Franchised Business. You will have the sole responsibility to fully and faithfully comply with any Operating Codes, and we will not review whether you are in compliance with any Operating Codes. As used in this Agreement, "**Operating Codes**" means all applicable laws, codes, ordinances, and/or regulations (whether federal, state, municipal, and/or local) that apply to the Services, Retail Products, construction and design of the BSC Shop, and/or other aspects of operating the Franchised Business (including the ADA, laws pertaining to employment, etc.).

8.7.1 You agree to send us, within two (2) days of your receipt, a copy of all inspection reports, warnings, citations, certificates, and/or ratings resulting from inspections conducted by any federal, state or municipal agency with jurisdiction over the Franchised Business.

8.7.2 You must also obtain and maintain during the term of this Agreement all licenses and approvals from any governmental or regulatory agency required for the operation of the Franchised Business or provision of the Services you will offer, sell, and provide. Where required, you must obtain the approval of any regulatory authority with jurisdiction over the operation of your Franchised Business.

8.7.3 You acknowledge that we will have no liability to you or any regulatory authority for any failure by you to obtain or maintain during the term of this Agreement any necessary licenses or approvals required for the operation of the Franchised Business.

8.8 *Your Franchised Business*:

8.8.1 *Franchised Business Condition, Maintenance.* You agree that at all times, you will maintain the Franchised Business in a high degree of sanitation, repair, and condition. In addition, you agree to make such repairs and replacements to the BSC Shop as may be required for that purpose (but no others without our prior written consent), including the periodic repainting or replacement of obsolete signs, furnishings, equipment, and decor that we may reasonably require. You also agree to obtain maintenance services from qualified vendors for any equipment as we may specify and maintain those service agreements at all times. Your maintenance and upkeep obligations under this Section 8.8,1 are separate from those with respect to periodic upgrades that we may require regarding fixtures, furnishings, equipment, decor, and signs, and Section 8.8.2 below with respect to Major Remodeling. You also agree to complete a Minor Refurbishment as we may reasonably require, which will not be more than once every three (3) years. (The term "**Minor Refurbishment**" includes replacement, upgrading, and installation of related technology hardware, software, and firmware.)

8.8.2 *Major Remodeling.* In addition to the maintenance and upkeep obligations requirements under Section 8.8.1 above, you agree to refurbish the Franchised Business at your expense to conform to our then-current building design, exterior facade, trade dress, signage, furnishings, decor, color schemes, and presentation of the Proprietary Marks in a manner consistent with the then-current image for new BSC Shops, including remodeling, redecoration, and modifications to existing improvements, all of which we may require in writing (collectively, "**Major Remodeling**"). In this regard, the parties agree that:

8.8.2.1 You will not have to conduct a Major Remodeling more than once every ten (10) years during the term of this Agreement (and not in an economically unreasonable amount); provided, however, that we may require Major Remodeling more often if a Major Remodeling is required as a pre-condition to renewal (as described in Section 2.2.2 above); and

8.8.2.2 You will have one (1) year after you receive our written notice within which to complete a Major Remodeling (but, in the case of a renewal, the Major Remodeling must be completed before you may renew).

8.9 *Use of the Marks*. You agree to follow all of our instructions and requirements regarding any marketing and promotional materials, signs, decorations, merchandise, any and all replacement trade dress products, and other items that we may designate to bear our then-current Proprietary Marks and logos (including our requirements as to the form, color, location, and manner for making use of those marks).

8.10 Depending on your type of Entity:

8.10.1 *Corporation*. If you are a corporation, then you agree to: (**a**) confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (**b**) maintain stop transfer instructions on your records against the transfer of any equity securities and will only issue securities upon the face of which a legend, in a form satisfactory to us, appears which references the transfer restrictions imposed by this Agreement; (**c**) not issue any additional shares (whether voting securities or securities convertible into voting securities); and (**d**) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of your company and furnish the list to us upon request.

8.10.2 *Partnership/LLP*. If you are a general partnership, a limited partnership, or a limited liability partnership (LLP), then you agree to: (**a**) confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (**b**) furnish us with a copy of your partnership agreement as well as such other documents as we may reasonably request, and any amendments thereto; (**c**) prepare and furnish to us, upon request, a current list of all of your general and limited partners; and (**d**) consistent with the transfer restrictions set out in this Agreement, maintain instructions against the transfer of any partnership interests without our prior written approval.

8.10.3 *LLC*. If you are a limited liability company (LLC), then you agree to: (**a**) confine your activities, and your governing documents will at all times provide that your activities are confined, exclusively to operating the Franchised Business; (**b**) furnish us with a copy of your articles of organization and operating agreement, as well as such other documents as we may reasonably request, and any amendments thereto; (**c**) prepare and furnish to us, upon request, a current list of all members and managers in your LLC; and (**d**) maintain stop transfer instructions on your records against the transfer of equity securities and will only issue securities upon the face of which bear a legend, in a form satisfactory to us, which references the transfer restrictions imposed by this Agreement.

8.10.4 *Guarantees*. If you (the Franchisee under this Agreement) are an entity, then you agree to obtain, and deliver to us, a guarantee of your performance under this Agreement and covenant concerning confidentiality and competition, in the form attached as Exhibit B, from each current and future direct and indirect: (**a**) shareholder of a corporate Franchisee; (**b**) member of a limited liability company Franchisee; (**c**) partner of a partnership Franchisee; and/or (**d**) partner of a limited liability partnership Franchisee.

8.11 *Quality-Control and Customer Survey Programs*. We may periodically designate an independent evaluation service to conduct a "mystery shopper," "customer survey," "food safety," and/or similar quality-control and evaluation programs with respect to BSC Shops.

You agree to participate in such programs as we require, and promptly pay the then-current charges of the evaluation service. If you receive an unsatisfactory or failing report in connection with any such program, then you agree to: (**a**) immediately implement any remedial actions we require; and (**b**) reimburse us for the expenses we incur as a result thereof (including the cost of having the evaluation service re-evaluate the Franchised Business, our inspections of the Franchised Business, and other costs or incidental expenses).

8.12 *Prices*.

8.12.1 We may periodically provide suggested retail pricing, however (subject to Section 8.12.2 below), you will always have the right to set your own prices.

8.12.2 You agree that we may set reasonable restrictions on the maximum and minimum prices you may charge for the Retail Products and Services offered and sold at the BSC Shop under this Agreement. You will have the right to set the prices that you will charge to your customers; provided, however, that (subject to applicable law): (**a**) if we have established a maximum price for a particular item, then you may charge any price for that item up to and including the maximum price we have established; and (**b**) if we have established a minimum price for a particular item, then you may charge any price for that item that is equal to or above the minimum price we have established.

8.13 *Environmental Matters*. Both parties recognize and agree that there are changing standards in this area in terms of applicable law, competitors' actions, consumer expectations, obtaining a market advantage, available and affordable solutions, and other relevant considerations. In view of those and other considerations, as well as the long-term nature of this Agreement, you agree that we have the right to periodically set reasonable standards with respect to environmental, sustainability, and energy for the System through the Brand Manual, and you agree to abide by those standards.

8.14 *Innovations.* You agree to disclose to us all ideas, concepts, methods, techniques and products conceived or developed by you, your affiliates, owners and/or employees during the term of this Agreement relating to the development and/or operation of the BSC Shop. All such products, services, concepts, methods, techniques, and new information will be deemed to be our sole and exclusive property and works made-for-hire for us. You hereby grant to us (and agree to obtain from your affiliates, owners, employees, and/or contractors), a perpetual, non-exclusive, and worldwide right to use any such ideas, concepts, methods, techniques and products in any businesses that we and/or our affiliates, franchisees and designees operate. We will have the right to use those ideas, concepts, methods, techniques, and/or products without compensation to you. You agree not to use or allow any other person or entity to use any such concept, method, technique or product without obtaining our prior written approval.

8.15 *Suspending Operation*. You agree to immediately suspend operating the Franchised Business and promptly notify us in writing if: (**a**) any equipment used, or products or services sold, at the Franchised Business deviate from our standards; (**b**) any equipment used, or products or services sold, at the Franchised Business fail to comply with applicable laws or regulations; and/or (**c**) you fail to maintain the equipment, Franchised Business premises, personnel, or operation of the Franchised Business in accordance with any applicable law or regulations. In the event of such closing, you agree to immediately notify us, in writing, and also remedy the unsafe, or other condition or other violation of the applicable law or regulation. You agree not to reopen the Franchised Business until after we have inspected the Franchised Business premises (physically or otherwise), and we have determined that you have corrected the condition and that all equipment used, or products or services to be sold, at the Franchised Business comply with our standards. This Section 8.15 does not limit or restrict our other rights under this Agreement.

9. PROPRIETARY MARKS

9.1 *Our Representations*. We represent to you that we own (and/or have an appropriate license to) all right, title, and interest in and to the Proprietary Marks, and that we have taken (and will take) all steps reasonably necessary to preserve and protect the ownership and validity in, and of, the Proprietary Marks.

9.2 *Your Agreement*. With respect to your use of the Proprietary Marks, you agree that:

9.2.1 You will use only the Proprietary Marks that we have designated in writing, and you will use them only in the manner we have authorized and permitted in writing; and all items bearing the Proprietary Marks must bear the then-current logo.

9.2.2 You will use the Proprietary Marks only for the operation of the business franchised under this Agreement and only at the location authorized under this Agreement, or in franchisor-approved marketing for the business conducted at or from that location (subject to the other provisions of this Agreement).

9.2.3 Unless we otherwise direct you in writing to do so, you agree to operate and advertise the Franchised Business only under the name “Black Sheep Coffee” without prefix or suffix (except with our prior written approval).

9.2.4 During the term of this Agreement and any renewal of this Agreement, you agree to identify yourself (in a manner reasonably acceptable to us) as the owner of the Franchised Business in conjunction with any use of the Proprietary 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 Franchised Business (visible to customers, visible only to your staff, and otherwise as we may designate in writing).

9.2.5 Your right to use the Proprietary Marks is limited to such uses as are authorized under this Agreement, and any unauthorized use thereof shall constitute an infringement of our rights.

9.2.6 You agree not to use the Proprietary Marks to incur any obligation or indebtedness on our behalf.

9.2.7 You agree not to use the Proprietary Marks: (**a**) as part of your corporate or other legal name; (**b**) as part of any e-mail address, domain name, social networking site page, or other identification of you in any electronic medium (except as otherwise provided in Section 14.11); and/or (**c**) in any human relations (HR) document or materials, including job applications, employment agreements, pay checks, pay stubs, and the like.

9.2.8 You agree to: (**a**) comply with our instructions in filing and maintaining requisite trade name or fictitious name registrations; and (**b**) execute any documents that we (or our affiliates) deem necessary to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability, including any additional license agreements we may require for use of the Proprietary Marks on the Internet or in other marketing.

9.2.9 With respect to litigation involving the Proprietary Marks, the parties agree that:

9.2.9.1 You agree to promptly notify us of any suspected infringement of the Proprietary Marks, any known challenge to the validity of the Proprietary Marks, or any known challenge to our ownership of, or your right to use, the Proprietary Marks licensed under this Agreement. You agree to communicate only with us, our affiliates, our counsel, or your counsel regarding any such infringement or challenge. You acknowledge that we have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. We will also have the sole right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks.

9.2.9.2 *Defense and Costs*:

(iii) *<u>If You Used the Marks in Accordance with this Agreement</u>*: If you have used the Proprietary Marks in accordance with this Agreement, then we will defend you at our expense against any third party claim, suit, or demand involving the Proprietary Marks arising out of your use thereof, and we agree to reimburse you for your out-of-pocket litigation costs in doing such acts and things (except that you will bear the salary costs of your employees, and we will bear the costs of any judgment or settlement). .

(iv) *<u>If You Used the Marks But Not in Accordance with this Agreement</u>*: If you used the Proprietary Marks in any manner that was not in accordance with this Agreement (including our instructions), then we will still defend you, but at your expense, against such third party claims, suits, or demands (including all of the costs of defense as well as the cost of any judgment or settlement). You agree to reimburse us for the cost of such litigation (or, upon our written request, pay our legal fees directly), including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses, as well as the cost of any judgment or settlement.

9.2.9.3 If we undertake the defense or prosecution of any litigation or other similar proceeding relating to the Proprietary Marks, then you agree to sign any and all documents, and do those acts and things that may, in our counsel's opinion, be necessary to carry out the defense or prosecution of that matter (including becoming a nominal party to any legal action).

9.3 *Your Acknowledgements*. You agree that:

9.3.1 We own all right, title, and interest in and to the Proprietary Marks and the goodwill associated with and symbolized by them.

9.3.2 The Proprietary Marks are valid and serve to identify the System and those who are authorized to operate under the System.

9.3.3 Neither you nor any of your owners, principals, or other persons acting on your behalf will directly or indirectly contest the validity or our ownership of the Proprietary Marks, nor will you, directly or indirectly, seek to register the Proprietary Marks with any government agency (unless we have given you our express prior written consent to do so).

9.3.4 Your use of the Proprietary Marks does not give you any ownership interest or other interest in or to the Proprietary Marks, except the license granted by this Agreement.

9.3.5 Any and all goodwill arising from your use of the Proprietary Marks shall inure solely and exclusively to our benefit, and upon expiration or termination of this Agreement and the license granted as part of this Agreement, there will be no monetary amount assigned as attributable to any goodwill associated with your use of our System or of our Proprietary Marks.

9.3.6 The license that we have granted to you under this Agreement to use our Proprietary Marks is not exclusive, and therefore we have the right, among other things:

9.3.6.1 To use the Proprietary Marks ourselves in connection with selling Retail Products and Services;

9.3.6.2 To grant other licenses for the Proprietary Marks, in addition to licenses we may have already granted to you and other licensees; and

9.3.6.3 To develop and establish other systems using the same or similar Proprietary Marks, or any other proprietary marks, and to grant licenses or franchises for those other marks without giving you any rights to those other marks.

9.4 *Change to Marks*. We reserve the right to substitute different Proprietary Marks for use in identifying the System and the businesses operating as part of the System if our currently owned Proprietary Marks no longer can be used, or if we determine, exercising our right to do so, that substitution of different, updated, or changed Proprietary Marks will be beneficial to the System. In such circumstances, you agree to adopt the new Proprietary Marks and that your right to use the substituted proprietary marks shall be governed by (and pursuant to) the terms of this Agreement.

10. CONFIDENTIAL BRAND MANUAL

10.1 *You Agree to Abide by the Brand Manual*. In order to protect our reputation and goodwill and to maintain our standards of operation under our Proprietary Marks, you agree to conduct your business in accordance with the written instructions that we provide, including the Brand Manual. We will lend to you (or permit you to have access to) one (1) copy of our Brand Manual, only for the term of this Agreement, and only for your use in connection with operating the Franchised Business during the term of this Agreement.

10.2 *Format of the Brand Manual*. We will have the right to provide the Brand Manual in any one or more format that we determine is appropriate (including paper and/or by making some or all of the Brand Manual available to you only in electronic form, such as through an internet website or an extranet), and we may change how we provide the Brand Manual from time to time. If at any time we choose to provide some or all of the Brand Manual electronically, you agree to immediately return to us any and all physical copies of the portions of the Brand Manual that we have previously provided to you.

10.3 *We Own the Brand Manual*. The Brand Manual will at all times remain our sole property and you agree to promptly return the Brand Manual (including any and all copies of some or all of the Brand Manual) when this Agreement expires and/or is terminated.

10.4 *Confidentiality and Use of the Brand Manual*.

10.4.1 The Brand Manual contains our proprietary information and you agree to keep the Brand Manual confidential both during the term of this Agreement and after this Agreement expires and/or is terminated. You agree that, at all times, you will insure that your copy of the Brand Manual will be available at the Franchised Business premises in a current and up-to-date manner. Whenever the Brand Manual is not in use by authorized personnel, you agree to maintain secure access to the Brand Manual at the premises of the Franchised Business, and you agree to grant only authorized personnel (as defined in the Brand Manual) with access to the security protocols for the Brand Manual.

10.4.2 You agree to never make any unauthorized use, disclosure, and/or duplication of the Brand Manual in whole or in part.

10.5 *You Agree to Treat Brand Manual as Confidential*. You agree that at all times, you will treat the Brand Manual, any other manuals that we create (or approve) for use in the operation of the Franchised Business, and the information contained in those materials, as confidential, and you also agree to use your best efforts to maintain such information as secret and confidential. You agree that you will never copy, duplicate, record, or otherwise reproduce those materials, in whole or in part, nor will you otherwise make those materials available to any unauthorized person.

10.6 *Which Copy of the Brand Manual Controls*. You agree to keep your copy of the Brand Manual only at the Franchised Business (and as provided in Section 10.4 above) and also to insure that the Brand Manual is kept current and up to date. You also agree that if there is any dispute as to the contents of the Brand Manual, the terms of the master copy of the Brand Manual that we maintain in our head office will be controlling. Access to any electronic version of the Brand Manual will also be subject to our reasonable requirements with respect to security and other matters, as described in Section 14 below.

10.7 *Revisions to the Brand Manual*. We have the right to revise the contents of the Brand Manual whenever we deem it appropriate to do so, and you agree to make corresponding revisions to your copy of the Brand Manual and to comply with each new or changed standard.

10.8 *Modifications to the System*. You recognize and agree that we may periodically change or modify the System and you agree to accept and use for the purpose of this Agreement any such change in the System (which may include, among other things, new or modified trade names, service marks, trademarks or copyrighted materials, new products, new equipment or new techniques) as if they were part of this Agreement at the time when you and we signed this Agreement. You agree to make such expenditures and such changes or modifications as we may reasonably require pursuant to this Section and otherwise in this Agreement.

11. CONFIDENTIAL INFORMATION

11.1 *Confidentiality*.

11.1.1 You agree that you will not, during the term of this Agreement or at any time thereafter, communicate, divulge, or use (for yourself and/or for the benefit of any other person, persons, partnership, entity, association, or corporation) any Confidential Information that may be communicated to you or of which you may be apprised by virtue of your operation under the terms of this Agreement. You agree that you will divulge our Confidential Information only to those of your employees as must have access to it in order to operate the Franchised Business.

11.1.2 Any and all information, knowledge, know-how, and techniques that we designate as confidential will be deemed Confidential Information for purposes of this Agreement, except information that you can demonstrate came to your attention before disclosure of that information by us; or which, at or after the time of our disclosure to you, had become or later becomes a part of the public domain, through publication or communication by another party that has the right to publish or communicate that information.

11.1.3 Any employee who may have access to any Confidential Information regarding the Franchised Business must execute a covenant that s/he will maintain the confidentiality of information they receive in connection with their association with you. Such covenants must be on a form that we provide, which form will, among other things, designate us as a third-party beneficiary of such covenants with the independent right to enforce them.

11.1.4 As used in this Agreement, the term "**Confidential Information**" includes, without limitation, our business concepts and plans, business model, financial model, recipes, food preparation methods, equipment, printing and digital document management methods, operating techniques, marketing methods, processes, formulae, manufacturing and vendor information, results of operations and quality control information, financial information, sales, royalty rates, accounting chart, demographic and trade area information, prospective site locations, market penetration techniques, plans, or schedules, the Brand Manual, customer profiles, preferences, or statistics, menu breakdowns, itemized costs, franchisee composition, territories, and development plans, this Agreement and other agreements related to the Franchised Business, and all related trade secrets or other confidential or proprietary information treated as such by us, whether by course of conduct, by letter or report, or by the use of any appropriate proprietary stamp or legend designating such information or item to be confidential or proprietary, by any communication to such effect made before or at the time any Confidential Information is disclosed to you.

11.2 *Consequences of Breach*. You agree that any failure to comply with the requirements of this Section 11 will cause us irreparable injury, and you agree to pay all costs (including, reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 11.

12. ACCOUNTING, FINANCIAL AND OTHER RECORDS, AND INSPECTIONS

12.1 *Accounting Records and Sales Reports*.

12.1.1 With respect to the operation and financial condition of the Franchised Business, we will have the right to designate, and you agree to adopt, the fiscal year and interim fiscal periods that we decide are appropriate for the System.

12.1.2 With respect to the Franchised Business, you agree to maintain for at least seven (7) years during (as well as after) the term of this Agreement (and also after any termination and/or transfer), full, complete, and accurate books, records, and accounts prepared in accordance with generally accepted accounting principles and in the form and manner we have prescribed periodically in the Brand

Manual or otherwise in writing, including: (**a**) daily cash reports; (**b**) cash receipts journal and general ledger; (**c**) cash disbursements and weekly payroll journal and schedule; (**d**) monthly bank statements, bank reconciliations, daily deposit slips, and cancelled checks; (**e**) all tax returns; (**f**) supplier's invoices (paid and unpaid); (**g**) dated daily and weekly cash register journals and POS reports in accordance with our standards; (**h**) periodic balance sheets, periodic profit and loss statements, and periodic trial balances; (**i**) operational schedules and weekly inventory records; (**j**) records of promotion and coupon redemption; and (**k**) such other records that we may periodically and reasonably request. You agree to allow us access to review all of these records as specified below in Section 12.6.

12.1.3 We have the right to specify the accounting software and a common chart of accounts, and, if we do so, you agree to use that software and chart of accounts (and require your bookkeeper and accountant to do so) in preparing and submitting your financial statements to us. We have the right to require you to use only an approved bookkeeping service and an approved independent certified public accountant. You agree to provide to the accounting service provider complete and accurate information that we or the accounting service provider require, and agree that we will have full access to the data and information that you provide to the accounting service provider or through the designated program.

12.1.4 Each month, you agree to submit to us, in the form we specify and/or utilizing our Required Software (as that term is defined in Section 14.1.2 below), the Sales Report for the immediately preceding month. You agree to submit the report to us by whatever method that we reasonably require (whether electronically through your use of our Required Software or otherwise) for our receipt no later than the times required under Section 4.3 above. You agree that if you do not submit those reports to us in a timely manner, and/or if you do not permit us to access your Computer System as provided, we will have the right to charge you for the costs that we incur in auditing your records.

12.2 *Financial Statements*.

12.2.1 You agree to provide us, at your expense, and in a format that we reasonably specify, a complete annual financial statement prepared on a review basis by an independent certified public accountant (as to whom we do not have a reasonable objection) within ninety (90) days after the end of each fiscal year of the Franchised Business during the term of this Agreement. Your financial statement must be prepared according to generally accepted accounting principles, include a fiscal year-end balance sheet, an income statement of the Franchised Business for that fiscal year reflecting all year-end adjustments, and a statement of changes in your cash flow reflecting the results of operations of the Franchised Business during the most recently completed fiscal year.

12.2.2 In addition, each month during the term of this Agreement after the opening of the Franchised Business, you agree to submit to us, in a format acceptable to us (or, at our election, in a form that we have specified): (**a**) a fiscal period and fiscal year-to-date profit and loss statement and a periodic balance sheet (which may be unaudited) for the Franchised Business and a periodic trial balance; (**b**) reports of those income and expense items of the Franchised Business that we periodically specify for use in any revenue, earnings, and/or cost summary we choose to furnish to prospective franchisees (provided that we will not identify to prospective franchisees the specific financial results of the Franchised Business); (**c**) copies of all state sales tax returns for the Franchised Business; and (**d**) copies of withholding remittances. You agree to provide to us the materials required by Section 12.2.2(a) and 12.2.2(b) above by the tenth (10th) day of each month for the preceding month, and the materials required by Sections 12.2.2(c) and 12.2.2(d) within ten (10) days after you have filed those returns with the appropriate taxing authorities.

12.2.3 Upon our request, you agree to take a physical inventory of the stock at your BSC Shop and to provide us with a written report on the results of that inventory.

12.2.4 You must certify as correct and true all reports and information that you submit to us pursuant to this Section 12.2. You also agree to provide us with copies of your federal, state, and local income tax returns within ten (10) days of when you file those returns and within one hundred and eighty (180) days of each fiscal year end. If you do not meet your obligation to provide us with access to your books and records, as well as copies of required accounting records and financial statements, as specified in this Section 12, or if you fail to provide us with required reports (such as sales reports), then we will have the right to require you to have your annual financial statement prepared on a review basis by an independent certified public accountant that is reasonably satisfactory to us (however, if you have failed on more than one occasion to meet the foregoing standards, then we will have the right to require that your annual financial statement be prepared on an audited basis by an independent certified public accountant that is reasonably satisfactory to us).

12.2.5 You agree that upon our request, and for a limited period of time, you will provide us (and/or our agents, such as our auditors) with passwords and pass codes necessary for the limited purpose of accessing your Computer System in order to conduct the inspections specified in this Section 12. You also agree that you will change all passwords and pass codes after the inspection is completed.

12.3 *Additional Information*. You also agree to submit to us (in addition to the sales reports required pursuant to Section 12.1.4 above), for review or auditing, such other forms, reports, records, information, and data as and when we may reasonably designate, in the form and format, and at the times and places as we may reasonably require, upon request and as specified periodically in the Brand Manual or otherwise in writing, including: (**a**) information in electronic format; (**b**) restated in accordance with our financial reporting periods; (**c**) consistent with our then-current financial reporting periods and accounting practices and standards; and/or (**d**) as necessary so that we can comply with reporting obligations imposed upon us by tax authorities with jurisdiction over the Franchised Business and/or our company. The reporting requirements of this Section 12.3 will be in addition to, and not in lieu of, the electronic reporting required under Section 14 below.

12.4 *PCI Compliance and Credit Cards*. With respect to processing customer payments by credit and debit cards, you agree to do all of the following:

12.4.1 You agree to comply with all of our policies regarding customer payment by credit and/or debit cards, including for example the required use of credit and/or debit cards and other payment methods offered by Payment Vendors, minimum purchase requirements for a customer's use of a credit and/or debit card, and other such requirements that we may set out in the Brand Manual.

12.4.2 You agree to maintain, at all times, credit-card relationships with the credit- and debit-card issuers or sponsors, check or credit verification services, financial-center services, merchant service providers, and electronic-fund-transfer systems (together, "**Payment Vendors**") that we may periodically designate as mandatory. The term "Payment Vendors" includes, among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet").

12.4.3 You agree not to use any Credit Card Vendor for which we have not given you our prior written approval or as to which we have revoked our earlier approval.

12.4.4 We have the right to modify our requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke our approval of any service provider.

12.4.5 In addition to the other requirements of this Agreement to provide us with various information and reports, you agree to provide us with the information that we reasonably require concerning your compliance with data and cybersecurity requirements.

12.4.6 You agree to comply with our requirements concerning data collection and protection, as specified in Section 14.3 below.

12.4.7 You agree to comply with the then-current Payment Card Industry Data Security Standards as those standards may be revised and modified by the PCI Security Standards Council, LLC (see www.pcisecuritystandards.org), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards.

12.5 *Gift Cards and Incentive Programs*. You agree to offer for sale, and to honor for purchases by customers, all gift cards and other incentive or convenience programs that we may periodically institute (including loyalty programs that we or a third party vendor operate, as well as mobile payment and/or customer affinity applications); and you agree to do all of those things in compliance with our standards and procedures for such programs (which may be set out in the Brand Manual or otherwise in writing). You agree to abide by the written standards that we establish and disseminate (in the Brand Manual or otherwise) with respect to gift card residual value. For this purpose, you must purchase the software, hardware, and other items needed to sell and process gift cards, and to contact with the supplier of gift cards and gift card processing services, as we may specify in writing in the Brand Manual or otherwise. You must also pay such transaction fees as may be required by the vendors of the gift card system. You agree not to sell, issue, or redeem coupons, gift certificates and gift cards other than gift cards that we have approved in writing.

12.6 *Our Right to Inspect Your Books and Records*. We have the right at all reasonable times to examine, copy, and/or personally review or audit (at our expense) all of your sales receipts, books, records, and sales and income tax returns in person or through electronic access (at our option). We will also have the right, at any time, to have an independent audit made of your books and records. If an inspection should reveal that you have understated any payments in any report to us, then this will constitute a default under this Agreement, and you agree to immediately pay us the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of two percent (2%) per month (but if there is a legal maximum interest rate that applies to you in your jurisdiction, not more than that maximum rate). If we conduct an inspection because you did not timely provide sales reports to us, or if an inspection discloses that you understated your sales, in any report to us (and/or underpaid your Royalties), by two percent (2%) or more, or if you did not maintain and/or provide us with access to your records, then you agree (in addition to paying us the overdue amount and interest) to reimburse us for any and all costs and expenses we incur in connection with the inspection (including travel, lodging and wages expenses, and reasonable accounting and legal costs). These remedies will be in addition to any other remedies we may have. We may exercise our rights under this Section 12 directly or by engaging outside professional advisors (for example, a CPA) to represent us.

12.7 *Operational Inspections*. In addition to the provisions of Section 12.6 above, you also grant to us and our agents the right to enter upon the Franchised Business premises at any reasonable time for the purpose of conducting inspections, for among other purposes, preserving the validity of the Proprietary Marks, and verifying your compliance with this Agreement and the policies and procedures outlined in the Brand Manual. You agree to cooperate with our representatives in such inspections by rendering such assistance as they may reasonably request; and, upon notice from us or from our agents (and without limiting our other rights under this Agreement), you agree to take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. You further agree to pay us our then-current per diem fee for our representative(s) and to reimburse us for our reasonable travel expenses if additional inspections at the Franchised Business are required when a violation has occurred and you have not corrected the violation, or if you did not provide us with your records or access to your records upon reasonable request that is permitted under this Agreement.

13. MARKETING

13.1 *Marketing Contribution*.

13.1.1 For each month during the term of this Agreement, you agree to contribute an amount equal to two percent (2%) of your Franchised Business' Gross Sales during the preceding month (the "**Marketing Contribution**") to our marketing and promotional fund for the U.S. (the "**Marketing Fund**"). You agree to pay the Marketing Contribution in the manner and at the times required under Section 4.3 above (and as otherwise provided in this Section 13). In addition to the Marketing Contribution, you agree to spend a minimum sum specified in Exhibit A to this Agreement to conduct the Grand Opening Marketing Program (as further described in Section 13.5 below), which will be at least $5,000.

13.1.2 No part of the Marketing Contribution shall be subject to refund or repayment under any circumstances.

13.2 *Marketing Fund*. We have the right (but not the obligation) to establish, maintain, and administer the Marketing Fund. If we establish the Marketing Fund, then the following provisions will apply to it:

13.2.1 We (or our designee) will have the right to direct all marketing programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. You agree that the Marketing Fund is intended to maximize general public recognition, acceptance, and use of the System; and that we and our designee are not obligated, in administering the Marketing Fund, to make expenditures for you that are equivalent or proportionate to your contribution, or to ensure that any particular franchisee benefits directly or pro rata from expenditures by the Marketing Fund.

13.2.2 The Marketing Fund, all contributions to that fund, and any of that fund's earnings, will be used exclusively to meet any and all costs of maintaining, administering, staffing, directing, conducting, preparing advertising, marketing, public relations and/or promotional programs and materials, and any other activities that we believe will enhance the image of the System (including, among other things, the costs of preparing and conducting marketing and media advertising campaigns on radio, television, cable, and other media; direct mail advertising; developing and implementing website, social networking/media, search optimization, and other electronic marketing strategies; marketing surveys and other public relations activities; employing marketing personnel (including salaries for personnel directly engaged in consumer-oriented marketing functions), advertising and/or public relations agencies to assist therein; purchasing and distributing promotional items, conducting and administering visual merchandising, point of sale, and other merchandising programs; engaging individuals as spokespersons and celebrity endorsers; purchasing creative content for local sales materials; reviewing locally-produced ads; preparing, purchasing and distributing door hangers, freestanding inserts, coupons, brochures, and trademarked apparel; market research; conducting sponsorships, sweepstakes and competitions; engaging mystery shoppers for BSC Shops and their competitors; paying association dues (including the International Franchise Association), establishing third-party facilities for customizing local advertising; purchasing and installing signage; and providing promotional and other marketing materials and services to the BSC Shops operated under the System).

13.2.3 You agree to pay the Marketing Contribution in the manner and at the times that are specified above in Section 4.3. The Marketing Fund may also be used to provide rebates or reimbursements to franchisees for local expenditures on products, services, or improvements, approved in advance by us, which products, services, or improvements we deem, in our sole discretion, will promote general public awareness and favorable support for the System. All sums you pay to the Marketing Fund will be maintained in an account separate from our other monies and will not be used to defray any of our expenses, except for such reasonable costs and overhead, if any, as we may incur in activities reasonably related to the direction and implementation of the Marketing Fund and marketing programs for franchisees and the System. The Marketing Fund and its earnings will not otherwise inure to our benefit. We or our designee will maintain separate bookkeeping accounts for the Marketing Fund.

13.2.4 The Marketing Fund is not and will not be our asset. We will prepare and make available to you upon reasonable request an annual statement of the operations of the Marketing Fund as shown on our books.

13.2.5 Although once established the Marketing Fund is intended to be of perpetual duration, we maintain the right to terminate the Marketing Fund. The Marketing Fund will not be terminated, however, until all monies in the Marketing Fund have been expended for marketing purposes.

13.3 *Regional Fund*. We have the right to designate any geographical area for purposes of establishing a Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located has been established at the time you commence operations under this Agreement, then you must immediately become a member of such Regional Fund. If a Regional Fund for the geographic area in which the Franchised Business is located is established during the term of this Agreement, you must become a member of such Regional Fund within thirty (30) days after the date on which the Regional Fund commences operation. In no event will you be required to join more than one Regional Fund. The following provisions will apply to each such Regional Fund:

13.3.1 Each Regional Fund will be organized and governed in a form and manner, and will commence operations on a date, all of which we must have approved in advance, in writing.

13.3.2 Each Regional Fund will be organized for the exclusive purpose of administering regional marketing programs and developing, subject to our approval, standardized promotional materials for use by the members in regional marketing.

13.3.3 No marketing, advertising or promotional plans or materials may be used by a Regional Fund or furnished to its members without our prior approval, pursuant to the procedures and terms as set forth in Section 13.8 below.

13.3.4 Once you become a member of a Regional Fund, you must contribute to a Regional Fund the amount required (not to exceed 2% of your Franchised Business's Gross Sales, at the time required under Section 4.3 above, together with such statements or reports that we, or the Regional Fund (with our prior written approval) may require. We also have the right to require that you submit your Regional Fund contributions and reports directly to us for distribution to the Regional Fund.

13.3.5 Voting will be on the basis of one vote per full-service BSC Shop, and any full-service BSC Shops that we (or our affiliates) operate in the region will have the same voting rights as those owned by franchisees. Each franchised BSC Shop in the Regional Fund shall also have one vote (no matter how many people own the franchisee).

13.3.6 A majority of the BSC Shop owners in the Regional Fund may vote to increase the amount of each BSC Shop owner's contribution to the Regional Fund by up to an additional two percentage points (200 basis points) of each BSC Shop's Gross Sales. You must contribute to the Regional Fund in accordance with any such vote by the Regional Fund to increase each BSC Shop's contribution as provided in this section.

13.3.7 Although once established, each Regional Fund is intended to be of perpetual duration, we maintain the right to terminate any Regional Fund. A Regional Fund will not be terminated, however, until all monies in that Regional Fund have been expended for marketing purposes.

13.4 *Local Marketing and Promotion*. We recommend but do not require that you expend any minimum amount on local marketing and promotion for your Franchised Business. As used in this Agreement, the term "local marketing and promotion" will consist only of the direct costs of purchasing and producing marketing materials (including camera ready advertising and point of sale materials), media (space or time), and those direct out of pocket expenses related to costs of marketing and sales promotion that you spend in your local market or area, advertising agency fees and expenses, postage, shipping, telephone, and photocopying.

13.5 *Grand Opening Marketing Program*. In addition to the Marketing Contribution, you agree to spend at least the amount specified in Exhibit A to this Agreement on grand opening marketing and promotional programs in conjunction with the Franchised Business's initial grand opening, pursuant to a grand opening marketing plan that you develop and that we approve in writing (the "**Grand Opening Marketing Program**"). The Grand Opening

Marketing Program must begin fourteen (14) days before the scheduled commencement date for the Franchised Business and be completed no later than two (2) days after the Franchised Business commences operation, and is subject to the provisions of Section 13.8 below. You may include food give-aways in the Grand Opening Marketing Program (but only the wholesale cost plus direct labor associated with those food give-aways).

13.6 *Materials Available for Purchase*. We may periodically make available to you for purchase marketing plans and promotional materials, including newspaper mats, coupons, merchandising materials, sales aids, point-of-purchase materials, special promotions, direct mail materials, community relations programs, and similar marketing and promotional materials for use in local marketing.

13.7 *Standards*. All of your local marketing and promotion must: (**a**) be in the media, and of the type and format, that we may approve; (**b**) be conducted in a dignified manner; and (**c**) conform to the standards and requirements that we may specify. You agree not to use any advertising, marketing materials, and/or promotional plans unless and until you have received our prior written approval, as specified in Section 13.8 below.

13.8 *Our Review and Right to Approve All Proposed Marketing*. For all proposed local marketing and promotion, advertising, and promotional plans, you (or the Regional Fund, where applicable) must submit to us samples of such plans and materials (by means described in Section 24 below), for our review and prior written approval. If you (or the Regional Fund) have not received our written approval within fourteen (14) days after we have received those proposed samples or materials, then we will be deemed to have disapproved them. You agree that any and all copyright in and to advertising, marketing materials, and promotional plans developed by or on behalf of you will be our sole property, and you agree to sign such documents (and, if necessary, require your employees and independent contractors to sign such documents) that we deem reasonably necessary to give effect to this provision.

13.9 *Rebates*. You agree that periodic rebates, give-aways and other promotions and programs will, if and when we adopt them, be an integral part of the System. Accordingly, you agree to honor and participate (at your expense) in reasonable rebates, give-aways, marketing programs, and other promotions that we establish and/or that other franchisees sponsor, so long as they do not violate regulations and laws of appropriate governmental authorities.

13.10 *Considerations as to Charitable Efforts*. You agree that certain associations between you and/or the Franchised Business and/or the Proprietary Marks and/or the System, on the one hand, and certain political, religious, cultural or other types of groups, organizations, causes, or activities, on the other, however well-intentioned and/or legal, may create an unwelcome, unfair, or unpopular association with, and/or an adverse effect on, our reputation and/or the good will associated with the Proprietary Marks. Accordingly, you agree that you will not, without our prior written consent, take any actions, positions, and/or make statements that are (or that may be perceived by the public to be) taken in the name of, in connection or association with you, the Proprietary Marks, the Franchised Business, us, and/or the System involving the donation of any money, products, services, goods, or other items to, any charitable, political or religious organization, group, or activity.

14. TECHNOLOGY

14.1 *Computer Systems and Required Software.* With respect to computer systems and required software:

14.1.1 We have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware to be used by, between, or among BSC Shops, and in accordance with our standards, including: (**a**) back office and point of sale systems, data, audio, video (including managed video security surveillance, which we have the right to monitor to the extent permitted by law), telephone, voice messaging, retrieval, and transmission systems for use at BSC Shops, between or among BSC Shops, and between and among the Franchised Business, and you, and us; (**b**) point-of-sale (POS) (defined in Section 14.6 below); (**c**) physical, electronic, and other security systems and measures; (**d**) printers and other peripheral devices; (**e**) archival back-up systems; (**f**) internet access mode (e.g., form of telecommunications connection) and speed; (**g**) technology used to enhance and evaluate the customer experience; (**h**) digital and virtual menu boards and related technology, hardware, software, and firmware; (**i**) front-of-the-house WiFi and other connectivity service for customers; (**j**) cloud-based back-end management systems and storage sites; and (**k**) in-BSC Shop music systems under Section 8.4.7 above (collectively, all of the above are referred to as the "**Computer System**").

14.1.2 We will have the right, but not the obligation, to develop or have developed for us, or to designate: (**a**) computer software programs and accounting system software that you must use in connection with the Computer System (including applications, technology platforms, and other such solutions) ("**Required Software**"), which you must install and maintain; (**b**) updates, supplements, modifications, or enhancements to the Required Software, which you must install and maintain; (**c**) the media upon which you must record data; and (**d**) the database file structure of your Computer System. If we require you to use any or all of the above items, then you agree that you will do so. The term "Required Software" also includes the affinity program cards that is required under Section 12.5 above.

14.1.3 You agree to install, use, maintain, update, and replace (as needed) the Computer System and Required Software at your expense. You agree to pay us or third party vendors, as the case may be, initial and ongoing fees in order to install, maintain, and continue to use the Required Software, hardware, and other elements of the Computer System.

14.1.4 You agree to implement and periodically make upgrades and other changes at your expense to the Computer System and Required Software as we may reasonably request in writing (collectively, "**Computer Upgrades**").

14.1.5 You agree to comply with all specifications that we issue with respect to the Computer System and the Required Software, and with respect to Computer Upgrades, at your expense. You agree to afford us unimpeded access to your Computer System and Required Software, including all information and data maintained thereon, in the manner, form, and at the times that we request.

14.1.6 You must use all technology hardware, software, programs and services that we designate, including without limitation, related to the POS, kiosk an dother ordering systems, loyalty and CRM systems, in-store music, WiFi solutions, inventory management and workforce management, listing services, mobile device management, emails, reporting solutions, etc. You must pay all fees and costs imposed by such vendors. We reserve the right (but not the obligation) to manage these accounts for you and if we do, you must pay us the amounts required by such vendors as a pass-through. These amounts are subject to increase from time to time based on increases determined and imposed by the vendors.

14.1.7 You also agree that we will have the right to approve or disapprove your use of any other technology solutions (including beacons and other tracking methodologies).

14.2 *Data*.

14.2.1 You agree that all data relating to the Franchised Business that you collect, create, provide, or otherwise develop on your Computer System (excluding consumers' credit card and/or other payment information) (whether or not uploaded to our system from your system and/or downloaded from your system to our system) is and will be owned exclusively by us, and that we will have the right to access, download, and use that data in any manner that we deem appropriate without compensation to you.

14.2.2 You agree that all other data that you create or collect in connection with the System, and in connection with your operation of the Franchised Business (including customer and transaction data), is and will be owned exclusively by us during the term of, and after termination or expiration of, this Agreement.

14.2.3 In order to operate your Franchised Business under this Agreement, we hereby license use of such data back to you, at no additional cost, solely for the term of this Agreement and for your use in connection with operating the Franchised Business. You agree that except for the right to use the data under this clause, you will not develop or have any ownership rights in or to the data.

14.2.4 You agree to transfer to us all data (in the digital machine-readable format that we specify, and/or printed copies, and/or originals) promptly upon our request when made, whether periodically during the term of this Agreement, upon termination and/or expiration of this Agreement, or at the time of any transfer of an interest in you and/or of the Franchised Business.

14.3 *Data Requirements and Usage*. We may periodically specify in the Brand Manual or otherwise in writing the information that you agree to collect and maintain on the Computer System installed at the Franchised Business, and you agree to provide to us such reports as we may reasonably request from the data so collected and maintained. In addition:

14.3.1 You agree to abide by all applicable laws pertaining to the privacy of consumer, employee, vendor, and transactional information ("**Privacy Laws**").

14.3.2 You agree to comply with our standards and policies that we may issue (without any obligation to do so) pertaining to the privacy of consumer, employee, vendor, and transactional information. If there is a conflict between our standards and policies and Privacy Laws, you agree to: (**a**) comply with the requirements of Privacy Laws; (**b**) immediately give us written notice of such conflict; and (**c**) promptly and fully cooperate with us and our counsel in determining the most effective way, if any, to meet our standards and policies pertaining to privacy within the bounds of Privacy Laws.

14.3.3 You agree to not publish, disseminate, implement, revise, or rescind a data privacy policy without our prior written consent as to such policy.

14.3.4 You agree to implement at all times appropriate physical and electronic security as is necessary to secure your Computer System, including complex passwords that you change periodically, and to comply with any standards and policies that we may issue (without obligation to do so) in this regard.

14.4 *Extranet*. You agree to comply with our requirements (as set forth in the Brand Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between your Computer System and our Extranet and/or such other computer systems as we may reasonably require. The term "**Extranet**" means a private network based upon Internet protocols that will allow users inside and outside of our headquarters to access certain parts of our computer network via the Internet. We may establish an Extranet (but are not required to do so or to maintain an Extranet). The Extranet may include, among other things, the Brand Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as we may direct). You agree to purchase and maintain such computer software and hardware (including telecommunications capacity) as may be required to connect to and utilize the Extranet. You agree to execute and deliver to us such documents as we may deem reasonably necessary to permit you to access the Extranet.

14.5 *No Separate Digital Sites*. Unless we have otherwise approved in writing, you agree to neither establish nor permit any other party to establish a Digital Site relating in any manner whatsoever to the Franchised Business or referring to the Proprietary Marks. We will have the right, but not the obligation, to provide one or more references or webpage(s), as we may periodically designate, within our Digital Site. The term "**Digital Site**" means one or more related documents, designs, pages, or other communications that can be accessed through electronic means, including the Internet, World Wide Web, webpages, microsites, social media and networking sites (including Facebook, Twitter, LinkedIn, You Tube, Snapchat, Pinterest, Instagram, etc.), blogs, vlogs, podcasts, applications to be used on mobile devices (e.g., iOS or Android apps), and other applications, etc. (whether they are now in existence or developed at some point in the future). However, if we give you our prior written consent to have some form of separate Digital Site (which we are not obligated to approve), then each of the following provisions will apply:

14.5.1 You agree that you will not establish or use any Digital Site without our prior written approval.

14.5.2 Any Digital Site that you own or that is maintained by or for your benefit will be deemed "marketing" under this Agreement, and will be subject to (among other things) our right of review and prior approval under Section 13.8 above.

14.5.3 Before establishing any Digital Site, you agree to submit to us, for our prior written approval, a sample of the proposed Digital Site domain name, format, visible content (including, proposed screen shots, links, and other content), and non-visible content (including, meta tags, cookies, and other electronic tags) in the form and manner we may reasonably require.

14.5.4 You may not use or modify such Digital Site without our prior written approval as to such proposed use or modification.

14.5.5 In addition to any other applicable requirements, you agree to comply with the standards and specifications for Digital Sites that we may periodically prescribe in the Brand Manual or otherwise in writing (including requirements pertaining to designating us as the sole administrator or co-administrator of the Digital Site).

14.5.6 If we require, you agree to establish such hyperlinks to our Digital Site and others as we may request in writing.

14.5.7 If we require you to do so, you agree to make weekly or other periodic updates to the Digital Site to reflect information regarding specials and other promotions at your Franchised Business.

14.5.8 We may require you to make us the sole administrator (or co-administrator) of any social networking pages that you maintain or that are maintained on your behalf, and we will have the right (but not the obligation) to exercise all of the rights and privileges that an administrator may exercise.

14.6 *POS Systems*. You agree to record all sales on integrated computer-based point of sale systems we approve or on such other types of cash registers and other devices (such as iPads, touch screens, printers, bar code readers, card readers, cash drawers, battery back-up, etc.) that we may designate in the Brand Manual or otherwise in writing ("**POS Systems**"), which will be deemed part of your Computer System. You agree to utilize POS Systems that are fully compatible with any program, software program, and/or system which we, in our discretion, may employ (including mobile or remote device, application and payment systems), and you agree to record all Gross Sales and all sales information on such equipment. We may designate one or more third party suppliers or servicers to provide installation, maintenance, and/or support for the POS System, and you agree to enter into and maintain such agreements (including making such payments) as we or the third party suppliers and/or servicers require in connection with the installation, maintenance, and/or support for the POS System. The POS System is part of the Computer System. You agree to at all times maintain a continuous highspeed Ethernet-cabled (not wireless) connection to the Internet to send and receive POS data to us.

14.7 *E-Mail*. You agree not to transmit or cause any other party to transmit advertisements or solicitations by e-mail, text message, and/or other electronic method without obtaining our prior written consent as to: (**a**) the content of such electronic advertisements or solicitations; and (**b**) your plan for transmitting such advertisements. In addition to any other provision of this Agreement, you will be solely responsible for compliance with any laws pertaining to sending electronic communication including, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003"), the Federal Telephone Consumer Protection Act, and the Canada Anti-Spam Law (known as "CASL"). (As used in this Agreement, the term "**electronic communication**" includes all methods for sending communication electronically, whether or not currently invented or used, including e-mails, text messages, app- and/or internet-based communication, and faxes.)

14.8 *Outsourcing*. You agree not to hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, and/or any other of your obligations, without our prior written approval. Our consideration of any proposed outsourcing vendors may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with us and you in a form that we may reasonably provide and the third party or outside vendor's agreement to pay for all initial and ongoing costs related to interfaces with our computer systems. The provisions of this section are in addition to and not instead of any other provision of this Agreement. You agree not to install (and/or remove) any software or firmware from the Computer System without our prior written consent.

14.9 *Telephone Service*. You agree to use the telephone service for the BSC Shop that we may require, which may be one or more centralized vendors that we designate for that purpose. You agree that we may designate, and own, the telephone numbers for your Franchised Business, and you agree to sign the forms necessary to implement this clause.

14.10 *Changes*. You agree that changes to technology are dynamic and likely to occur during the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, you agree that we will have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and you agree to abide by those reasonable new standards as if this Section 14 were periodically revised by us for that purpose, and you also agree to pay vendors' charges for those new items and services.

14.11 *Electronic Communication – Including E-Mail, Texts, and other Messaging*. You agree that exchanging information with us by electronic communication methods is an important way to enable quick, effective, and efficient communication, and that we are entitled to rely upon your use of electronic communications as part of the economic bargain underlying this Agreement. To facilitate the use of electronic communication to exchange information, you authorize the transmission of those electronic communications by us and our employees, vendors, and affiliates (on matters pertaining to the business contemplated under this Agreement) (together, "**Official Senders**") to you during the term of this Agreement.

14.11.1 In order to implement the terms of this Section 14.11, you agree that: (**a**) Official Senders are authorized to send electronic communications to those of your employees as you may occasionally designate for the purpose of communicating with us and others; (**b**) you will cause your officers, directors, members, managers, and employees (as a condition of their employment or position with you) to give their consent (in an electronic communication or in a pen-and-paper writing, as we may reasonably require) to Official Senders' transmission of electronic communication to those persons, and that such persons may not opt-out, or otherwise ask to no longer receive electronic communication, from Official Senders during the time that such person works for or is affiliated with you; and (**c**) you will not opt-out, or otherwise ask to no longer receive electronic communications, from Official Senders during the term of this Agreement.

14.11.2 The consent given in this Section 14.11 will not apply to the provision of notices by either party under this Agreement using e-mail unless the parties otherwise agree in a pen-and-paper writing signed by both parties.

14.11.3 We may permit or require you to use a specific e-mail address (or address using another communications method) (for example, one that will contain a Top Level Domain Name that we designate, such as "john.smith@blacksheepcoffee.com or "jane.jones@BlackSheepfranchisee.com") (the "**Permitted E-mail Address**") in connection with the operation of the Franchised Business, under the standards that we set for use of that Permitted E-mail Address. You will be required to sign the form E-Mail authorization letter that we may specify for this purpose. If we assign you a Permitted E-mail Address, then you agree that you (and your employees) will use only that e-mail account for all business associated with your Franchised Business.

15. INSURANCE

15.1 *Required Insurance Coverage*. Before starting any activities or operations under this Agreement, you agree to procure and maintain in full force and effect during the term of this Agreement (and for such period thereafter as is necessary to provide the coverages required under this Agreement for events having occurred during the Term of this Agreement), at your expense, at least the following insurance policy or policies in connection with the Franchised Business or other facilities on premises, or by reason of the construction, operation, or occupancy of the Franchised Business or other facilities on premises. Such policy or policies must be written by an insurance company or companies we have approved, having at all times a rating of at least "A-" in the most recent Key Rating Guide published by the A.M. Best Company (or another rating that we reasonably designate if A.M. Best Company no longer publishes the Key Rating Guide) and licensed and admitted to do business in the state in which the Franchised Business is located, and must include, at a minimum (however, you agree that we may reasonably specify additional coverages and higher policy limits in the Brand Manual or otherwise in writing to reflect inflation, identification of new risks, changes in the law or standards of liability, higher damage awards, and/or other relevant changes in circumstances), the following (all subject to the additional requirements of this Section 15):

15.1.1 Commercial general liability insurance (subject to Section 15.2 below) protecting against any and all claims for personal, bodily and/or property injury occurring in or about the BSC Shop and protecting against assumed or contractual liability under this Agreement with respect to the BSC Shop and your operations, with such policy to be placed with minimum limits of One Million Dollars ($1,000,000) combined single limit per occurrence and Two Million Dollars ($2,000,000) general aggregate per location; provided, however, that at our election, such minimum limits may be periodically increased. This coverage shall not exclude losses due to assault, battery, and/or the use or brandishing of firearms.

15.1.2 Comprehensive automobile liability insurance (subject to Section 15.2 below), including owned, non-owned and hired car coverage providing third party liability insurance, covering all licensed vehicles owned or operated by or on behalf of you, with limits of liability not less than One Million Dollars ($1,000,000) combined single limit for both bodily injury and property damage. Such policy must have the contractual exclusion removed, unless you provide separate evidence that contractual liability for automobile exposure is otherwise insured.

15.1.3 Statutory workers' compensation insurance and employer's liability insurance (all subject to Section 15.2 below) for a minimum limit equal to at least the greater of One Million Dollars ($1,000,000) or the amounts required as underlying by your umbrella carrier, as well as such other disability benefits type insurance as may be required by statute or rule of the state in which the BSC Shop is located.

15.1.4 Data theft and cybersecurity coverage (subject to Section 15.2 below) with limits of liability not less than Five Hundred Thousand Dollars ($500,000) combined single limit.

15.1.5 Employment practices liability insurance (subject to Section 15.2 below) with limits of liability not less than One Million Dollars ($1,000,000) combined single limit.

15.1.6 Foodborne illness coverage (subject to Section 15.2 below) shall be included within the general liability coverage noted in Section 15.1.1 above, with coverage of at least One Million Dollars ($1,000,000) combined single limit for both bodily injury and property damage.

15.1.7 Commercial umbrella liability insurance (subject to Section 15.2 below) with limits which bring the total of all primary underlying coverages (commercial general liability, comprehensive automobile liability, and employers liability) to not less than Four Million Dollars ($4,000,000) total limit of liability. Such umbrella liability must provide at a minimum those coverages and endorsements required in the underlying policies.

15.1.8 Property insurance (subject to Section 15.2 below) providing coverage for direct physical loss or damage to real and personal property in minimum coverage of Five Hundred Thousand Dollars ($500,000) for the building and Two Hundred and Fifty Thousand Dollars ($250,000) for contents coverage (with no more than a $5,000 deductible) for all risk perils, including the perils of flood and earthquake. Appropriate coverage must also be provided for boiler and machinery exposures and business interruption/extra expense exposures, written on an actual loss sustained basis. The policy should include coverage for food spoilage of at least Twenty-Five Thousand Dollars ($25,000), off-premises service interruption, ordinance and law, civil authority, as well as sewer and drain back up. The policy or policies must value property (real and personal) on a new replacement cost basis without deduction for depreciation and the amount of insurance must not be less than 90% of the full replacement value of the BSC Shop, its furniture, fixtures, equipment, and stock (real and personal property). The policy should include wind or named storm deductible at 2% with Twenty-Five Thousand Dollars ($25,000) minimum per occurrence deductible. Any deductibles contained in such policy will be subject to our review and approval.

15.1.9 Products liability insurance in an amount not less than One Million Dollars ($1,000,000), which policy will be considered primary.

15.1.10 Fire, lightning, vandalism, theft, malicious mischief, flood (if in a special flood-hazard area), sprinkler damage, and the perils described in extended-coverage insurance with primary and excess limits of not less than the full-replacement value of the supplies, furniture, fixtures, equipment, machinery, inventory, and plate glass having a deductible of not more than Two Thousand Dollars ($2,000) and naming us as loss payee.

15.1.11 Any other insurance coverage that is required by federal, state, or municipal law (subject to Section 15.2 below).

15.1.12 All coverages must be written with no coinsurance penalty.

15.2 *Additional Terms Applicable to All Policies.* In addition to the other provisions of this Section 15 (above and those below), you agree that:

15.2.1 All policies listed in Section 15.1 above (unless otherwise noted below) must contain such endorsements as we will periodically specify in the Brand Manual.

15.2.2 All policies must waive subrogation as between us (and our insurance carriers) and you (and your insurance carriers).

15.2.3 All public liability and property damage policies must: (**a**) list as additional insureds, us and any other entities in which we have an interest (as well as all other entities affiliated with us), and each of those parties' respective members, managers, shareholders, directors, officers, partners, joint venturers, employees, servants, and agents, and their successors and assigns; and (**b**) contain a provision that we, although named as an additional insured, will nevertheless be entitled to recover under said policies on any loss occasioned to us or our servants, agents, or employees by reason of the negligence of you or your servants, agents, or employees, including as additional insureds.

15.2.4 You agree to provide us with sixty (60) days' advance written notice In the event of cancellation, change, and/or non-renewal of any policy, in the manner provided in Section 24 below.

15.3 *Construction Coverages*. In connection with all significant construction, reconstruction, or remodeling of the Franchised Business during the term of this Agreement, you agree to require the general contractor, its subcontractors, and any other contractor, to effect and maintain at general contractor's and all other contractor's own expense, such insurance policies and bonds with such endorsements as are set forth in the Brand Manual, all written by insurance or bonding companies that we have approved, having a rating as set forth in Section 15.1 above.

15.4 *Other Insurance Does Not Impact your Obligation.* Your obligation to obtain and maintain the foregoing policy or policies in the amounts specified will not be limited in any way by reason of any insurance that we may maintain, nor will your performance of that obligation relieve you of liability under the indemnity provisions set forth in Section 21.4 below. Additionally, the requirements of this Section 15 will not be reduced, diminished, eroded, or otherwise affected by insurance that you carry (and/or claims made under that insurance) for other businesses, including other BSC Shops that you (and/or your affiliates) operate under the System.

15.5 *Certificates of Insurance*. At least thirty (30) days before the time you are first required to carry any insurance under this Agreement, and from then on, at least thirty (30) days before the expiration of any such policy (and also on the first anniversary of the Effective Date, and on each subsequent anniversary of the Effective Date), you agree to deliver to us certificates of insurance evidencing the proper coverage with limits not less than those required under this Agreement. All certificates must expressly provide that we will receive at least thirty (30) days' prior written notice if there is a material alteration to, cancellation, or non-renewal of the coverages evidenced by such certificates. Additional certificates evidencing the insurance required by Section 15.1 above must name us, and each of our affiliates, directors, agents, and employees, as additional insured parties, and must expressly provide that any interest of same therein will not be affected by any breach by you of any policy provisions for which such certificates evidence coverage.

15.6 *Required Coverages are Minimums*. You agree that the specifications and coverage requirements in this Section 15 are minimums only, and that we recommend that you review these with your own insurance advisors to determine whether additional coverage is warranted in the operation of your Franchised Business.

15.7 *Obtaining Coverage*. If you fail to maintain or acquire insurance, we will have the right (but not the obligation) to obtain insurance coverage on your behalf, in which case we will invoice you for the insurance premiums plus our reasonable expenses, and you agree to pay those invoices within five (5) days after we send them to you.

16. TRANSFER OF INTEREST

16.1 *By Us*. We will have the right to transfer or assign this Agreement and all or any part of our rights or obligations under this Agreement to any person or legal entity, and any assignee of us, which assignee will become solely responsible for all of our obligations under this Agreement from the date of assignment.

16.2 *Your Principals*. Each party that holds any interest whatsoever in you (whether directly, indirectly, and/or beneficially) (each, a "**Principal**"), and the interest that each Principal holds in you (directly, indirectly, and/or beneficially) is identified in Exhibit C to this Agreement. You represent and warrant to us, and agree, that your owners are accurately set forth on Exhibit C to this Agreement, and you also agree not to permit the identity of those owners, and/or their respective interests in you, to change without complying with this Agreement.

16.3 *Principals*. We will have a continuing right to designate any person or entity that owns a direct or indirect interest in you as a Principal, and Exhibit C will be so amended automatically upon written notice to you.

16.4 *By You*. You understand and acknowledge that the rights and duties set forth in this Agreement are personal to you, and that we have granted this franchise in reliance on your (or your Principals') business skill, financial capacity, and personal character. Accordingly:

16.4.1 You agree not to make a transfer (and not to permit any other party to make a transfer) without our prior written consent.

16.4.1.1 As used in this Agreement, the term "**transfer**" is agreed to mean any sale, assignment, conveyance, pledge, encumbrance, merger, creation of a security interest in, and/or giving away of any direct or indirect interest in: (**a**) this Agreement; (**b**) you; (**c**) any or all of your rights and/or obligations under this Agreement; and/or (**d**) all or substantially all of the assets of the Franchised Business.

16.4.1.2 Any purported assignment or transfer that does not have our prior written consent as required by this Section 16 will be null and void and will also constitute a material breach of this Agreement, for which we may immediately terminate this Agreement without opportunity to cure, pursuant to Section 17.2.5 below.

16.4.2 You agree (unless you are a partnership) that: (**a**) without our prior written approval, you will not issue any voting securities or interests, or securities or interests convertible into voting securities; and (**b**) the recipient of any such security or other interest will become a Principal under this Agreement, if we designate them as such. If you are a general partnership, limited partnership, or limited liability partnership, then the partners of that partnership will not, without our prior written consent, admit additional limited or general partners, remove a general partner, or otherwise materially alter the powers of any general partner. Each general partner in such a partnership will automatically be deemed to be a Principal.

16.4.3 Principals must not, without our prior written consent, transfer, pledge, and/or otherwise encumber their interest in you. Any such transaction shall also be deemed a "transfer" under this Agreement.

16.4.4 You also agree that in the case of any proposed transfer, you authorize us to truthfully answer questions posed to us by the proposed transferee, including providing that party with information relating to your BSC Shop (such as sales reports) (although we will have the right not to provide any or all such information).

16.5 *Transfer Conditions*. We will not unreasonably withhold any consent required by Section 16.4 above; provided, that if you propose to transfer your obligations under this Agreement or any material asset, or if any party proposes to transfer any direct or indirect interest in you, then we will have the right to require that you satisfy any or all of the following conditions before we grant our approval to the proposed transfer:

16.5.1 The transferor must have executed a general release, in a form satisfactory to us, of any and all claims against us and our affiliates, successors, and assigns, and their respective officers, directors, members, managers, shareholders, partners, agents, representatives, servants, and employees in their corporate and individual capacities including, claims arising under this Agreement, any other agreement between you and us, and/or your affiliates, our affiliates, and federal, state, and local laws and rules.

16.5.2 The transferee of a Principal will be designated as a Principal and each transferee who is designated a Principal must enter into a written agreement, in a form satisfactory to us, agreeing to be bound as a Principal under the terms of this Agreement as long as such person or entity owns any interest in you; and, if your obligations were guaranteed by the transferor, the Principal must guarantee the performance of all such obligations in writing in a form satisfactory to us.

16.5.3 The proposed new Principals (after the transfer) must meet our educational, managerial, and business standards; each must possess a good moral character, business reputation, and credit rating; have the aptitude and ability to operate the Franchised Business, as may be evidenced by prior related business experience or otherwise; and have adequate financial resources and capital to operate the Franchised Business.

16.5.4 We will have the right to require that you execute, for a term ending on the expiration date of this Agreement, the form of franchise agreement that we are then offering to new System franchisees, and such other ancillary agreements that we may require for the business franchised under this Agreement, and those agreements will supersede this Agreement and its ancillary documents in all respects, and the terms of which may differ from the terms of this Agreement including, higher Royalties and marketing fees.

16.5.5 If we request, then you must conduct Major Remodeling and purchase new equipment to conform to the then-current standards and specifications of new BSC Shops then-being established in the System, and you agree to complete the upgrading and other requirements specified above in Section 8.8.2 within the time period that we specify.

16.5.6 You agree to pay in full all of your monetary obligations to us and our affiliates, and to all vendors (whether arising under this Agreement or otherwise), and you must not be otherwise in default of any of your obligations under this Agreement (including your reporting obligations).

16.5.7 The transferor must remain liable for all of the obligations to us in connection with the Franchised Business that arose before the effective date of the transfer, and any covenants that survive the termination or expiration of this Agreement, and must execute any and all instruments that we reasonably request to evidence such liability.

16.5.8 A Principal of the transferee whom we designate to be a new Operating Owner, and those of the transferee’s Operating Owner, Store Manager, and Additional Trained Personnel as we may require, must successfully complete (to our satisfaction) all training programs that we require upon such terms and conditions as we may reasonably require (and while we will not charge a fee for attendance at such training programs, the transferee will be responsible for the salary and all expenses of the person(s) that attend training).

16.5.9 You agree to pay us a transfer fee to compensate us for our legal, accounting, training, and other expenses incurred in connection with the transfer. The transfer fee will be in an amount equal to Five Thousand Dollars ($5,000), plus the costs and expenses (including any professional fees) we incur in connection with our review and approval of the transfer. If any party has engaged a broker with respect to the transfer, you must also pay (or ensure the buyer's payment of) any applicable commission to the broker in connection with the transfer. (If we or any of our affiliates (or persons who work for us or our affiliates) were the party to introduce you to a buyer, then you agree to also pay us a fee of three percent (3%) of the total compensation paid to you in connection with the transaction.)

16.5.10 The transferor must acknowledge and agree that the transferor will remain bound by the covenants contained in Sections 19.3, 19.4, and 19.5 below.

16.6 *Right of First Refusal*. If you or any of your Principals wish to accept any *bona fide* offer from a third party to purchase you, any of your material assets, or any direct or indirect interest in you, then all of the following will apply:

16.6.1 You (or the Principal who proposes to sell his/her interest) must promptly notify us in writing of the offer and provide to us the information and documentation relating to the offer that we may require. We will have the right and option, exercisable within thirty (30) days after we have received all such information that we have requested, to send written notice to the seller that we intend to purchase the seller's interest on the same economic terms and conditions offered by the third party. After exercising our right, we will also have the right to conduct additional reasonable due diligence and to require the seller to enter into a purchase agreement in a form mutually acceptable to us and to the seller. If we elect to purchase the seller's interest, then the closing on such purchase will occur within thirty (30) days from the date of notice to the seller of the election to purchase by us.

16.6.2 Any material change in the terms of the offer before closing will constitute a new offer subject to our same rights of first refusal (as set forth in this Section 16.6) as in the case of the third party's initial offer. If we do not exercise the option afforded by this Section 16.6 that will not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 16, with respect to a proposed transfer.

16.6.3 If the consideration, terms, and/or conditions offered by a third party are such that we may not reasonably be required to furnish the same consideration, terms, and/or conditions, then we may purchase the interest proposed to be sold for the reasonable equivalent in cash. If the parties cannot agree within a reasonable time on the reasonable equivalent in cash of the consideration, terms, and/or conditions offered by the third party, they must attempt to appoint a mutually-acceptable independent appraiser to make a binding determination. If the parties are unable to agree upon one independent appraiser, then we will promptly designate an independent appraiser and you will promptly designate another independent appraiser and those two appraisers will, in turn, promptly designate a third appraiser; and all three appraisers will promptly confer and reach a single determination (or, if unable to reach a single determination, a valuation determined by a majority vote of those appraisers), which determination will be binding upon both you and us. Both parties will equally share the cost of any such appraisal.

16.6.4 If we exercise our rights under this Section 16.6, then we will have the right to set off all amounts due from you (including one-half ($^1/_2$) of the cost of an appraisal, if any, conducted under Section 16.6.3 above) against any payment to you.

16.7 *Death or Incapacity*. If you or any Principal dies, becomes incapacitated, or enters bankruptcy proceedings, that person's executor, administrator, personal representative, or trustee must promptly notify us of the circumstances, and apply to us in writing within six (6) months after the event (death, declaration of incapacity, or filing of a bankruptcy petition) for consent to transfer the person's interest. The transfer will be subject to the provisions of this Section 16, as applicable; however, we will not impose a transfer fee for such a transfer if you reimburse us for our reasonable out-of-pocket expenses incurred in reviewing, approving, and documenting a your proposed transaction, including our attorneys' fees.

16.7.1 In addition, if the deceased or incapacitated person is the Operating Owner, we will have the right (but not the obligation) to take over operation of the Franchised Business until the transfer is completed and to charge a reasonable management fee for our services.

16.7.2 For purposes of this section, "**incapacity**" means any physical or mental infirmity that will prevent the person from performing his or her obligations under this Agreement: (**a**) for a period of thirty (30) or more consecutive days; or (**b**) for sixty (60) or more total days during a calendar year. In the case of transfer by bequest or by intestate succession, if the heirs or beneficiaries are unable to meet the conditions of Section 16.3, the executor may transfer the decedent's interest to another successor that we have approved, subject to all of the terms and conditions for transfers contained in this Agreement.

16.7.3 If an interest is not disposed of under this section within six (6) months after the date of death or appointment of a personal representative or trustee, we may terminate this Agreement under Section 17.2 below.

16.8 *Consent to Transfer*. Our consent to a transfer that is the subject of this Section 16 will not constitute a waiver of any claims that we may have against the transferring party, nor will it be deemed a waiver of our right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

16.9 *No Transfers to a Non-Franchisee Party to Operate a Similar BSC Shop*. You agree that neither you nor any Principal of yours will transfer or attempt to transfer any or all of your Franchised Business to a third party who will operate a similar business at the Accepted

Location but not under the System and the Proprietary Marks, and not under a franchise agreement with us.

16.10 *Bankruptcy Issues*. If you or any person holding any interest (direct or indirect) in you become a debtor in a proceeding under the U.S. Bankruptcy Code or any similar law in the U.S. or elsewhere, it is the parties' understanding and agreement that any transfer of you, your obligations, and/or rights under this Agreement, any material assets of yours, and/or any indirect or direct interest in you will be subject to all of the terms of this Section 16, including the terms of Sections 16.4, 16.5, and 16.6 above.

16.11 *Securities Offers*. All materials for an offering of stock, ownership, and/or partnership interests in you or any of your affiliates that are required by federal or state law must be submitted to us for review as described below before such materials are filed with any government agency. Any materials to be used in any exempt offering must be submitted to us for such review before their use.

16.11.1 You agree that: (**a**) no offering by you or any of your affiliates may imply (by use of the Proprietary Marks or otherwise) that we are participating in an underwriting, issuance, or offering of your securities or your affiliates; (**b**) our review of any offering will be limited solely to the relationship between you and us (and, if applicable, any of your affiliates and us); and (**c**) we will have the right, but not obligation, to require that the offering materials contain a written statement that we require concerning the limitations stated above.

16.11.2 You (and the offeror if you are not the offering party), your Principals, and all other participants in the offering must fully indemnify us and all of the Franchisor Parties (as defined in Section 21.5.2 below) in connection with the offering.

16.11.3 For each proposed offering, you agree to pay us a non-refundable fee of Ten Thousand Dollars ($10,000) or such greater amount as is necessary to reimburse us for our reasonable costs and expenses (including legal and accounting fees) for reviewing the proposed offering.

16.11.4 You agree to give us written notice at least thirty (30) days before the date that any offering or other transaction described in this Section 16.11 commences. Any such offering will be subject to all of the other provisions of this Section 16, including the terms set forth in Sections 16.4, 16.5, 16.6; and further, without limiting the foregoing, it is agreed that any such offering will be subject to our approval as to the structure and voting control of the offeror (and you, if you are not the offeror) after the financing is completed.

16.11.5 You also agree that after your initial offering, described above, for the remainder of the term of the Agreement, you will submit to us for our review and prior written approval all additional securities documents (including periodic reports, such as quarterly, annual, and special reports) that you prepare and file (or use) in connection with any such offering. You agree to reimburse us for our reasonable costs and expenses (including legal and accounting fees) that we incur in connection with our review of those materials.

17. DEFAULT AND TERMINATION

17.1 *Automatic with no notice and no opportunity to cure*. If any one or more of the following events take place, then you will be deemed to be in default under this Agreement, and all rights granted in this Agreement will automatically terminate without notice to you: (**a**) if you will become insolvent or make a general assignment for the benefit of creditors; (**b**) if a bill in equity or other proceeding for the appointment of a receiver for you or another custodian for your business or assets is filed and consented to by you; (**c**) if a receiver or other custodian (permanent or temporary) of your assets or property, or any part thereof, is appointed by any court of competent jurisdiction; (**d**) if proceedings for a composition with creditors under any state or federal law is instituted by or against you; (**e**) if a material final judgment against you remains unsatisfied or of record for thirty (30) days or longer (unless appealed or a supersedeas bond is filed); (**f**) if you are dissolved; or if execution is levied against your business or property; (**g**) if suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within thirty (30) days; and/or (**h**) if the real or personal property of your Franchised Business will be sold after levy thereupon by any sheriff, marshal, or constable.

17.2 *With Notice and no opportunity to cure.* If any one or more of the following events occur, then you will be in default under this Agreement, and we will have the right to terminate this Agreement and all rights granted under this Agreement, without affording you any opportunity to cure the default, effective immediately upon the delivery of our written notice to you (in the manner provided in Section 24 below):

17.2.1 If you do not obtain an Accepted Location for the Franchised Business within the time limits specified under the Site Selection Addendum, or if you do not construct and open the Franchised Business within the time limits specified in Sections 5.1 and 8.2 above (and within the requirements specified in Sections 5 and 8.2 above);

17.2.2 If at any time: (**a**) you cease to operate or otherwise abandon the Franchised Business for two (2) or more consecutive business days and/or two (2) or more business days within any week (during which you are otherwise required to be open, and without our prior written consent otherwise, unless necessary due to an event of force majeure as defined in Section 22 below); (**b**) you lose the right to possession of the premises; (**c**) forfeit the right to do or transact business in the jurisdiction where the Franchised Business is located (however, if through no fault of yours, the premises are damaged or destroyed by an event such that you cannot complete repairs or reconstruction within ninety (90) days thereafter, then you will have thirty (30) days after such event in which to apply for our approval to relocate and/or reconstruct the premises, which approval we will not unreasonably withhold, subject to Section 1.2.3 above);

17.2.3 If you or any of your Principals are charged with and/or convicted of a felony, a crime involving moral turpitude, or any other crime or offense that we believe is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or our interest therein;

17.2.4 If a threat or danger to public health or safety results from the construction, maintenance, or operation of the Franchised Business and/or if you fail to comply with the requirements of Section 8.15 above;

17.2.5 If you or any of your Principals purport to transfer any rights or obligations under this Agreement or any interest to any third party in a manner that is contrary to the terms of Section 16 above;

17.2.6 If you fail to comply with the requirements of Section 19 below;

17.2.7 If, contrary to the terms of Sections 10 or 11 above, you disclose or divulge the contents of the Brand Manual or other confidential information that we provide to you;

17.2.8 If an approved transfer of an interest in you is not completed within a reasonable time, as required by Sections 16.7 above;

17.2.9 If you maintain false books or records, or submit any false reports (including information provided as part of your application for this franchise) to us;

17.2.10 If you commit three (3) or more defaults under this Agreement in any fifty-two (52) week period, whether or not each such default has been cured after notice;

17.2.11 If, after receipt of notice from us of a violation of the provisions of Sections 7.1 and/or 8.4 above, you continue to purchase any Input Items from an unapproved supplier, or if you sell anything from the BSC Shop that is not a Retail Product or a Service;

17.2.12 If you engage in any conduct or practice that is fraudulent, unfair, unethical, or a deceptive practice; and/or

17.2.13 If you make any unauthorized or improper use of the Proprietary Marks, or if you or any of your Principals use the Proprietary Marks in a manner that we do not permit (whether under this Agreement and/or otherwise) or that is inconsistent with our direction, or if you or any of your Principals directly or indirectly contest the validity of our ownership of the Proprietary Marks, our right to use and to license others to use the Proprietary Marks, or seek to (or actually do) register any of our Proprietary Marks with any agency (public or private) for any purpose without our prior written consent to do so.

17.3 *With Notice and Opportunity to Cure*.

17.3.1 Except as otherwise provided above in Sections 17.1 and 17.2 above, if you are in default of your obligations under this Agreement, then we may terminate this Agreement by giving you written notice of termination (in the manner provided under Section 24 below) stating the nature of the default at least thirty (30) days before the effective date of termination; provided, however, that you may avoid termination by: (**a**) immediately initiating a remedy to cure such default; (**b**) curing the default to our satisfaction; and (**c**) promptly providing proof of the cure to us, all within the thirty (30) day period. If you do not cure any such default within the specified time (or such longer period as applicable law may require), then this Agreement will terminate without further notice to you effective immediately upon the expiration of the thirty (30) day period (or such longer period as applicable law may require).

17.3.2 If you are in default under the terms of any other franchise agreement or other contract between you (and/or your affiliates) and us (and/or our affiliates), that will also constitute a default under Section 17.3.1 above.

17.4 *Bankruptcy*. If, for any reason, this Agreement is not terminated pursuant to this Section 17, and this Agreement is assumed, or assignment of same to any person or entity who has made a *bona fide* offer to accept an assignment of this Agreement is contemplated, pursuant to the U.S. Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (**a**) the name and address of the proposed assignee; and (**b**) all of the terms and conditions of the proposed assignment and assumption; must be given to us within twenty (20) days after receipt of such proposed assignee's offer to accept assignment or assumption of the Agreement; and, in any event, within ten (10) days before the date application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption. We will then have the prior right and option, to be exercised by notice given at any time before the effective date of such proposed assignment and assumption, to accept an assignment of the Agreement to us upon the same terms and conditions, and for the same consideration, if any, as in the *bona fide* offer made by the proposed assignee, less any brokerage commissions that may be payable by you out of the consideration to be paid by such assignee for the assignment or assumption of this Agreement.

17.5 *Our Rights Instead of Termination*. If we are entitled to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, we will also have the right to take any lesser action instead of terminating this Agreement.

17.6 *Reservation of Rights under Section 17.5*. If any rights, options, arrangements, or areas are terminated or modified in accordance with Section 17.5 above, such action will be without prejudice to our right to terminate this Agreement in accordance with Sections 17.2 or 17.3 above, and/or to terminate any other rights, options or arrangements under this Agreement at any time thereafter for the same default or as a result of any additional defaults of the terms of this Agreement.

17.7 *Damages*. You agree that you will pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of any default by you under this Agreement and any other agreement between the parties (and their respective affiliates) (in addition to other remedies that we may have).

18. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted under this Agreement to you will forthwith terminate, and all of the following will take effect (except to the extent otherwise permitted under a separate valid franchise agreement between you and/or one of your affiliates and us):

18.1 *Cease Operation*. You agree to: (**a**) immediately and permanently stop operating the Franchised Business; and (**b**) never directly or indirectly represent to the public that you are a present or former franchisee of ours.

18.2 *Stop Using Marks and Intellectual Property*. You agree to immediately and permanently cease to use, in any manner whatsoever, all aspects of the System, including any confidential methods, procedures and techniques associated with the System, the mark "Black Sheep Coffee" and any and all other current and former Proprietary Marks, distinctive forms, slogans, signs, symbols, and devices associated with the System, and any and all other intellectual property associated with the System. Without limiting the foregoing, you agree to stop making any further use of any and all signs, marketing materials, displays, stationery, forms, and any other articles that display the Proprietary Marks.

18.3 *Cancel Assumed Names*. You agree to take such action as may be necessary to cancel any assumed name or equivalent registration which contains the mark "Black Sheep Coffee" and any and all other Proprietary Marks, and/or any other service mark or trademark of ours, and you will give us evidence that we deem satisfactory to provide that you have complied with this obligation within five (5) days after termination or expiration of this Agreement.

18.4 *Premises*. We will have the right (but not the obligation) to require you to assign to us any interest that you (and/or your affiliates) may have in the lease or sublease for the ground upon which the BSC Shop is operated and/or for the building in which the BSC Shop is operated.

18.4.1 If we do not elect or if we are unable to exercise any option we may have to acquire the lease or sublease for the premises of the Franchised Business, or otherwise acquire the right to occupy the premises, you will make such modifications or alterations to the premises operated under this Agreement (including, the changing of the telephone number) immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of said premises from that of other BSC Shops, and must make such specific additional changes thereto as we may reasonably request for that purpose. In addition, you will cease use of all telephone numbers and any domain names, websites, e-mail addresses, and any other print and online identifiers, whether or not authorized by us, that you have while operating the Franchised Business, and must promptly execute such documents or take such steps necessary to remove reference to the Franchised Business from all trade or business directories, including online directories, or at our request transfer same to us.

18.4.2 If you fail or refuse to comply with all of the requirements of this Section 18.4, then we (or our designee) will have the right to enter upon the premises of the Franchised Business, without being guilty of trespass or any other tort, for the purpose of making or causing to be made such changes as may be required, at your cost, which expense you agree to pay upon demand.

18.5 *Our Option to Buy Your Assets*. We will have the right (but not the obligation), which we may exercise at any time within thirty (30) days after expiration, termination, or default under this Agreement and/or default under your lease/sublease for the premises, to buy from you (and/or your affiliates) any or all of your furnishings, equipment, signs, fixtures, supplies, or inventory related to the operation of the Franchised Business, at the lesser of your cost or fair market value. The parties agree that "fair market value" will be determined based upon a five (5) year straight-line depreciation of original costs. For equipment and fixtures that are five (5) or more years old, the parties agree that fair market value is deemed to be ten percent (10%) of the equipment's original cost. If we elect to exercise any option to purchase provided in this Section, we will have the right to set off all amounts due from you.

18.6 *No Use of the Marks in Other Businesses*. You agree, if you continue to operate or subsequently begin to operate any other business, that you will not use any reproduction, counterfeit copy, and/or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which is likely to cause confusion, mistake, or deception, or which is likely to dilute our rights in and to the Proprietary Marks. You further agree not to use, in any manner whatsoever, any designation of origin, description, trademark, service mark, or representation that suggests or implies a past or present association or connection with us, the System, the equipment, and/or the Proprietary Marks.

18.7 *Pay All Sums Due*. You agree to promptly pay all sums owing to us and our affiliates (regardless whether those obligations arise under this Agreement or otherwise). In the event of termination for any of your defaults, those sums will include all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses), that we incur as a result of the default.

18.8 *Pay Damages*. You agree to pay us all damages, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur as a result of your default under this Agreement and/or subsequent to the termination or expiration of this Agreement in obtaining injunctive or other relief for the enforcement of any provisions of this Section 18, which will be in addition to amounts due to us under Section 18.11 below.

18.9 *Return Confidential Information*. You agree to immediately return to us the Brand Manual and all other manuals, records, and instructions containing confidential information (including, any copies of some or all of those items, even if such copies were made in violation of this Agreement), all of which are acknowledged to be our property.

18.10 *Right to Enter and Continue Operations*. In order to preserve the goodwill of the System following termination, we (or our designee) will have the right to enter the Franchised Business (without liability to you, your Principals, or otherwise) for the purpose of continuing the Franchised Business's operation and maintaining the goodwill of the business.

18.11 *Lost Future Royalties*. If we terminate this Agreement based on your default, or if you abandon or otherwise cease to operate the Franchised Business, you agree to pay to us, as liquidated damages, an amount calculated as follows: ***(a)*** the average of your monthly Royalty Fees that are due under this Agreement for the twelve (12) months immediately before your abandonment or our delivery of the notice of default (or, if you have been operating for less than twelve (12) months, the average of your monthly Royalty Fees for the number of months you have operated the Franchised Business); ***(b)*** multiplied by the lesser of 36 or the number of months remaining in the then-current term of this Agreement under Section 2 (reduced to present value by applying the discount rate published in The Wall Street Journal on the day that the termination takes effect (or, if that is not a business day, then the previous business day).

18.12 *Our Rights.* You agree not to do anything that would potentially interfere with or impede the exercise of our rights under this Section 18.

18.13 *Offsets*. We have the right to offset amounts that you owe to us against any payment that we may be required to make under this Agreement.

19. COVENANTS

19.1 *Full Time Efforts*. You agree that during the term of this Agreement, except as we have otherwise approved in writing, you (or the Operating Owner) will devote full time, energy, and best efforts to the management and operation of the Franchised Business.

19.2 *Understandings*.

19.2.1 You agree that: (**a**) pursuant to this Agreement, you will have access to valuable trade secrets, specialized training and Confidential Information from us and our affiliates regarding the development, operation, management, purchasing, sales and marketing methods and techniques of the System; (**b**) the System and the opportunities, associations and experience we have established and that you will have access to under this Agreement are of substantial and material value; (**c**) in developing the System, we and our affiliates have made and continue to make substantial investments of time, technical and commercial research, and money; (**d**) we would be unable to adequately protect the System and its trade secrets and Confidential Information against unauthorized use or disclosure and would be unable to adequately encourage a free exchange of ideas and information among franchisees in our System if franchisees were permitted to hold interests in Competitive Businesses (as defined below); and (**e**) restrictions on your right to hold interests in, or perform services for, Competitive Businesses will not unreasonably or unnecessarily hinder your activities.

19.2.2 As used in this Section 19, the term "**<u>Competitive Business</u>**" is agreed to mean any foodservice business as to which the sale of coffee and coffee-based or flavored beverages (in any combination or individually) comprise twenty percent (20%) or more of its gross revenues.

19.3 *Covenant Not to Compete or Engage in Injurious Conduct.* Accordingly, you covenant and agree that, during the term of this Agreement and for a continuous period of two (2) years after the expiration or termination of this Agreement, and/or a transfer as contemplated in Section 16 above, you will not directly, indirectly, for yourself, or through, on behalf of, or in conjunction with any party, in any manner whatsoever, do any of the following:

19.3.1 Divert or attempt to divert any actual or potential business or customer of any BSC Shop to any competitor or otherwise take any action injurious or prejudicial to the goodwill associated with the Marks and the System.

19.3.2 Own, maintain, develop, operate, engage in, assist, franchise or license, make loans to, lease real or personal property to, and/or have any whatsoever interest in, or render services or give advice to, any Competitive Business.

19.4 *Post-Term*. You further covenant and agree that, for a continuous period of two (2) years after (**a**) the expiration of this Agreement, (**b**) the termination of this Agreement, and/or (**c**) a transfer as contemplated in Section 16 above:

19.4.1 You will not directly or indirectly, for yourself, or through, on behalf of, or in conjunction with any person, firm, partnership, corporation, or other entity, sell, assign, lease, and/or transfer the Accepted Location to any person, firm, partnership, corporation, or other entity that you know, or have reason to know, intends to operate a Competitive Business at the Accepted Location; and

19.4.2 You also agree that, by the terms of any conveyance, selling, assigning, leasing or transferring your interest in the Accepted Location, you shall include these restrictive covenants as necessary to ensure that a Competitive Business that would violate this Section is not operated at the Accepted Location for this two-year period, and you will take all steps necessary to ensure that these restrictive covenants become a matter of public record.

19.5 *Where Restrictions Apply*. During the term of this Agreement, there is no geographical limitation on the restrictions set forth in Section 19.3 above. During the two-year period following the expiration or earlier termination of this Agreement, or a transfer as contemplated under Section 16 above, these restrictions will apply only within five (5) miles of the Accepted Location and also within five (5) miles of any then-existing or planned BSC Shop business that is then-current operated or planned elsewhere. These restrictions will not apply to businesses that you operate that we (or our affiliates) have franchised to you (or your affiliates) pursuant to a valid franchise agreement with us or one of our affiliates.

19.6 *Periods of Non-Compliance*. Any period of non-compliance with the requirements of this Section 19, whether such non-compliance takes place after termination, expiration, and/or a transfer, will not be credited toward satisfying the two-year obligation specified above.

19.7 *Publicly-Held Entities*. Section 19.3.3 above will not apply to your ownership of less than five percent (5%) beneficial interest in the outstanding equity securities of any publicly-held corporation. As used in this Agreement, the term "**publicly-held corporation**" will be deemed to refer to a corporation which has securities that have been registered under the Securities Exchange Act of 1934.

19.8 *Personal Covenants*. You agree to require and obtain execution of covenants similar to those set forth in Sections 9.3, 11, 16, 18 above, and this Section 19 (as modified to apply to an individual), from your Operating Owner, Store Manager, and Additional Trained Personnel and other managerial and/or executive staff, as well as your Principals. The covenants required by this section must be in the form provided in Exhibit F to this Agreement. If you do not obtain execution of the covenants required by this section and deliver to us those signed covenants, that failure will constitute a default under Section 17.2.6 above.

19.9 *Construction*. The parties agree that each of the foregoing covenants will be construed as independent of any other covenant or provision of this Agreement. We have the right to reduce the scope of any part of this Section 19 and, if we do so, you agree to comply with the obligations as we have reduced them.

19.10 *Claims Not a Defense*. You agree that the existence of any claims you may have against us, whether or not arising from this Agreement, will not constitute a defense to our enforcement of the covenants in this Section 19. You agree to pay all costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in connection with the enforcement of this Section 19.

19.11 *Covenant as to Anti-Terrorism Laws*. You and the owners of your business ("**Owners**") agree to comply with and/or to assist us to the fullest extent possible in our efforts to comply with Anti-Terrorism Laws (as defined below). In connection with such compliance, you and the Owners certify, represent, and warrant that none of their respective property or interests are "blocked" under any of the Anti-Terrorism Laws and that neither you nor any of the Owners are in violation of any of the Anti-Terrorism Laws. You also agree not to knowingly hire or do business with (or continue to employ or do business with) any party who is blocked under any of the Anti-Terrorism Laws. The term "**Anti-Terrorism Laws**" means Executive Order 13224 issued by the President of the United States, as supplemented, the USA PATRIOT Act, and all other laws and regulations addressing or in any way relating to terrorist acts and/or acts of war.

19.12 *Defaults*. You agree that if you violate this Section 19, that would result in irreparable injury to us for which no adequate remedy at law may be available, and accordingly, you consent to the issuance of an injunction prohibiting any conduct in violation of the terms of this Section 19.

20. TAXES, PERMITS, AND INDEBTEDNESS

20.1 *Payment of Taxes*. You agree to promptly pay when due all taxes levied or assessed, including, unemployment and sales taxes, and all accounts and other indebtedness of every kind that you incur in the conduct of the business franchised under this Agreement. You agree to pay us an amount equal to any sales tax, gross receipts tax, or similar tax imposed on us with respect to any payments that you make to us as required under this Agreement, unless the tax is credited against income tax that we otherwise pay to a state or federal authority.

20.2 *Payment of Trade Creditors*. You agree to promptly pay when due all trade creditors and vendors (including any that are affiliated with us) that supply goods or services to you and/or the Franchised Business.

20.3 *Your Right to Contest Liabilities*. If there is a bona fide dispute as to your liability for taxes assessed or other indebtedness, you may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law; however, in no event will you permit a tax sale or seizure by levy of execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

20.4 *Compliance with Law*. You agree to comply with all Operating Codes and to timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, licenses to do business, health certificates, fictitious name registrations, sales tax permits, and fire clearances. To the extent that the requirements of any Operating Codes are in conflict with the terms of this Agreement, the Brand Manual, or our other instructions, you agree to: (**a**) comply with said laws; (**b**) immediately provide us with written notice describing the nature of the conflict; and (**c**) cooperate with us and our counsel in developing a way to comply with the terms of this Agreement, as well as applicable law, to the extent that it is possible to do so.

20.5 *Notice of Violations and Actions*. You agree to notify us in writing within two (2) days after you receive notice of any health or safety violation, the commencement of any action, suit, or proceeding, and of the issuance of any order, writ, injunction, award, or decree of any court, agency, or other governmental instrumentality, or within two (2) days occurrence of any accident or injury which may adversely affect the operation of the Franchised Business or your financial condition, or give rise to liability or a claim against either party to this Agreement.

21. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

21.1 *Independent Contractor Relationship*. The parties agree that:

21.1.1 this Agreement does not create a fiduciary relationship between them;

21.1.2 you are the only party that will be in day-to-day control of your franchised business, even though we will share the brand and Proprietary Marks as specified in this Agreement, and neither this Agreement nor any of the systems, guidance, computer programs, processes, or requirements under which you operate alter that basic fact;

21.1.3 nothing in this Agreement and nothing in our course of conduct is intended to make either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever; and

21.1.4 neither this Agreement nor our course of conduct is intended, nor may anything in this Agreement (nor our course of conduct) be construed, to state or imply that we are the employer of your employees and/or independent contractors, nor vice versa.

21.2 *Notice of Status*. At all times during the term of this Agreement and any extensions hereof, you will hold yourself out as an independent contractor operating the business pursuant to a franchise from us both to the public and also to your staff. You agree to take such action as may be necessary to do so, including exhibiting a notice of that fact in conspicuous places at the Accepted Location, the content and placement of which we reserve the right to specify in the Brand Manual or otherwise.

21.3 *No Contracts in our Name*. It is understood and agreed that nothing in this Agreement authorizes you to make any contract, agreement, warranty, or representation on our behalf, or to incur any debt or other obligation in our name; and that we will in no event assume liability for, or be deemed liable under this Agreement as a result of, any such action; nor will we be liable by reason of any act or omission in your conduct of the Franchised Business or for any claim or judgment arising therefrom against either party to this Agreement.

21.4 *Indemnification*.

21.4.1 You agree to indemnify and hold each of the Franchisor Parties harmless against any and all Expenses arising directly or indirectly from any Claim, as well as from any claimed breach by you of this Agreement. Your indemnity obligations shall: (**a**) survive the expiration or termination of this Agreement, and shall not be affected by any insurance coverage that you and/or any Franchisor Party may maintain; and (**b**) exclude any Claim and/or Expense that a court with competent jurisdiction determines was caused solely by a Franchisor Party's gross negligence and/or willful misconduct.

21.4.2 *Procedure*. We will give you notice of any Claim and/or Expense for which the Franchisor Parties intend to seek indemnification; however, if we do not give that notice, it will not relieve you of any obligation (except to the extent of any actual prejudice to you). You will have the opportunity to assume the defense of the Claim, at your expense and through legal counsel reasonably acceptable to us, provided that in our judgment, you proceed in good faith, expeditiously, and diligently, and that the defense you undertake does not jeopardize any defenses of the Franchisor Parties. We shall have the right: (**a**) to participate in any defense that you undertake with counsel of our own choosing, at our expense; and (**b**) to undertake, direct, and control the defense and settlement of the Claim (at your expense) if in our sole judgment you fail to properly and competently assume defense of the Claim within a reasonable time and/or if, in our sole judgment, there would be a conflict of interest between your interest and that of any Franchisor Party.

21.4.3 *Definitions*. As used in this Section 21.4, the parties agree that the following terms will have the following meanings:

21.4.3.1 "**Claim**" means any allegation, cause of action, and or complaint asserted by a third party that is the result of, or in connection with, your exercise of your rights and/or carrying out of your obligations under this Agreement (including any claim associated with your operation of the BSC Shop, sale of Retail Products or Services, events occurring at the BSC Shop, data theft or other data-related event, or otherwise, whether asserted by a customer, vendor, employee, or otherwise), a violation of the Operating Codes, and/or any default by you under this Agreement (including all claims, demands, causes of action, suits, damages, settlement costs, liabilities, fines, penalties, assessments, judgments, losses, and Expenses).

21.4.3.2 "**Expenses**" includes interest charges; fees for accountants, attorneys and their staff, arbitrators, and expert witnesses; costs of investigation and proof of facts; court costs; travel and living expenses; and other costs and expenses associated with litigation, investigative hearings, or alternative dispute resolution, whether or not a proceeding is formally commenced.

21.4.3.3 "**Franchisor Parties**" means us and our shareholders, parents, subsidiaries, and affiliates, and their respective officers, directors, members, managers, agents, and employees.

22. FORCE MAJEURE

22.1 *Impact*. Neither party will be responsible to the other for non-performance or delay in performance occasioned by causes beyond its control, including without limiting the generality of the foregoing: (**a**) acts of nature; (**b**) acts of war, terrorism, or insurrection; (**c**) strikes, lockouts, labor actions, boycotts, floods, fires, hurricanes, tornadoes, public health emergencies, and/or other casualties; and/or (**d**) our inability (and that of our affiliates and/or suppliers) to manufacture, purchase, and/or cause delivery of any services or products used in the operation of the Franchised Business.

22.2 *Transmittal of Funds*. The inability of either party to obtain and/or remit funds will be considered within control of such party for the purpose of Section 22.1 above. If any such delay occurs, any applicable time period will be automatically extended for a period equal to the time lost; provided, however, that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt notice of any such delay; and further provided, however, that you will remain obligated to promptly pay all fees owing and due to us under this Agreement, without any such delay or extension.

23. APPROVALS AND WAIVERS

23.1 *Request for Approval*. Whenever this Agreement requires our prior approval or consent, you agree to make a timely written request to us therefor, and such approval or consent must be obtained in writing.

23.2 *No Warranties or Guarantees*. You agree that we make no warranties or guarantees upon which you may rely, and that we assume no liability or obligation to you, by providing any waiver, approval, consent, or suggestion to you in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor.

23.3 *No Waivers*. No delay, waiver, omission, or forbearance on our part to exercise any right, option, duty, or power arising out of any breach or default by you or any other franchisee under any of the terms, provisions, covenants, or conditions of this Agreement, and no custom or practice by the parties at variance with the terms of this Agreement, will constitute our waiver of our right to enforce any such right, option, duty, or power as against you, or as to subsequent breach or default by you. If we accept late payments from you or any payments due, that will not be deemed to be our waiver of any earlier or later breach by you of any terms, provisions, covenants, or conditions of this Agreement. No course of dealings or course of conduct will be effective to amend the terms of this Agreement.

24. NOTICES

24.1 Any and all notices required or permitted under this Agreement must be in writing and must be personally delivered, sent by certified U.S. mail, or by other means that provides the sender with evidence of delivery, rejected delivery, and/or attempted delivery. Any notice by a means that gives the sender evidence of delivery, rejected delivery, or delivery that is not possible because the recipient moved and left no forwarding address will be deemed to have been given at the date and time of receipt, rejected, and/or attempted delivery.

24.2 Notices shall be sent to the address designated on the signature page of this Agreement (unless a party changes its address for those notices by giving prior written notice to the other party in the manner specified above). If the parties have designated a specific e-mail address, then notices sent to that e-mail address (which may be changed as noted above) will be considered as having been sent at the time they are delivered into that e-mail address.

24.3 The Brand Manual, any changes that we make to the Brand Manual, and/or any other written instructions that we provide relating to operational matters, are not considered to be “notices” for the purpose of the delivery requirements in this Section 24.

25. ENTIRE AGREEMENT AND AMENDMENT

25.1 *Entire Agreement*. This Agreement and the exhibits referred to in this Agreement constitute the entire, full, and complete Agreement between the parties to this Agreement concerning the subject matter hereof, and supersede all prior agreements. The parties confirm that: (**a**) they were not induced by any representations other than the words of this Agreement (and the FDD) before deciding whether to sign this Agreement; and (**b**) they relied only on the words printed in this Agreement in deciding whether to enter into this Agreement. However, nothing in this Agreement disclaims any representation that we made in our Franchise Disclosure Document (“**FDD**”) (including the exhibits and any amendments to the FDD).

25.2 *Amendment*. Except for those changes that we are permitted to make unilaterally under this Agreement, no amendment, change, or variance from this Agreement will be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing.

26. SEVERABILITY AND CONSTRUCTION

26.1 *Introductory Paragraphs*. The parties agree that the introductory paragraphs of this Agreement, under the heading “Introduction,” are accurate, and the parties agree to incorporate those paragraphs into the text of this Agreement as if they were printed here in full.

26.2 *Severability*. Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision of this Agreement will be considered severable; and if, for any reason, any portion, section, part, term, and/or provision in this Agreement is determined to be invalid and contrary to, or in conflict with, any existing or future law or regulation by a court or agency having valid jurisdiction, such will not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, and/or provisions of this Agreement as may remain otherwise intelligible; and the latter will continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, and/or provisions will be deemed not to be a part of this Agreement.

26.3 *No Third Party Rights*. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor will be deemed, to confer upon any person or legal entity other than you, we, and such of our respective successors and assigns as may be contemplated (and, as to you, permitted) by Section 16.4 above, any rights or remedies under or by reason of this Agreement.

26.4 *Captions Don't Amend Terms*. All captions in this Agreement are intended solely for the convenience of the parties, and no caption will be deemed to affect the meaning or construction of any provision hereof.

26.5 *Including*. The parties agree that when used in this Agreement, the terms "include", "includes", and "including" shall be understood to mean "*including but not limited to*".

26.6 *Survival*. All provisions of this Agreement which, by their terms or intent, are designed to survive the expiration or termination of this Agreement, will so survive the expiration and/or termination of this Agreement.

26.7 *Expenses*. Each party agrees to bear all of the costs of exercising its rights and carrying out its responsibilities under this Agreement, except as otherwise provided.

26.8 *Counterparts*. This Agreement may be signed in counterparts, and signature pages may be exchanged by electronic means, each such counterpart, when taken together with all other identical copies of this Agreement also signed in counterpart, will be considered as one complete Agreement.

27. APPLICABLE LAW AND DISPUTE RESOLUTION

27.1 *Choice of Law*. This Agreement takes effect when we accept and sign this document. This Agreement will be interpreted and construed exclusively under the laws of the State of Florida, which laws will prevail in the event of any conflict of law (without regard to, and without giving effect to, the application of such State's choice-of-law rules); provided, however, that if the covenants in Section 19 of this Agreement would not be enforced as written under the laws of the State of Florida, then the parties agree that those covenants will instead be interpreted and construed under the laws of the state in which the Franchised Business is located. Nothing in this Section 27.1 is intended by the parties to invoke the application of any franchise, business opportunity, antitrust, implied covenant, unfair competition, fiduciary, and/or other doctrine of law of the State of Florida that would not otherwise apply without this Section 27.1.

27.2 *Choice of Venue.* Subject to Section 27.3 below, the parties agree that any action that you bring against us, may exclusively be brought in a state or federal district court of competent jurisdiction in Miami Dade County, Florida. Any action that we bring against you in any court, whether federal or state, may be brought within the state and judicial district in which we maintain our principal place of business.

27.2.1 The parties agree that this Section 27.2 will not be construed as preventing either party from removing an action from state to federal court; provided, however, that venue will be as set forth above.

27.2.2 The parties hereby waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

27.2.3 Any such action will be conducted on an individual basis, and not as part of a consolidated, common, or class action.

27.3 *Mediation*. Before any party may bring an action in court against the other, the parties agree that they must first meet to mediate the dispute (except as otherwise provided in Section 27.5 below). Any such mediation will be non-binding and will be conducted in accordance with the then-current rules for mediation of commercial disputes of JAMS, Inc. (formerly, "Judicial Arbitration and Mediation Services, Inc.") at Miami Dade County, Florida.

27.4 *Parties Rights Are Cumulative*. No right or remedy conferred upon or reserved to us or you by this Agreement is intended to be, nor will be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each will be cumulative of every other right or remedy.

27.5 *Injunctions*. Nothing contained in this Agreement will bar our right to obtain injunctive relief in a court of competent jurisdiction against threatened conduct that will cause us loss or damages, under the usual equity rules, including the applicable rules for obtaining restraining orders and preliminary injunctions.

27.6 ***WAIVER OF JURY TRIALS*. EACH PARTY TO THIS AGREEMENT IRREVOCABLY WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY EITHER OF THEM AGAINST THE OTHER, WHETHER OR NOT THERE ARE OTHER PARTIES IN SUCH ACTION OR PROCEEDING.**

27.7 ***MUST BRING CLAIMS WITHIN ONE YEAR*. EACH PARTY TO THIS AGREEMENT AGREES THAT ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE PARTIES' RELATIONSHIP, AND/OR YOUR OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY ANY PARTY HERETO AGAINST THE OTHER, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR, IT IS EXPRESSLY ACKNOWLEDGED AND AGREED BY ALL PARTIES, SUCH CLAIM OR ACTION SHALL BE IRREVOCABLY BARRED.**

27.8 ***WAIVER OF PUNITIVE DAMAGES*. EACH PARTY TO THIS AGREEMENT HEREBY WAIVES TO THE FULLEST EXTENT PERMITTED BY LAW ANY RIGHT TO OR CLAIM OF ANY PUNITIVE OR EXEMPLARY DAMAGES AGAINST THE OTHER, AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN THEM EACH SHALL BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES IT HAS SUSTAINED (INCLUDING LOST FUTURE ROYALTIES).**

27.9 *Payment of Legal Fees*. You agree to pay us all damages, costs and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) that we incur in: (**a**) obtaining injunctive or other relief for the enforcement of any provisions of this Agreement (including Sections 9 and 17 above); and/or (**b**) successfully defending a claim from you that we misrepresented the terms of this Agreement, fraudulently induced you to sign this Agreement, that the provisions of this Agreement are not fair, were not properly entered into, and/or that the terms of this Agreement (as it may be amended by its terms) do not exclusively govern the parties' relationship.

28. ACKNOWLEDGMENTS

28.1 *Your Investigation of the BSC Shop Possibilities*. You acknowledge, recognize, and agree that: (a) you conducted an independent investigation of the business franchised under this Agreement; (**b**) this business venture involves business and financial risks; and (**c**) your success will be largely dependent upon your personal ability (and that of your owners as independent businesspersons).

28.2 *No Warranties or Guarantees.* We expressly disclaim the making of (and you agree that you did not receive) any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business contemplated by this Agreement.

28.3 *Receipt of FDD and Complete Agreement.* You acknowledge receipt of a copy of this Agreement, the exhibit(s), and agreements relating to this Agreement (if any), with all of the blank lines filled in, with sufficient time to review it with your advisors. You also acknowledge receipt of our FDD at least fourteen (14) days before you signed this Agreement and made any payment to us.

28.4 *You Have Read the Agreement.* You agree that you have read and understood the FDD, this Agreement, and all of the exhibits to this Agreement.

28.5 *Your Advisors.* You acknowledge that we recommended that you seek advice from advisors of your own choosing (including a lawyer and an accountant) about the potential benefits and risks of entering into this Agreement, and that you had sufficient time and opportunity to consult with those advisors.

28.6 *No Conflicting Obligations.* Each party represents and warrants to the other party that there are no other agreements, court orders, or any other legal obligations that would preclude or in any manner restrict that party from: (**a**) negotiating and entering into this Agreement; (b) exercising its rights under this Agreement; and/or (**c**) fulfilling its obligations and responsibilities under this Agreement.

28.7 *Your Responsibility for the Choice of the Accepted Location.* You agree that you have sole and complete responsibility for the choice of the Accepted Location; that we have not (and will not be deemed to have, even by our requirement that you use a location service and/or our approval of the site that is the Accepted Location) given any representation, promise, or guarantee of your success at the Accepted Location; and that you will be solely responsible for your own success at the Accepted Location.

28.8 *Your Responsibility for Operation of the Franchised Business.* Although we retain the right to establish and periodically modify System standards, which you have agreed to maintain in the operation of your franchised BSC Shop, you retain the right and sole responsibility for the day-to-day management and operation of the Franchised Business and the implementation and maintenance of system standards at the Franchised Business.

28.9 *Different Franchise Offerings to Others.* You agree that we may modify the terms under which we will offer franchises to other parties in any manner and at any time, which offers and agreements have or may have terms, conditions, and obligations that may differ from the terms, conditions, and obligations in this Agreement.

28.10 *Our Advice*. You agree that our advice is only that; that our advice is not a guarantee of success; and that you must reach and implement your own decisions about how to operate your Franchised Business on a day-to-day basis under the System.

28.11 *Your Independence*. You agree that:

28.11.1 you are the only party that employs your staff (even though we may provide you with advice, guidance, and training);

28.11.2 we are not your employer nor are we the employer of any of your staff, and even if we express an opinion or provide advice, we will play no role in your decisions regarding their employment (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal);

28.11.3 the guidance that we provide, and requirements under which you will operate, are intended to promote and protect the value of the brand and the Proprietary Marks;

28.11.4 when forming and in operating your business, you had to adopt standards to operate that business, and that instead of developing and implementing your own standards (or those of another party), you chose to adopt and implement our standards for your business (including our System and the requirements under this Agreement); and

28.11.5 you have made (and will remain always responsible for) all of the organizational and basic decisions about establishing and forming your entity, operating your business (including adopting our standards as your standards), and hiring employees and employment matters (including matters such as recruitment, hiring, compensation, scheduling, employee relations, labor matters, review, discipline, and/or dismissal), engaging professional advisors, and all other facets of your operation.

28.12 *Success Depends on You.* You agree that the success of the business venture contemplated under this Agreement is speculative and depends, to a large extent, upon your ability as an independent businessperson, your active participation in the daily affairs of the business, market conditions, area competition, availability of product, quality of services provided by you and your staff, as well as other factors. We do not make any representation or warranty express or implied as to the potential success of the business venture contemplated hereby.

28.13 *General Release*. If this Agreement is not the first contract between you (and your affiliates) and us (and our affiliates), then you agree to the following:

*You (on behalf of yourself and your parent, subsidiaries and affiliates and their respective past and present members, officers, directors, members, managers, shareholders, agents and employees, in their corporate and individual capacities) and all guarantors of your obligations under this Agreement (collectively, "**Releasors**) " freely and without any influence forever release (and covenant not to sue) us, our parent, subsidiaries and affiliates and their respective past and present officers, directors, shareholders, agents and employees, in their corporate and individual capacities (collectively "**Releasees**"), with respect to any and all claims, demands, liabilities and causes of action of whatever kind or nature, whether known or unknown, vested or contingent, suspected or unsuspected (collectively, "**claims**)", which any Releasor now owns or holds or may at any time have owned or held, including, claims arising under federal, state and local laws, rules and ordinances and claims arising out of, or relating to this Agreement and all other agreements between any Releasor and any Releasee, the sale of any franchise to any Releasor, the development and operation of the BSC Shops and the development and operation of all other businesses operated by any Releasor that are franchised by any Releasee. You understand as well that you may later learn of new or different facts, but still, it is your intention to fully, finally, and forever release all of the claims that are released above. This includes your waiver of state laws that may otherwise limit a release (for example, Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims which the creditor does not know or suspect exist in his [or her] favor at the time of executing the release, which if known by him [or her] must have materially affected his [or her] settlement with the debtor)". You agree that fair consideration has been given by us for this General Release and you fully understand that this is a negotiated, complete and final release of all claims. This General Release does not release any claims arising from representations made in our Franchise Disclosure Document and its exhibits or otherwise affect any claims arising after the date of this Agreement.*

*****

IN WITNESS WHEREOF, the parties hereto have duly signed and delivered this Agreement in duplicate on the day and year first above written.

Black Sheep Coffee Franchising LLC Franchisor	____________________________ Franchisee Entity
By: ________________________	By: ________________________
Name: ______________________	Name: ______________________
Title: ______________________	Title: ______________________
Effective Date: _________________	
	By: ________________________

	Name: ______________________________
	Title: _______________________________
Address for Notices:	Address for Notices:
2950 SW 27th Avenue, Suite 206, Miami, FL 33133	________________________________ ________________________________
Telephone: (___) ____-_________________	Telephone: __________________________
Fax: (___) - ___________________________	Fax: ______________________________
Attn: _______________________________	Attn:_______________________________
E-mail:______________________________	E-mail:_____________________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT A
DATA SHEET

¶	Section Cross-Reference	Item
1	1.2	The Accepted Location under this Agreement will be: ____ ____.
3	13.5	Your minimum expenditure on the Grand Opening Marketing Program will be $ ____________________.

_________________________ Initials _________________________
Franchisee Franchisor

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT B
GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGMENT

In order to induce Black Sheep Coffee Franchising LLC ("**Franchisor**") to sign the Black Sheep Coffee Franchise Agreement between Franchisor and __________ ("**Franchisee**"), dated __________, 20__________ (the "**Agreement**"), each of the undersigned parties, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations (monetary and otherwise) under the Agreement as well as any other contract between Franchisee and Franchisor (and/or Franchisor's affiliates) will be punctually paid and performed.

Each person signing this Personal Guarantee acknowledges and agrees, jointly and severally, that:

- Upon Franchisor's demand, s/he will immediately make each payment required of Franchisee under the Agreement and/or any other contract (including another franchise agreement) with Franchisor and/or its affiliates.

- S/he waives any right to require Franchisor to: (**a**) proceed against Franchisee for any payment required under the Agreement (and/or any other contract with Franchisor and/or its affiliates); (**b**) proceed against or exhaust any security from Franchisee; (**c**) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee; and/or (**d**) give notice of demand for payment by Franchisee.

- Without affecting the obligations of the undersigned persons under this Guarantee, Franchisor may, without notice to the undersigned, extend, modify, or release any indebtedness or obligation of Franchisee, or settle, adjust, or compromise any claims against Franchisee. Each of the undersigned persons waive notice of amendment of the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Agreement (and any other contract with Franchisor and Franchisor's affiliates).

- S/he will defend, indemnify and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) resulting from, consisting of, or arising out of or in connection with any failure by Franchisee to perform any obligation of Franchisee under the Agreement (and any other contract with Franchisor and Franchisor's affiliates) and/or any amendment to the Agreement.

- S/he will be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement.

- S/he agrees to be personally bound by all of Franchisee's covenants, obligations, and promises in the Agreement, which include, but are not limited to, the covenants in the following Sections of the Agreement: **Section 9.3** (generally regarding trademarks),

Section 11 (generally regarding confidentiality), **Section 16** (generally regarding Transfers), **Section 18** (generally regarding obligations upon termination or expiration of this Agreement), and **Section 19** (generally regarding covenants against competition) of the Agreement.

- S/he understands that: (**a**) this Guarantee does not grant her/him any rights under the Agreement (including but not limited to the right to use any of Franchisor's marks such as the "Black Sheep Coffee" marks) or the system licensed to Franchisee under the Agreement; (**b**) s/he have read, in full, and understands, all of the provisions of the Agreement that are referred to above in this paragraph, and that s/he intends to fully comply with those provisions of the Agreement as if they were printed here in full; and (**c**) s/he have had the opportunity to consult with a lawyer of her/his own choosing in deciding whether to sign this Guarantee.

This Guarantee will be interpreted and construed in accordance with **Section 27** of the Agreement (including but not limited to the waiver of punitive damages, waiver of jury trial, agreement to bring claims within one year, and agreement not to engage in class or common actions). Among other things, that means that this Guarantee will be interpreted and construed exclusively under the laws of the State of Florida, and that in the event of any conflict of law, Florida law will prevail (without applying Florida conflict of law rules).

IN WITNESS WHEREOF, each of the undersigned persons has signed this Guarantee as of the date of the Agreement.

______________________ (signed in his/her personal capacity)	______________________ (signed in his/her personal capacity)	______________________ (signed in his/her personal capacity)
Printed Name: __________	Printed Name: __________	Printed Name: __________
Date: ______________	Date: ______________	Date: ______________
Home Address ______________________ ______________________	Home Address: ______________________ ______________________	Home Address: ______________________ ______________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT C
LIST OF PRINCIPALS

Name of Principal	**Home Address**	**Percentage Interest Held in Franchise**

Initials

______________________ Franchisee

______________________ Franchisor

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT D

AUTHORIZATION AGREEMENT FOR ACH PAYMENTS
(DIRECT DEBITS FOR ROYALTY, MARKETING
CONTRIBUTION, AND OTHER FEES)

____ (Name of Person or Legal Entity)

____ (Tax ID Number (FEIN))

The undersigned depositor ("**Depositor**" or "**Franchisee**") hereby authorizes Black Sheep Coffee Franchising LLC ("**Franchisor**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account(s) indicated below and the depository designated below ("**Depository**" or "**Bank**") to debit or credit such account(s) pursuant to our instructions.

Depository/Bank Name	Branch Name
City	State / Zip Code
Bank Transit/ABA Number	Account Number

This authorization is to remain in full and force and effect until sixty (60) days after we have received written notification from Franchisee of its termination.

Printed Name of Depositor: __________________________

Signed By: __________________________

Printed Name: __________________________

Title: __________________________

Date: __________________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT E
ADA CERTIFICATION

Black Sheep Coffee Franchising LLC ("**Franchisor**" or "**us**") and ________________________ ("**Franchisee**" or "**you**") are parties to a franchise agreement dated ________________________, 20 (the "**Franchise Agreement**") for the operation of a Franchised Business at ________________________________ (the "**Franchised Business**").

- In accordance with Section 5.6.2 of the Franchise Agreement, you certify to us that, to the best of your knowledge, the Franchised Business and its adjacent areas comply with all applicable federal, state, and local accessibility laws, statutes, codes, rules, regulations, and standards, including but not limited to the Americans with Disabilities Act.

- You acknowledge that you are an independent contractor and the requirement of this certification by Franchisor does not constitute ownership, control, leasing, or operation of the Franchised Business.

- You acknowledge that we have relied on the information contained in this certification.

- You agree to indemnify us and our officers, directors, members, managers, shareholders, and employees in connection with any and all claims, losses, costs, expenses, liabilities, compliance costs, and damages incurred by the indemnified party(ies) as a result of any matters associated with your compliance with the Americans with Disabilities Act, as well as the costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) related to the same.

Acknowledged and Agreed:

____
Franchisee:

By: __________________________________

Printed Name: _________________________

Title: ________________________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT F-1

SAMPLE FORM OF
NON-DISCLOSURE AND NON-COMPETITION AGREEMENT
(to be signed by franchisee with its executive/management staff)

THIS NON-DISCLOSURE AND NON-COMPETITION AGREEMENT ("**Agreement**") is made this ________ day of , 202___, by and between __________________ (the "**Franchisee**"), and ________________________, who is a Principal, manager, supervisor, member, partner, or a person in an executive or managerial position with, Franchisee (the "**Member**").

Background:

A. Black Sheep Coffee Franchising LLC ("**Franchisor**") owns (and/or is a licensee for) a format and system (the "**System**") relating to the establishment and operation of "Black Sheep Coffee" businesses operating in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**BSC Shop**").

B. Franchisor identifies BSC Shops by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "**Black Sheep Coffee**") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Black Sheep Coffee" BSC Shop (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Member, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. <u>Confidential Information</u>. Member agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Member's employment by Franchisee. Any and all information, knowledge, know-how,

and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

2. Covenants Not to Compete.

(a) Member specifically acknowledges that, pursuant to the Franchise Agreement, and by virtue of his/her position with Franchisee, Member will receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of Franchisor and the System.

(b) Member covenants and agrees that during the term of the Franchise Agreement, except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity:

(i) Divert or attempt to divert any business or customer of the Franchised Business or of any Franchised Business using the System to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with Franchisor's Proprietary Marks and the System; or

(ii) Either directly or indirectly for him/herself or on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business.

(c) Member covenants and agrees that during the Post-Term Period (defined below), except as otherwise approved in writing by Franchisor, Member will not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation, or entity, Member will not own, maintain, operate, engage in, or have any interest in any business which is the same as or similar to the Franchised Business and which business is, or is intended to be, located within a three (3) mile radius of the Accepted Location.

(d) As used in this Agreement, the term "same as or similar to the Franchised Business" means any foodservice business as to which is agreed to mean any foodservice business as to which the sale of coffee and coffee-based or flavored beverages (in any combination or individually) comprise twenty percent (20%) or more of its gross revenues.

(e) As used in this Agreement, the term "Post-Term Period" means one (1) year from the date of termination of Member's employment with Franchisee. Any period of non-compliance with this requirement shall not count toward satisfying this requirement.

3. Injunctive Relief. Member acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Member agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

4. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Member agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Member's legitimate business needs as permitted by applicable law and public policy. In so doing, the Member agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

5. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

6. Third-Party Beneficiary. Member hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Member attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	MEMBER
By: ______________________	By: ______________________
Name: ____________________	Name: ____________________
Title: _____________________	Title: _____________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT F-2

SAMPLE FORM OF
NON-DISCLOSURE AGREEMENT
(to be signed by franchisee with its non-management staff)

THIS NON-DISCLOSURE AGREEMENT ("**Agreement**") is made this _____ day of _________, 202___, by and between (the "**Franchisee**"), and ______________________, who is an employee of Franchisee (the "**Employee**").

Background:

A. Black Sheep Coffee Franchising LLC ("**Franchisor**") owns a format and system (the "**System**") relating to the establishment and operation of "Black Sheep Coffee" businesses in structures that bear Franchisor's interior and exterior trade dress, and under its Proprietary Marks, as defined below (each, a "**BSC Shop**").

B. Franchisor identifies BSC Shops by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin (including for example the mark "Black Sheep Coffee") and certain other trade names, service marks, and trademarks that Franchisor currently and may in the future designate in writing for use in connection with the System (the "**Proprietary Marks**").

C. Franchisor and Franchisee have executed a Franchise Agreement ("**Franchise Agreement**") granting Franchisee the right to operate a "Black Sheep Coffee" BSC Shop (the "**Franchised Business**") and to offer and sell products, services, and other ancillary products approved by Franchisor and use the Proprietary Marks in connection therewith under the terms and conditions of the Franchise Agreement.

D. The Employee, by virtue of his or her position with Franchisee, will gain access to certain of Franchisor's Confidential Information, as defined herein, and must therefore be bound by the same confidentiality and non-competition agreement that Franchisee is bound by.

IN CONSIDERATION of these premises, the conditions stated herein, and for other good and valuable consideration, the sufficiency and receipt of which are acknowledged, the parties agree as follows:

1. <u>Confidential Information</u>. Member agrees that Member will not, during the term of the Franchise Agreement or thereafter, communicate, divulge, or use for the benefit of any other person, persons, partnership, entity, association, or corporation any confidential information, knowledge, or know-how concerning the methods of operation of the business franchised thereunder which may be communicated to Member or of which Member may be apprised by virtue of Member's employment by Franchisee. Any and all information, knowledge, know-how, and techniques which Franchisor designates as confidential will be deemed confidential for purposes of this Agreement.

2. Injunctive Relief. Employee acknowledges that any failure to comply with the requirements of this Agreement will cause Franchisor irreparable injury, and Employee agrees to pay all costs (including reasonable attorneys' fees, court costs, discovery costs, and all other related expenses) incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Agreement.

3. Severability. All agreements and covenants contained herein are severable. If any of them, or any part or parts of them, will be held invalid by any court of competent jurisdiction for any reason, then the Employee agrees that the court will have the authority to reform and modify that provision in order that the restriction will be the maximum necessary to protect Franchisor's and/or Employee's legitimate business needs as permitted by applicable law and public policy. In so doing, the Employee agrees that the court will impose the provision with retroactive effect as close as possible to the provision held to be invalid.

4. Delay. No delay or failure by the Franchisor or Franchisee to exercise any right under this Agreement, and no partial or single exercise of that right, will constitute a waiver of that or any other right provided herein, and no waiver of any violation of any terms and provisions of this Agreement will be construed as a waiver of any succeeding violation of the same or any other provision of this Agreement.

5. Third-Party Beneficiary. Employee hereby acknowledges and agrees that Franchisor is an intended third-party beneficiary of this Agreement with the right to enforce it, independently or jointly with Franchisee.

IN WITNESS WHEREOF, the Franchisee and the Employee attest that each has read and understands the terms of this Agreement, and voluntarily signed this Agreement on the date first written above.

FRANCHISEE	EMPLOYEE
____________________	____________________
By: ____________________	By: ____________________
Name: ____________________	Name: ____________________
Title: ____________________	Title: ____________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT G

SITE SELECTION ADDENDUM

Black Sheep Coffee Franchising LLC ("**Franchisor**" or "**us**" or "**we**") and ("**Franchisee**" or "**you**") have this **____** day of , 202____ entered into a Black Sheep Coffee Franchise Agreement ("**Franchise Agreement**") and wish to supplement its terms as set out below in this Site Selection Addendum (the "**Addendum**"). The parties agree as follows:

AGREEMENT

1. **Time to Locate Site**: Within one hundred and eighty (180) days after the date of this Addendum, you agree to acquire or enter into a binding lease/sublease (collectively, a "**lease**"), at your own expense, commercial real estate that is properly zoned for the use of the business that you will conduct under the Franchise Agreement (the "**Franchised Business**") at a site that we will have approved in writing as provided below. You must provide us with a copy of the signed purchase agreement or lease/sublease (and you need to close/settle on the property if purchasing).

a. Such location must be within the following area: ____ __________________________ (the "**Site Selection Area**").

b. The only reason that the Site Selection Area is described is for the purpose of selecting a site for the Franchised Business.

c. We will not establish, nor franchise another party to establish, a "Black Sheep Coffee" business operating under the System within the Site Selection Area until the end of the Search Period. For purposes of this Addendum, the term "**Search Period**" means ninety (90) days from the date of this Addendum, or the period from the date of this Addendum until we have approved of a location for your Franchised Business, whichever event first occurs. Upon expiration of the Search Period, the protections of this paragraph 1.c will expire and you will have no further rights in and to the Site Selection Area other than as otherwise provided in the Franchise Agreement.

d. If you do not acquire or lease a site (that we have approved in writing) for the Franchised Business in accordance with this Addendum by not later than one hundred and eighty (180) days after the date of this Addendum, that will constitute a default under Section 17.2 of the Franchise Agreement and also under this Addendum, and we will have the right to terminate the Franchise Agreement and this Addendum pursuant to the terms of Section 17.2 of the Franchise Agreement.

2. **Site Evaluation Services**: We will provide you with our site selection guidelines, including our minimum standards for a location for the Franchised Business, and such site selection counseling and assistance as we may deem advisable. We will perform one (1) on-site evaluation as we may deem advisable in response to your requests for site approval without a

separate charge. If we perform any additional on-site evaluations, you must reimburse, as applicable, us for all reasonable expenses that we incur in connection with such on-site evaluation, including, without limitation, the cost of travel, lodging and meals. We will not provide on site evaluation for any proposed site before we have received from you a completed site approval form for the site (prepared as set forth in Section 3 below).

3. **Site Selection Package Submission and Approval**: You must submit to us, in the form that we specify: ***(a)*** a completed site approval form (in the form that we require); ***(b)*** such other information or materials that we may reasonably require; and ***(c)*** an option contract, letter of intent, or other evidence satisfactory to us that confirms your favorable prospects for obtaining the site. You acknowledge that time is of the essence. We will have ten (10) days after receipt of all such information and materials from you to approve or disapprove the proposed site as the location for the Franchised Business. We have the right to approve or disapprove any such site to serve as the Accepted Location for the Franchised Business. If we do not approve a proposed site by giving you written notice within the 10-day period, then we will be deemed to have disapproved the site.

4. **Lease Responsibilities**: After we have approved a site and before the expiration of the Search Period, you must execute a lease, which must be coterminous with the Franchise Agreement, or a binding agreement to purchase the site. Our approval of any lease is conditioned upon inclusion in the lease of the lease rider attached to the Franchise Agreement as Exhibit H. However, even if we examine the lease, we are not responsible for review of the lease for any terms other than those contained in the lease rider.

5. **Accepted Location**: After we have approved the location for the Franchised Business and you have leased or acquired that location, the location will constitute the **Accepted Location** described in Section 1.2 of the Franchise Agreement. The Accepted Location will be specified on Exhibit A to the Franchise Agreement, and will become a part the Franchise Agreement.

a. You hereby agree that our approval of a site does not constitute an assurance, representation, or warranty of any kind, express or implied, as to the suitability of the site for the Franchised Business or for any other purpose. Our approval of the site indicates only that we believe the site complies with our minimum acceptable criteria solely for our own purposes as of the time of the evaluation. The parties each acknowledge that application of criteria that have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to our approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from criteria that we used could change, thereby altering the potential of a site. Such factors are unpredictable and are beyond our control.

b. We will not be responsible for the failure of a site (even if we have approved that site) to meet your expectations as to revenue or operational criteria.

c. You agree that your acceptance of a franchise for the operation of the Franchised Business at the site is based on its own independent investigation of the suitability of the site.

6. **Construction**: This Addendum will be considered an integral part of the Franchise Agreement between the parties hereto, and the terms of this Addendum will be controlling with respect to the subject matter hereof. All capitalized terms not otherwise defined herein will have the same meaning as set forth in the Franchise Agreement. Except as modified or supplemented by this Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, each party hereto has caused its duly authorized representative to duly execute and deliver this Addendum on the date first above written.

Black Sheep Coffee Franchising LLC Franchisor	Franchisee
By: ______________________________	By: ______________________________
Name: ____________________________	Name: ____________________________
Title: _____________________________	Title: _____________________________

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT H
LEASE RIDER

THIS ADDENDUM (the "**Addendum**") has been executed as of this ___ day of , 202___, by and between ________________("**Franchisee**") and _______________ ("**Landlord**"), as an addendum to the lease, as modified, amended, supplemented, renewed and/or extended from time to time as contemplated herein ("**Lease**") dated as of _____, 202___ for the premises located at , in the State of ("**Premises**").

Franchisee has also entered (or will also enter) into a Franchise Agreement ("**Franchise Agreement**") with Black Sheep Coffee Franchising LLC ("**Franchisor**") for the development and operation of a "Black Sheep Coffee" business at the Premises, and as a condition to obtaining Franchisor's approval of the Lease, the Lease for the Premises must contain the provisions contained in this Addendum.

NOW THEREFORE, in consideration of mutual covenants set forth herein, the execution and delivery of the Lease, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Franchisee hereby agree as follows:

1. Landlord agrees to deliver to Franchisor a copy of any notice of default by Franchisee or termination of the Lease at the same time such notice is delivered to Franchisee. Franchisor agrees to deliver to Landlord a copy of any notice of termination under the Franchise Agreement. Franchisee hereby consents to that exchange of information by Landlord and Franchisor.

2. Franchisee hereby assigns to Franchisor, with Landlord's irrevocable and unconditional consent, all of Franchisee's rights, title and interests to and under the Lease upon any termination or non-renewal of the Franchise Agreement, but no such assignment will be effective unless and until: (**a**) the Franchise Agreement is terminated or expires without renewal; and (**b**) Franchisor has notified the Franchisee and Landlord in writing that Franchisor assumes Franchisee's obligations under the Lease.

3. Franchisor will have the right, but not the obligation, to cure any breach of the Lease (within fifteen (15) business days after the expiration of the period in which Franchisee had to cure any such default by Franchisee, should Franchisee fail to do so) upon giving written notice of its election to Franchisee and Landlord, and, if so stated in the notice, to also succeed to Franchisee's rights, title and interests thereunder. The Lease may not be modified, amended, supplemented, renewed, extended or assigned by Franchisee without Franchisor's prior written consent.

4. Franchisee and Landlord agree that Franchisor will have no liability or obligation whatsoever under the Lease unless and until Franchisor assumes the Lease in writing pursuant to Section 2 or Section 3, above.

5. If Franchisor assumes the Lease, as provided above, Franchisor may, without Landlord's prior consent, sublet and/or assign the Lease to another franchisee of Franchisor to operate

a "Black Sheep Coffee" business at the Premises provided that the proposed franchisee has met all of Franchisor's applicable criteria and requirements and has executed a franchise agreement with Franchisor. Landlord agrees to execute such further documentation to confirm its consent to an assignment permitted under this Addendum as Franchisor may reasonably request. Upon such assignment to a franchisee of Franchisor, Franchisor will be released from any further liability under the terms and conditions of the Lease.

6. Landlord and Franchisee hereby acknowledge that Franchisee has agreed under the Franchise Agreement that Franchisor and its employees or agents will have the right to enter the Premises for certain purposes. Landlord hereby agrees not to interfere with or prevent such entry by Franchisor, its employees or agents. Landlord and Franchisee hereby further acknowledge that if the Franchise Agreement expires (without renewal) or is terminated, Franchisee is obligated to take certain steps under the Franchise Agreement to de-identify the Premises as a "Black Sheep Coffee" business (unless Franchisor takes an assignment of the lease, as provided above). Landlord agrees to permit Franchisor, its employees or agent, to enter the Premises and remove signs (both interior and exterior), décor and materials displaying any marks, designs or logos owned by Franchisor, provided that Franchisor will bear the expense of repairing any damage to the Premises as a result thereof.

7. If Landlord is an affiliate or an owner of Franchisee, Landlord and Franchisee agree that if Landlord proposes to sell the Premises, before the sale of the Premises, upon the request of Franchisor the Lease will be amended to reflect a rental rate and other terms that are the reasonable and customary rental rates and terms prevailing in the community where the "Black Sheep Coffee" business is located.

8. Landlord agrees that during and after the term of the Lease, it will not disclose or use Franchisor's Confidential Information (as defined below) for any purpose other than for the purpose of fulfilling Landlord's obligations under the Lease. "**Confidential Information**" as used herein will mean all non-public information and tangible things, whether written, oral, electronic or in other form, provided or disclosed by or on behalf of Franchisee to Landlord, or otherwise obtained by Landlord, regarding the design and operations of the business located at the Premises, including, without limitation, all information identifying or describing the floor plan and layout, furnishings, equipment, fixtures, wall coverings, flooring materials, shelving, decorations, trade secrets, techniques, trade dress, "look and feel," design, manner of operation, suppliers, vendors, and all other products, goods, and services used, useful or provided by or for Franchisee on the Premises. Landlord acknowledges that all such Confidential Information belongs exclusively to Franchisor.

9. Landlord agrees that: (**a**) Franchisor has granted to only one party, the Franchisee, the right to use Franchisor's proprietary trade name, trademarks, service marks logos, insignias, slogans, emblems, symbols, designs and indicia of origin (collectively the "**Marks**") at the Premises under the terms of the Franchise Agreement; and (**b**) Franchisor has not granted any rights or privileges to use the Marks to Landlord.

10. Landlord and Franchisee agree that the Premises will be used solely for the operation of a "Black Sheep Coffee" business.

11. Landlord and Franchisee agree that any default by Franchisee under the Lease will also constitute a default under the Franchise Agreement, and any default by Franchisee under the Franchise Agreement will also constitute a default by Franchisee under the Lease.

12. Landlord and Franchisee agree that the terms in this Addendum will supersede any contrary terms in the Lease and that they will not later amend the lease in a manner that supersedes the terms in this Addendum.

13. Franchisor, along with its successors and assigns, is an intended third party beneficiary of the provisions of this Addendum.

14. Landlord and Franchisee agree that copies of any and all notices required or permitted under this Addendum, or under the Lease, will also be sent to Franchisor at ______________________________ (attention _______________________), or to such other address as Franchisor may specify by giving written notice to Landlord.

WITNESS the execution hereof under seal. Landlord:

Landlord: ______________________	Franchisor* ______________________	Franchisee: ______________________
Landlord: ______________________	Franchisor* ______________________	Franchisee: ______________________
Subscribed and sworn to before me this ___ day of _________, 202_____.	Subscribed and sworn to before me this ___ day of _________, 202_____.	Subscribed and sworn to before me this ___ day of _________, 202_____.
__________________________ Notary Public	__________________________ Notary Public	__________________________ Notary Public
My Commission expires: ____________	My Commission expires: ____________	My Commission expires: ____________
	* The Franchisor has signed this lease rider only to acknowledge its terms and not to accept any obligations under the lease.	

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT I
INDEX TO DEFINED TERMS

Defined Term Section #

BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
EXHIBIT J
STATE-SPECIFIC ADDENDA

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
FOR THE STATE OF CALIFORNIA

The Black Sheep Coffee Franchising Franchise Agreement between ________________________ ("Franchisee" or "you") and Black Sheep Coffee Franchising LLC (the "Franchisor" or "us") dated ___________________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into the Agreement. This Amendment is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of California; (b) Franchisee is a resident of the State of California; and/or (c) the Franchised Business will be located or operated in the State of California.

2. The following sentence is added to the end of Section 27.1:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning the choice of which state's law governs the Agreement. If the Agreement contains a provision that is inconsistent with the law, the law will control.

3. The following sentence is added to the end of Section 27.2.2:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Franchisee concerning the choice of forum for disputes between the Franchisee and the Franchisor. If the Agreement contains a provision that is inconsistent with the law, the law will control.

4. Section 18.11 requires payment of liquidated damages. This provision may be unenforceable under California Civil Code Section 1671.

5. Section 19.4 restricts Franchisee's ability to compete for two (2) years following transfer, termination or expiration of the term of the Agreement. This provision may be unenforceable under California law.

6. The following sentences are added to the end of Section 17:

California Business and Professions Code Sections 20000 through provide rights to Franchisee concerning nonrenewal, transfer and termination of the Agreement. The Federal Bankruptcy Code also provides rights to Franchisee concerning termination of the Agreement upon certain bankruptcy-related events. To the extent the Agreement contains a provision that is inconsistent with these laws, these laws will control.

7. The Agreement requires Franchisee to execute a general release of claims upon renewal or transfer of the Agreement. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order is void. Section 31512 voids a waiver of Franchisee's rights under the California Franchise Investment Law (California Corporations Code 31000 through 31516). California Business and Professions Code Section 20010 voids a waiver of a franchisee's rights under Califronia Business and Professions Code Sections 20000 through 20043.

8. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any

statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

10. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

11. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law are met independently of this Amendment.

12. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ___________________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING LLC

By: ___________________________________
Name:_________________________________
Title:__________________________________

FRANCHISEE:

____

By: _________________________________
Name:________________________________
Title: ________________________________

**AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
FOR THE STATE OF ILLINOIS**

The Black Sheep Coffee Franchising Franchise Agreement between ________________________ ("Franchisee" or "you") and Black Sheep Coffee Franchising LLC (the "Franchisor" or "us") dated __________________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Agreement. This Amendment is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Illinois; (b) Franchisee is a resident of the State of Illinois; and/or (c) the Franchised Business will be located or operated in the State of Illinois.

2. The following sentence is added to the end of Section 2 and Section 17:

Your rights upon termination and non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. The following sentence is added to the end of Section 27.1:

Notwithstanding the foregoing, Illinois law will govern this Agreement.

4. The following sentence is added to the end of Section 27.2.2:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois; however, a franchise agreement may provide for arbitration in a venue outside of Illinois.

5. The following sentence is added to the end of Section 27.7:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Act must be brought within the earlier of: 3 years of the violation, 1 year after the Franchisee becomes aware of the underlying facts or circumstances or 90 days after delivery to the Franchisee of a written notice disclosing the violation.

6. The following sentence is added to the end of Section 23.3:

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

7. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Amendment.

9. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

10. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ____________________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING LLC

By: ______________________________
Name:______________________________
Title:______________________________

FRANCHISEE:

____

By: ______________________________
Name:______________________________
Title: ______________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
FOR THE STATE OF INDIANA

The Black Sheep Coffee Franchising Franchise Agreement between ________________________ ("Franchisee" or "you") and Black Sheep Coffee Franchising LLC (the "Franchisor" or "us") dated __________________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The laws of the State of Indiana supersede any provisions of the Franchise Agreement or Florida law if such provisions are in conflict with Indiana law. The Franchise Agreement will be governed by Indiana law, rather than Florida law as stated in Section 27.1 of the Franchise Agreement.

2. Venue for litigation will not be limited to Miami Dade County, Florida as specified in Section 27.2 of the Franchise Agreement.

3. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the franchise agreement, will supersede the provisions of Article 17 of the Franchise Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.

4. No release language set forth in the Franchise Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.

5. Section 19.10 of the Franchise Agreement ("Claims Not a Defense") and Section 19.12 of the Franchise Agreement ("Defaults") will not apply to franchises offered and sold in the State of Indiana.

6. Section 27.8 ("Waiver of Punitive Damages"), Section 27.6 ("Waiver of Jury Trials"), and Section 27.2.3 are deleted from the Franchise Agreement.

7. Notwithstanding the terms of Section 21.4.1 of the Franchise Agreement regarding your indemnification obligations, Franchisee will not be required to indemnify the Franchisor Parties for any liability caused by Franchisee's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ____________________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING LLC

By: ______________________________________
Name:____________________________________
Title:_____________________________________

FRANCHISEE:

____

By: ____________________________________
Name:__________________________________
Title: __________________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING FRANCHISE AGREEMENT
FOR THE STATE OF MARYLAND

The Black Sheep Coffee Franchising Franchise Agreement between ________________________ ("Franchisee" or "you") and Black Sheep Coffee Franchising LLC (the "Franchisor" or "us") dated __________________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into the Agreement. This Amendment is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of Maryland; (b) Franchisee is a resident of the State of Maryland; and/or (c) the Franchised Business will be located or operated in the State of Maryland.

2. No release language set forth in Section 2.2 of the Agreement (concerning requirements for renewal) or Section 16 of the Agreement (concerning requirements for transfer) shall relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Maryland. Sections 2.2 and 16 of the Agreement are each hereby amended to add the following language:

The release requirement of this Section is not intended to nor shall it act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. The release required under this Section will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

4. The following sentence is added to the end of Section 27.2:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

5. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

6. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

7. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this Amendment.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ____________________________, 20___.

FRANCHISOR:
BLACK SHEEP COFFEE FRANCHISING LLC

By: ______________________________________
Name:____________________________________
Title:_____________________________________

FRANCHISEE:

____

By: ____________________________________
Name:__________________________________
Title: __________________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE AGREEMENT
FOR THE STATE OF NEW YORK

The Black Sheep Coffee Franchising Franchise Agreement between ______________________ ("Franchisee" or "you") and Black Sheep Coffee Franchising LLC (the "Franchisor" or "us") dated __________________________(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into the Agreement. This Amendment is being executed because: (a) the offer or sale of the franchise to Franchisee was made in the State of New York; (b) Franchisee is a resident of the State of New York; and/or (c) the Franchised Business will be located or operated in the State of New York.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

4. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of Article 33 of the General Business Law of the State of New York are met independently of this Amendment.

5. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ___________________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING LLC

By: ______________________________
Name:_____________________________
Title:_____________________________

FRANCHISEE:

____

By: ______________________________
Name:_____________________________
Title: _____________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC FRANCHISE AGREEMENT
FOR THE STATE OF SOUTH DAKOTA

The Black Sheep Coffee Franchising Franchise Agreement between ________________________ ("Franchisee" or "you") and Black Sheep Coffee Franchising LLC (the "Franchisor" or "us") dated ___________________________(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Agreement. This Amendment is being executed because the franchise was "offered or sold" (as defined in the South Dakota Franchise Investment Act ("Act")) in South Dakota.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the Act are met independently of this Amendment.

4. Any capitalized terms that are not defined in this Amendment shall have the meaning given them in the Agreement.

5. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ____________________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING LLC

By: ___________________________________
Name:_________________________________
Title:__________________________________

FRANCHISEE:

____

By: _________________________________
Name:_______________________________
Title: _______________________________

BLACK SHEEP COFFEE FRANCHISING LLC

MULTI-SHOP DEVELOPMENT AGREEMENT

____

DEVELOPER

____

DATE OF AGREEMENT

TABLE OF CONTENTS

Exhibits

BLACK SHEEP COFFEE FRANCHISING LLC

MULTI-SHOP DEVELOPMENT AGREEMENT

THIS MULTI-SHOP DEVELOPMENT AGREEMENT is entered into on _____(the "**Effective Date**"), by and between BLACK SHEEP COFFEE FRANCHISING LLC, a Delaware limited liability company with a principal address of 2950 SW 27th Avenue, Suite 206, Miami, FL 33133 ("**we**", **us**," "**our**," or "**Franchisor**"), and _______________, a _______________ with a principal address of __________________ ("**you**," "**your**" or "**Developer**"), who in consideration of the mutual promises set forth below, agree as follows:

1. Nature and Scope of Agreement

1.1 ***The Franchisor***. We and our "**Affiliates**" (meaning, individually or collectively, any and all entities controlling, controlled by, or under common ownership with us) have developed a proprietary system (the "**System**") for opening and operating Black Sheep Coffee shops (each, a "**Shop**"), which are retail coffee shop business featuring, among other things, fresh roasted coffee beverages and retail items for on-premises and carry-out consumption. The System makes use of the trademark, service mark and fictitious business name "Black Sheep Coffee" and certain other trademarks, service marks, trade names, related emblems, designs, labels, trade dress, signs and symbols, copyrighted materials and intellectual property (collectively, the "**Marks**"), which we designate as licensed to you.

1.2 ***The Developer***. You have independently investigated the business risks involved and such other matters as you deem important, including current and potential market conditions and competitive factors and risks, have read our Franchise Disclosure Document, and have not relied on any representations not set forth in this Agreement. "You" shall be deemed to include: those persons owning any interest in you if you are a corporation or a limited liability company; all partners owning any partnership interest in you if you are a partnership; the individual who owns you if you are a sole proprietorship; the guarantors of this Agreement. If you are an individual, you must serve as the Operating Principal and if you are a business entity, you must designate an individual with ownership interest in you to serve as the Operating Principal. The "**Operating Principal**" must have complete decision making authority with regard to your business and authority to in all respects act on your behalf, will be the sole individual with whom we will be required to communicate when we seek to communicate with you. You must inform us in writing of your Operating Principal and any replacement Operating Principal in advance. We must approve your Operating Principal before you appoint them.

1.3 ***This Agreement***. You desire to obtain and, pursuant to the terms and conditions of this Agreement, we have agreed to grant you the right to develop a designated number of Shops under the Marks and the System within a designated geographical area (the "**Development Area**") and pursuant to a designated development schedule (the "**Development Schedule**").

2. Development Rights and Obligations and Development Schedule. Subject to the terms and conditions set forth in this Agreement, we grant you the right, and you undertake the obligation, to develop and establish the specified number of Shops set forth on Exhibit 1 hereto within the Development Area set forth on Exhibit 2 hereto and pursuant to your strict accordance with the Development Schedule set forth on Exhibit 1 hereto. Each Shop you develop pursuant to this Agreement must be operated pursuant to the terms of separate franchise agreements (referred to individually as a "**Franchise Agreement**" and collectively as the "**Franchise Agreements**") to be executed between you and us, as provided in Section 0 hereof.

3. **Development Fee.** In consideration of the development rights granted herein, you shall pay to us concurrently with the execution of this Agreement a development fee in the amount set forth on Exhibit 1 hereto ("**Development Fee**"). You recognize that we have incurred administrative and other expenses in relation to this Agreement, and that our development opportunities have been lost or curtailed as a result of the development rights granted to you herein. Therefore, the Development Fee is due in one lump sum upon execution of this Agreement, is fully earned when paid, and will not be refunded, in whole or in part, under any circumstance. The Development Fee is calculated as (a) 100% of the Initial Franchise Fee (i.e., $40,000) for the first Shop to be developed under the Development Schedule plus (b) 50% of the Initial Franchise Fee (i.e., $20,000) multiplied by the remaining number of Shops to be developed under the Development Schedule. By way of example only, if we grant you the right to develop three (3) Shops pursuant to this Agreement, you will be required to pay us a Development Fee equal to $80,000 (i.e., $40,000 + [$20,000 x 2]), and if we grant you the right to develop five (5) Shops pursuant to this Agreement, you will be required to pay us a Development Fee equal to $120,000 (i.e., $40,000 + [$20,000 x 4]).

4. **Franchise Agreements**. Contemporaneous with the execution of this Agreement, you must enter into our current form of Franchise Agreement for the first Shop to be developed under the Development Schedule. Thereafter, for each additional Shop that is developed pursuant to this Agreement you must (a) enter into our then-current form of Franchise Agreement for each such Shop by the execution deadline set forth on Exhibit 1 (the "Execution Deadline") and (b) pay the Initial Franchise Fee for each such Shop by the Execution Deadline ($20,000 of which shall be applied from the Development Fee for the second and subsequent Franchise Agreements until the Development Fee is exhausted). Thereafter, you must commence operations of each additional Shop by the commencement deadline set forth on Exhibit 1 (the "Commencement Deadline"). For the avoidance of doubt, you further understand, acknowledge and agree that our then-current forms of Franchise Agreement may contain materially different terms and conditions than our current form of Franchise Agreement for the first Shop to be developed under the Development Schedule, and the Initial Franchise Fee charged under each such Franchise Agreement may be greater than the Initial Franchise Fee charged under the first Franchise Agreement (we reserve the right to increase the Initial Franchise Fee based on annual consumer price index (CPI) adjustments). Upon the execution of each Franchise Agreement, the terms and conditions of such Franchise Agreement shall control the establishment and operation of the Shop that is the subject of such Franchise Agreement.

5. **Development Obligations.**

5.1 Your Required Compliance with the Development Schedule. You must ensure that you timely satisfy the Development Schedule, including without limitation the applicable Execution Deadlines, Commencement Deadlines, and that at all times you maintain the cumulative number of Shops that are required to be operating under the Development Schedule. **Time is of the essence with respect to your satisfaction of your development obligations.** You may not develop or commence operations of more than the number of Shops set forth on Exhibit 1 without first obtaining our written consent (which we may withhold, condition or delay for any or no reason). A Shop will be considered "**developed**" if: (i) the Franchise Agreement for the Shop has been fully executed by you and us; (ii) the Initial Franchise Fee has been paid for such Shop; and (iii) the Shop has commenced operations in accordance with the Franchise Agreement governing the Shop. Under no circumstances, however, may you develop or commence operations of a Shop unless and until and we have approved same in writing and there is a fully executed Franchise Agreement in place for such Shop.

5.2 Your Failure to Comply with the Development Schedule. Your failure to comply with the Development Schedule in any manner is grounds for immediate termination of this Agreement. Notwithstanding the foregoing, if you fail to comply with the Development Schedule, we will have the right to: (i) reduce, in whole or in part, the size of the Development Area within which you will have rights; (ii) reduce, in whole or in part, the total number of Shops that you will have the right to develop; and/or, (iii) terminate the this Agreement in its entirety.

5.3 No Subfranchising. You hereby acknowledge and agree that you shall not offer, sell, or negotiate the sale of Black Sheep Coffee franchises to any third party, either in your own name or in the name and/or on behalf of us, or otherwise subfranchise, subcontract, sublicense, share, divide or partition this Agreement, and nothing in this Agreement will be construed as granting you the right to do so. You shall not execute any Franchise Agreement with us, or construct or equip any Shop with a view to offering or assigning such Franchise Agreement or Shop to any third party.

6. Term. Unless sooner terminated in accordance with the terms of this Agreement, the term ("**Term**") of this Agreement will commence on the Effective Date and will end on the earlier of (a) the date that actual the last Shop is developed pursuant to the Development Schedule or (b) the date that the last Shop is required to be developed pursuant to the Development Schedule. If applicable law requires us to give notice of expiration to you at a specified time before the expiration of the Term of this Agreement, and we have not done so, then the Term of this Agreement will be extended on a month-to-month basis until we have given you the required notice of expiration and the required period before the expiration of the Agreement becomes effective has expired. This Agreement shall not be subject to renewal. Upon the termination or expiration of this Agreement, we and our affiliates shall have the right to develop and operate, and to grant to others development and franchise rights to third parties to operate, Shops within the Development Area, subject only to the territorial rights granted to you with respect to Shop operated by you under the Franchise Agreements.

7. Development Area. You undertake to develop the number of Shops designated in Exhibit 2 of this Agreement within the Development Area set forth by map or written description in Exhibit 2 to this Agreement. Pursuant to the Franchise Agreements which this Agreement contemplates will be entered into between you and us, your right to operate the Shops will be limited to the Shop Locations (as defined term is defined in the respective Franchise Agreement for such Shop). Subject to the rights we reserve in Section 8 below, we will not operate ourselves or grant a third party the right to operate a Black Sheep Coffee shop businesses of the type contemplated by this Agreement and franchised under the Franchise Agreements within the Development Area, so long as this Agreement is in full force and effect and you are not in default under this Agreement or any other agreements between you and your affiliates on the one hand and us and our affiliates on the other hand. These restrictions do not apply to any Black Sheep Coffee shop businesses in operation or under lease or other commitment to open in the Development Area as of the effective date of this Agreement. These restrictions will immediately terminate upon the expiration or sooner termination of this Agreement for any reason.

8. Our Reservation of Rights. We and our Affiliates, reserve all rights not specifically granted to you pursuant to this Agreement, including but not limited to the right to engage in the following activities:

8.1 Outside of the Territory. Outside of the Development Area, we and/or our affiliates reserve the right to operate any number of Shops, and/or authorize others to operate same, at any location whatsoever, including one or more locations that may be immediately proximate to, but not within, the Development Area.

8.2 Inside the Development Area. Except as expressly restricted by Section 7 of this Agreement, you understand and agree that we and/or our affiliates may:

8.2.1 *Other Businesses*. Own, operate or authorize others to own or operate any type of business at any location whatsoever, including within your Development Area, so long as such other business does not sell under the identical Marks, the identical type of programs, products or services which your Shops will offer and sell (except as permitted below).

8.2.2 *Alternative Channels of Distribution*. Offer and sell within and outside your Development Area, under the Marks, any and all System programs, products or services and/or their components or ingredients (including those to be used or sold by your Shops), at wholesale or retail, through any alternative method of distribution including, without limitation, such alternative channels of distribution as the internet/worldwide web; any other form of electronic commerce; "800" or similar toll-free telephone numbers; supermarkets, grocery stores and convenience stores; mail order; catalogs; television sales (including "infomercials"); or, any other channel of distribution whatsoever except for a Shop in your Development Area.

8.2.3 *Nontraditional Locations*. Develop, open and operate, grant third-parties the right to develop, open and operate, Shops located at, and to offer and sell (whether directly or through other franchisees, distributors, licensees or otherwise) System programs, products and services at, any and all Non-Traditional Locations, including nontraditional locations situated in your Development Area, through the establishment of Shops, kiosks, mobile units, concessions or "shop in shops", and that, by contrast, you are precluded in engaging in such activity except in accordance with this Section. "**Nontraditional locations**" include sports arenas and venues; theatres; resorts; food retailers (including supermarkets, grocery stores and convenience stores); malls and mall food courts; schools and universities; hospital and healthcare facilities; airports; guest lodging facilities; day care facilities of any type; government facilities; condominium and cooperative complexes; the premises of any third-party retailer which is not a coffee shop (including shops, stores and department stores); shopping malls and food courts; transportation facilities, including airports, train stations, subways and rail and bus stations; sports facilities, including stadiums and arenas; theaters; amusement parks, zoos and convention centers; car and truck rest stops and travel centers; educational facilities; recreational theme parks and amusement parks; Indian reservations; casinos; business or industrial foodservice venues; ghost kitchens, delivery-only restaurants, virtual kitchens, shadow kitchens, commissary kitchens, cloud kitchens, or dark kitchens; military bases and installations; airlines, railroads and other modes of mass transportation; and, any other location or venue to which access to the general public is restricted. If any Nontraditional Location is located within the physical boundaries of your Development Area, then the premises of this Nontraditional Location will not be included in your Development Area and you will have no rights to this Nontraditional Location.

8.2.4 *National, Regional and Institutional Accounts*. Open Shops at and sell System programs, products and services to national, regional and institutional accounts. You are prohibited from engaging in such activities. "**National, Regional and Institutional Accounts**" are organizational or institutional customers whose presence is not confined to your Territory, including (by way of example only): business entities with offices or branches situated both inside and outside of your Development Area; government agencies, branches or facilities; guest lodging networks; healthcare networks; the military; and any other customer whose presence is not confined to your Development Area. Only we will have the right to enter into contracts with national, regional and/or institutional accounts (which may include facilities within your Development Area). If we receive orders for any products or services calling for delivery or performance in your Development Area as a result of our engaging in commerce with National, Regional and Institutional Accounts, then we will have the right, but not the obligation, either to require you to fulfill such orders at the price we agree on with the customer or give you the opportunity to fulfill such orders at the price we agree on with the customer. If we give you the opportunity to fulfill such orders and if, for any reason, you do not desire to or cannot serve the customer, or if the customer desires for any or no reason to deal exclusively with us, our affiliate or another franchisee and not with you, then we, our affiliate or any other Black Sheep Coffee franchisee may serve the customer within your Development Area, and you will not be entitled to any compensation. The procedures governing our National, Regional and Institutional Accounts program are set forth in our manuals.

8.2.5 *Licensed Product Sales*. Sell and distribute products identified by the Marks in the Development Area to restaurants and food service establishments other than coffee shops identified by the Marks or award national, regional or local licenses to third parties to sell products under the Marks in foodservice facilities primarily identified by the third-party's trademark, provided those restaurants/establishments or foodservice facilities are not licensed to use the Marks in connection with their retail sales. You are prohibited from engaging in such activities.

8.2.6 *Other Franchise Systems*. Develop and/or own other franchise systems for the same or similar products and services using trade names and trademarks other than the Marks. You acknowledge and agree that our affiliates may in the future operate food service businesses under different marks and with operating systems that are the same as or similar to the System, at any location (including within the Development Area) and that any such businesses might compete with your Shops

8.2.7 *Transactions*. In addition, you understand, acknowledge and agree that we may purchase, merge, acquire, be acquired by or affiliate with an existing competitive or non-competitive franchise or non-franchise network, chain or any other business regardless of the location of that other business' facilities, and that following such activity we may operate, franchise or license those other businesses and/or facilities under any names or marks, including the Marks, regardless of the location of these businesses and/or facilities, which may be within the Development Area or immediately proximate to the Development Area.

You further understand and agree that this Agreement does not confer upon you any right to participate in or benefit from such other concepts or business activities, regardless of whether they are conducted under the Marks or not. Our and our affiliates' rights to engage in other business activities are specifically reserved and may not be qualified or diminished in any way by implication. We thus may engage in, or authorize others to engage in, any form of business offering and selling any type of program, product or service except as restricted by Section 7 above.

8.3 Waiver and Release. You waive and release any claims, demands or damages arising from or related to any of the above activities and promise never to begin or join in any legal action or proceeding, or register a complaint with any governmental entity, directly or indirectly contending otherwise.

9. Statement of Ownership. All of the ownership interests in you are accurately and completely described in Exhibit 3. You must promptly notify us in writing of any change in any of the information specified, or in any document referred to, herein and secure our prior written consent regarding such change.

10. Liability of Developer; Guarantee.

10.1 ***Liability of "Developer"***. The terms "Developer" and "you" as used in this Agreement will refer to each person executing this Agreement as Developer, whether that person is one of the spouses, partners, proprietors, shareholders, trustees, trustors or beneficiaries or persons named as included in you, and will apply to each of these persons as if he/she were the only named Developer in this Agreement. If you are a partnership or proprietorship, or if more than one person executes this Agreement as Developer, each partner, proprietor or person executing this Agreement will be liable for all obligations and duties of Developer under this Agreement. If you are a trust, each trustee, grantor and beneficiary signing this Agreement will be liable for all the obligations and duties of Developer under this Agreement. If you are a business entity, all owners of such entity executing this Agreement will be liable for all obligations and duties of Developer under this Agreement as if each such owner or the sole franchisee under this Agreement.

10.2 ***Personal Guaranty***. If you are an entity, all direct and indirect owners with 5% or more interest in you must concurrently with the execution of this Agreement (or at such later time as they assume any status specified herein), execute our standard form Personal Guaranty (Exhibit 4). In addition, we reserve the right to require other individuals the Personal Guaranty if and as we determine necessary or desirable, as we determine in our sole business judgment. If you are in breach or default under this Agreement, we may proceed directly against each such guaranteeing individual and/or entity without first proceeding against you and without proceeding against or naming in the suit any other such guaranteeing individuals and/or entities. Your obligations and those of each such guaranteeing individual and/or entity will be joint and several. Notice to or demand upon one such guaranteeing individual and/or entity will be considered notice to or demand upon you and all such guaranteeing individuals and/or entities, and no notice or demand need be made to or upon all such guaranteeing individuals and/or entities. The cessation of or release from liability of you or any such guaranteeing individual and/or entity will not relieve you or any other guaranteeing individual and/or entity, as applicable, from liability under this Agreement, except to the extent that the breach or default has been remedied or money owed has been paid.

11. Compliance with Franchise Agreements and Laws, Rules and Regulations. You agree to abide by and faithfully adhere to the terms of this Agreement and each Franchise Agreement signed pursuant to this Agreement. You further agree to develop the Shops in strict compliance with all applicable laws, rules and regulations of all governmental authorities; to comply with all applicable wage, hour and other laws and regulations of the federal, state and local governments; to prepare and file all necessary tax returns; to pay all taxes imposed upon you related to the Shops; and, to obtain and keep in good standing all necessary licenses, permits and other required forms of governmental approval required of you.

12. Terrorism. You represent and warrant to us that, as of the date of this Agreement and at all times during the Term hereof, and to your actual or constructive knowledge, neither you, any affiliate of yours, any individual or entity having a direct or indirect ownership interest in you or any such affiliate (including any shareholder, general partner, limited partner, member or any type of owner), any officer, director or management employee of any of the foregoing, nor any funding source you utilize is or will be identified on the list of the U.S. Treasury's Office of Foreign Assets Control (OFAC); is directly or indirectly owned or controlled by the government of any country that is subject to an embargo imposed by the United States government or by any individual that is subject to an embargo imposed by the United States government; is acting on behalf of any country or individual that is subject to such an embargo; or, is involved in business arrangements or other transactions with any country or individual that is subject to an embargo. You agree that you will immediately notify us in writing immediately upon the occurrence of any event which would render the foregoing representations and warranties incorrect. Notwithstanding anything to the contrary in this Agreement, you may not allow, effect or sustain any transfer, assignment or other disposition of this Agreement to a Specially Designated National or Blocked Person (as defined below) or to an entity in which a Specially Designated National or Blocked Person has an interest. For the purposes of this Agreement, "Specially Designated National or Blocked Person" means: (i) a person or entity designated by OFAC (or any successor officer agency of the U.S. government) from time to time as a "specially designated national or blocked person" or similar status; (ii) a person or entity described in Section 1 of U.S. Executive Order 13224, issued on September 23, 2001; or, (iii) a person or entity otherwise identified by any government or legal authority as a person with whom you (or any of your owners or affiliates) or we (or any of our owners or affiliates) are prohibited from transacting business. You further agree that you will not hire, retain, employ or otherwise engage the services of any individual or entity in contravention of the Patriot Act; any law, rule or regulation pertaining to immigration or terrorism; or, any other legally prohibited individual or entity.

13. Indemnification. Under no circumstances will we be liable for any of your acts, omissions, debts, or other obligations. You will indemnify, defend, and hold harmless, to the fully extent permitted by law us, any Affiliate of ours, the affiliates, subsidiaries, successors, assigns and designees of each; and, the officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees and representatives of all of the foregoing (each an "**Indemnitee**") from all claims, losses, liabilities and costs incurred in connection with any action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (regardless of whether any of the foregoing is reduced to judgment) of any kind and nature whatsoever, or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based upon, is a result of or is related in any way to this Agreement and any Franchise Agreement entered into pursuant to this Agreement. You agree to give us written notice of any such action, suit, proceeding, claim, demand, inquiry or investigation that could be the basis for a claim for indemnification by any Indemnitee within 3 days of your actual or constructive knowledge of it. At your expense and risk, we may elect to assume (but under no circumstance will we be obligated to undertake) the defense and/or settlement of the action, suit, proceeding, claim, demand, inquiry or investigation. However, we will seek your advice and counsel and keep you informed with regard to the defense or contemplated settlements. Our undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and the other Indemnitees and to hold us and them harmless. We will have the right, at any time we consider appropriate, to offer, order, consent or agree to settlements or take any other remedial or corrective actions we consider expedient with respect to the action, suit, proceeding, claim, demand, inquiry or investigation if, in our sole judgment, there are reasonable grounds to do so. Under no circumstance will we or the other Indemnitees be required to seek recovery from third parties or otherwise mitigate our or their losses to maintain a claim against you. You agree that any failure to pursue recovery from third parties or mitigate loss will in no way reduce the amounts recoverable by us or the other Indemnitees from you. The indemnification obligations of this Section will survive the expiration or sooner termination of this Agreement.

14. Best Efforts; Cooperation with Us. You agree to act in good faith and use your best efforts to comply with your obligations under this Agreement, and to cooperate with us in accomplishing the purposes of this Agreement.

15. Restriction on Use of Confidential Information. You agree that you will not, during the Term of this Agreement or thereafter, divulge to or use for the benefit of yourself or any other person(s), partnership, proprietorship, association, corporation or entity, any confidential information, knowledge or know-how concerning your or our systems of operation, programs, services, products, customers or practices and/or pertaining to System which may be communicated to you. Any and all information, knowledge, know-how, techniques and information which we, our affiliates, or their respective officers, designate as confidential will be deemed confidential for the purposes of this Agreement, except information which you can demonstrate came to your attention before our disclosure or which, at or after the time of our disclosure to you, has become a part of the public domain through publication or communication by others.

16. In-Term Competitive Restrictions. You acknowledge the uniqueness of the System and that we are making our knowledge, know-how, and expertise available to you for the purpose of operating the Shops strictly and solely within the Development Area. You agree that it would be an unfair method of competition to use or duplicate or to allow others to use or duplicate, any of the knowledge, know-how or expertise you receive from us or our Affiliates for any reason other than for the operation of the Shops under Franchise Agreements entered into pursuant to this Agreement. As such, you hereby agree that during the Term of this Agreement, you will not at any geographic location whatsoever, directly or indirectly engage in, aid, assist, serve, be an employee of, participate in, have any financial interest in, loan money to or have any interest any Competitive Business.

17. Post-Term Competitive Restrictions. You hereby agree that for a period of 2 years after a Transfer, the termination or expiration of the Term of this Agreement for any reason, or the entry of final order of a court of competent jurisdiction enforcing this covenant, whichever is later, you will not directly or indirectly engage in, aid, assist, serve, be an employee of, participate in, have any financial interest in, loan money to or have any interest any Competitive Business within (a) the Development Area; (b) a 5-mile radius surrounding the Development Area; (c) within the Development Area of any other Black Sheep Coffee shop business; or (d) within a 5-mile radius of the Development Area of any other Shop, whether or not established, being constructed or subject to an executed Franchise Agreement at the time this restriction begins to be enforced.

18. Competitive Business. A "**Competitive Business**" means any other foodservice business or activity as to which the sale of coffee and coffee-based or flavored beverages comprises 10% or more of its gross revenues. You are prohibited from directly or indirectly engaging in any Competitive Business as a proprietor, partner, investor, shareholder, member, director, manager, officer, employee, principal, agent, advisor, consultant, lessor, sublessor or any similar capacity. In addition, you agree not to divert any business that should be handled by the Shop to any other person or entity. It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for Competitive Businesses, service as an independent contractor for Competitive Businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing in this Agreement will prevent you from owning for investment purposes only up to an aggregate of 5% of the capital stock of any Competitive Business you do not control, so long as the Competitive Business is a publicly held corporation whose stock is listed and traded on a national or regional stock exchange.

19. Procurement of Additional Covenants. You agree to require and obtain the execution of our Confidentiality/Non-Competition Agreement (Exhibit 5 hereto) from all of the following persons: (a) Before employment or any promotion, your Operating Principal, General Manager and all other managerial personnel; and, (b) all of your owners, equity holders, control persons, shareholders, members, partners and general partner(s); all of your officers, directors and managers; and, all persons possessing equivalent positions in any business entity which directly or indirectly owns and/or controls you. You shall procure all such Confidentiality/Non-Competition Agreements no later than 10 days following the Effective Date (or, if any individual or entity attains any status identified above after the Effective Date, within 10 days following such individual or entity's attaining such status) and shall furnish to us copies of all executed Confidentiality/Non-Competition Agreements within 10 days following their execution.

20. Reasonableness of Restrictions. If all or any portion of the covenants not to compete set forth in this Agreement are held unreasonable, void, vague or illegal by any court or agency with competent jurisdiction over the parties and subject matter, the court or agency will be empowered to revise and/or construe the covenants to fall within permissible legal limits, and should not by necessity invalidate the entire covenants. You agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenants were separately stated in and made a part of this Agreement.

21. Transfer By Us. We are free to assign this Agreement and/or all of our rights and obligations under this Agreement, and upon such assignment we will be relieved of all liability under this Agreement, and all rights and obligations will accrue to our successor or assignee. You agree and affirm that we may sell our company, our assets, our Marks and/or System to a third party; may go public; may engage in a private placement of some or all of our securities; may merge, acquire other business entities or be acquired by another business entity; and/or, may undertake a refinancing, recapitalization, securitization, leveraged buyout or other economic or financial restructuring. With regard to any such sale, assignment, merger, acquisition or financial activities, you expressly and specifically waive any claims, demands or damages arising from our related to the substitution of our name, Marks (or any variation thereof) and System; the loss of association with us or identification of us as the "Franchisor" under this Agreement; and, any and all other claims, demands or damages arising from or related to such activities. If we assign this Agreement, as provided herein, you expressly agree that immediately upon and following such assignment, we will no longer have any obligation – directly, indirectly or contingently – to perform or fulfill the duties and obligations imposed upon "Franchisor" hereunder. Instead, all such duties and obligations will be performed solely by our assignee, and you will never assert, contend or complain otherwise.

22. **Transfer By You**. The rights and duties created by this Agreement are personal to you. We have granted the development rights under this Agreement in reliance upon our perception of the individual and collective character, skill, attitude, and business and marketing abilities of you and your owners. Therefore, without our prior written consent (which we can withhold, condition or deny for any or no reason), there can be no "Transfer", defined as including any voluntary or involuntary, direct or indirect, assignment, sale, gift, transfer, share, sublicense, divide, conveyance, lease or other disposition of an interest in this Agreement, you or the Shops developed pursuant to this Agreement, including without limitation: a transfer of any capital stock, partnership interest, limited liability company interest or other ownership interest; a merger, consolidation, reorganization, business combination or other issuance of additional stock or ownership interests; a transfer in bankruptcy or dissolution of marriage or otherwise by operation of law or by order of court; a transfer to a personal representative upon the disability of, or transfer upon the death of, an Operating Principal; the grant or creation of any lien or encumbrance on any ownership interest or asset; the grant of any option, call, warrant, conversion rights or rights to acquire any equity or voting interest; an assignment of contract rights; a sale of assets (including the inventory, furniture, fixtures, equipment and other operating assets of any of the Shops, other than in ordinary course of business); or any change in the or management of any of the Shops. Any consent by us will not operate as a consent to any future Transfer, and no future Transfer will be valid without our prior written consent to that specific Transfer. Any attempted Transfer in violation of this paragraph is voidable at our option.

23. **Termination**

23.1 ***Termination By Us – Automatic Termination Without Notice***. You will be in default of this Agreement, and all rights granted in this Agreement will immediately and automatically terminate and revert to us without notice to you, if: you or your Shops are adjudicated as bankrupt or insolvent; all or a substantial part of the assets thereof are assigned to or for the benefit of any creditor; a petition in bankruptcy is filed by or against you, the Shops are not immediately contested and/or dismissed within 60 days from filing; a bill in equity or other proceeding for the appointment of a receiver or other custodian of you, any of the Shops or assets of such businesses is filed and consented to by you; a receiver or other custodian (permanent or temporary) of all or part of your assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors under any state or federal law are instituted by or against you, any of the Shops; you are dissolved; execution is levied against you, any of the Shops or your property; or, the real or personal property of or any of the Shops is sold after levy thereon by any governmental body or agency, sheriff, marshal or constable.

23.2 ***Termination By Us Upon Notice – No Opportunity To Cure.*** *You* will have materially breached this Agreement and we will have the right to terminate this Agreement and all rights granted under this Agreement, without giving you any opportunity to cure the breach, effective immediately upon your receipt of notice (which, whether sent by certified mail, registered mail, overnight courier or personal physical delivery, will be deemed to have been received by you upon delivery or first attempted delivery of the notice to you) upon the occurrence of any of the following events: (i) you fail to meet the Development Schedule; (ii) you omit or misrepresent any material fact in the information that you furnished to us in connection with our decision to enter into this Agreement or enter into any Franchise Agreement for any Shop; (iii) you (or any principal of a corporate, partnership, proprietorship or other entity developer) are convicted of a felony, fraud, crime involving moral turpitude, or any other crime or offense which we reasonably believe is related to your duties under this Agreement and/or your operation of any of the Shops, or is likely to have an adverse effect on System, the Marks, the goodwill associated with the Marks or our interest in the System or Marks; (iv) you (or any principal of a corporate, partnership, proprietorship or other entity franchisee) purport to transfer any rights or obligations under this Agreement, any interest in you or any of the Shops to any third party in violation of the terms of this Agreement; (v) you do not comply with the covenant not to compete during the term of this Agreement; violate the restrictions pertaining to the use of Confidential Information contained in this Agreement; or, do not obtain the execution of the additional covenants required in Section 18 of this Agreement; (vi) you commence operations of a Shop without a fully executed Franchise Agreement and our prior written approval; (vii) you cease to operate all of the Shops developed pursuant to this Agreement; (viii) you engage in any business or market any service or product under a name or mark which, in our opinion, is confusingly similar to our Marks; or (vix) you engage in conduct which reflects materially and unfavorably upon the operation and reputation of the Shops, us or System.

23.3 **Termination by Us – 30-Day Opportunity to Cure**. Except as specifically provided elsewhere in this Agreement, you will have 30 calendar days following our delivery of written notice to you to cure any default under this Agreement and provide us with evidence that you have done so. If you have not cured any default within that time, this Agreement will terminate immediately upon expiration of the 30 day period, unless we otherwise agree in writing. You will be in default of this Agreement for any failure to comply with any of your obligations under this Agreement.

23.4 **Description of Default.** The description of any default in any notice that we transmit to you will in no way preclude us from specifying additional or supplemental defaults under this Agreement or any related agreements in any action, proceeding, hearing or lawsuit relating to this Agreement or the termination of this Agreement.

23.5 **Cross Default**. Any default or breach by you (or any of your affiliates) of any other agreement between us or our affiliates and you (or any of your affiliates) will be considered a default under this Agreement, and any default or breach of this Agreement by you will be considered a default or breach under any and all other agreements between us (or any of our affiliates) and you (or any of your affiliates). If the nature of the default under any other agreement would have permitted us to terminate this Agreement if the default had occurred under this Agreement, then we (or our affiliate) will have the right to terminate all the other agreements between us (or any of our affiliates) and you (or any of your affiliates) in the same manner provided for in this Agreement for of this Agreement. Your "**affiliates**" include any persons or entities controlling, controlled by, or under common control with you.

23.6 **Notice Required By Law**. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

23.7 **Effect of Termination**. If any valid, applicable law or regulation of a competent governmental authority with jurisdiction over this Agreement or the parties to this Agreement limits our rights of termination under this Agreement or requires longer notice or cure periods than those set forth above, then this Agreement will be considered modified to conform to the minimum notice, cure periods or restrictions upon termination required by the laws and regulations. We will not, however, be precluded from contesting the validity, enforceability or application of the laws or regulations in any action, proceeding, hearing or dispute relating to this Agreement or the termination of this Agreement.

24. Other Obligations and Rights on Termination or Expiration. The termination of this Agreement upon breach of your development obligations will not terminate any of the Franchise Agreements executed by you before the effective date of termination of this Agreement and for which you have already commenced the Shops covered by the Franchise Agreements, but after the effective date of the termination, you will have no right to develop or operate any additional Shops without first obtaining our express written consent, which we may withhold without cause. Upon expiration or earlier termination of this Agreement for whatever reason, you agree to: (i) immediately pay all sums due and owing to us or our affiliates, plus interest, and all sums due and owing to any landlord, employees, taxing authorities, advertising agencies and all other third parties; (ii) if we terminate because of your default, pay us all losses and expenses we incur as a result of the default or termination, including all damages, costs, and expenses, and reasonable attorneys' and experts' fees directly or indirectly related thereto, such as (without limitation) lost profits, lost opportunities, damage inuring to our Marks and reputation, travel and personnel costs and the cost of securing a new developer for the Development Area. This obligation will give rise to and remain, until paid in full, a lien in our favor against any and all of assets, property, furnishings, equipment, signs, fixtures and inventory owned by you and any of the Shops at the time of termination and against any of your money which we are holding or which is otherwise in our possession; (iii) immediately execute all agreements necessary to effectuate the termination in a prompt and timely manner; (iv) strictly comply with the post-termination/post-expiration covenants not to compete set forth in Section 17 of this Agreement; and, (v) continue to abide by those restrictions pertaining to the use of our Confidential Information, trade secrets and know-how set forth in Sections 15 and 17 of this Agreement. The expiration or termination of this Agreement will be without prejudice to our rights against you, and will not relieve you of any of your obligations to us at the time of expiration or termination, or terminate your obligations which by their nature survive the expiration or termination of this Agreement.

25. Dispute Resolution

25.1 **Limitations Period**. Any and all claims brought by you arising out of or relating to this Agreement or any agreement related to this Agreement or executed concurrently herewith or the relationship of the parties hereto, shall be barred unless you commence a judicial proceeding against us within 1 year from the date you knew or should have known of the facts giving rise to such claim.

25.2 **Your Waiver of Punitive Damages, Class Actions and Jury Trial**.

25.2.1 You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against us and our Affiliates arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, that your recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent us from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to your default, which you acknowledge and agree that we may claim under this Agreement.

25.2.2 You may only pursue any claim you have against us or the other Indemnitees in an individual legal action or proceeding. Neither you nor any of your officers, directors, members, owners, shareholders, management, employees, contractors and/or representatives (the "**Developer Party(ies)**") shall join or combine its/their legal action or proceeding in any manner with any action or claim of any other franchisee, franchise owner, franchisee guarantor, or other claimant, nor will you or any other Developer Party maintain any action or proceeding against us and the other Indemnitees in a class action, whether as a representative or as a member of a class or purported class, nor will you or any other Developer Party seek to consolidate, or consent to the consolidation of, all or part of any action or proceeding by any of them against us or the other Indemnitees with any other litigation against us or such other Indemnitee.

25.2.3 YOU HEREBY IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR YOUR PURCHASE OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES FROM US.

25.3 **Governing Law**. This Agreement; all relations between us; and, any and all disputes between you and/or any other Developer Party, on the one hand, and us and/or any other Indemnitees, on the other hand, whether such dispute sounds in law, equity or otherwise, is to be exclusively construed in accordance with and/or governed by (as applicable) the law of the State of Florida, without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement is unenforceable under the laws of the State of Florida, and if your Shops are located outside of that State of Florida and the provision would be enforceable under the laws of the state in which your Shops are located, then that provision (and only that provision) will be interpreted and construed under the laws of that state. This Section is not intended to invoke, and shall not be deemed to invoke, the application of any franchise, business opportunity, antitrust, unfair competition, fiduciary or any other doctrine of law of any state, which would not otherwise apply by its terms jurisdictionally or otherwise but for the within designation of governing law.

25.4 **Mediation**. Before you may bring an action in court or arbitration against us or our Affiliates, you must first mediate the dispute with us. Any such mediation will be non-binding and will be conducted in accordance with then-current rules for mediation of commercial disputes under the American Arbitration Association. All mediation proceedings will be conducted at a suitable location chosen by the mediator, which is within Miami Dade County, Florida, unless we agree otherwise in writing. Mediation hereunder will be concluded within 45 days of our receipt of the notice specifying the designated mediator or such longer period as may be agreed upon by the parties in writing. All aspects of the mediation process will be treated as confidential, will not be disclosed to others, and will not be offered or admissible in any other proceeding or legal action whatsoever. You and we will each bear our own costs of mediation, and each will bear ½ the cost of the mediator or mediation service. This Section mandating non-binding mediation will not be mandatory before we institute an action against you; it is only a mandatory pre-requisite before you institute an action against us or our Affiliates.

25.5 **Venue**. Any litigation arising out of or related to this Agreement or any related agreement; any breach of this Agreement or any related agreement; the relations between the Parties (as defined below); and, any and all disputes between the Parties, whether sounding in law or equity, will be instituted, litigated through conclusion and, if necessary, appealed through final, irrevocable judgment exclusively in a state or federal district court of competent jurisdiction in Miami Dade County, Florida. You hereby irrevocably submit yourself to the jurisdiction of such court and waive all questions of personal jurisdiction for the purpose of carrying out this provision. You agree that any dispute as the venue for litigation will be submitted to and resolved exclusively by such aforementioned court. Notwithstanding the foregoing, however, with respect to any action for monies owed, injunctive or other extraordinary or equitable relief, or involving possession or disposition of, or other relief relating to, your Shop Location, we may bring such an action in any state or federal district court which has jurisdiction. You hereby waive and covenant never to assert or claim that the venue designated for litigation by this Agreement is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including any claim under the judicial doctrine of "forum non conveniens"). As used in this section of the Agreement, the term "Parties" includes you; your guarantor(s); if you are a business entity, your owners, officers, directors, shareholders, partners, members, managers, agents, representatives, independent contractors, servants and employees (as applicable) and, as to each of them, whether acting in their corporate or individual capacity; any other individual entity acting or purporting to act by, through, under or under authority granted by you; and, any affiliate of each of the foregoing.

25.6 **Attorneys' Fees**. The prevailing party in any action arising out of or relating to this Agreement shall be entitled to recover from the other party all damages, costs and expenses, including court costs and reasonable attorneys' fees, incurred by the prevailing party in successfully enforcing any provision of this Agreement.

26. Enforcement

26.1 **Severability and Substitution of Valid Provisions**. Except as expressly provided to the contrary, each section, paragraph, term and provision of this Agreement, and any portion thereof, is considered severable. To the extent that any part of this Agreement is deemed unenforceable by virtue of its scope in terms of area, time or business activity prohibited, but could be enforceable by reducing any or all provisions, you and we agree that same shall be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction in which enforcement is sought. If any applicable and binding law or rule of any jurisdiction requires a greater prior notice of the termination of the Term of this Agreement or refusal to renew this Agreement than is required in this Agreement, or the taking of some other action not required in this Agreement, or if under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any specification, standard or operating procedure prescribed by us is invalid or unenforceable, the prior notice and/or other action required by the law or rule shall be substituted for the comparable provisions.

26.2 **No Waiver**. Neither our waiver of a breach or default by you, nor our delay or failure to exercise any right upon your breach or default, nor our acceptance of any payment from you, will be deemed a waiver, nor will it impair our rights for other breaches or defaults of the same or a different kind. The description of any breach or default in any notice will not prevent our assertion of other defaults or breaches. We may waive any one or more of the requirements imposed under this Agreement for the benefit of any particular franchisee or any particular Shop, but the waiver in favor of any other franchisee or Shop will not prevent us from enforcing the requirements against you, all other franchisees and all other Shops.

26.3 **Obligations Absolute**. You agree that your obligations to make any payments as specified in this Agreement, and any other agreement entered into with us or any of our Affiliates with respect to the Shop, and the rights of us and our Affiliates to receive such payments, are absolute and unconditional and are not subject to any abatement, reduction, setoff, defense, counterclaim or recoupment due or alleged to be due to, or by reason of, any past, present or future claims that you have or may have against us and any of our Affiliates or against any other person for any reason whatsoever.

26.4 **Binding Effect**. This Agreement is binding upon the parties and their respective executors, administrators, heirs, permitted assigns and successors in interest, and shall not be modified except by written agreement signed by both you and us.

26.5 **Timing**. Time is of the essence of this Agreement. It will be a material breach of this Agreement for you to fail to perform any of your obligation within the time required or permitted by this Agreement.

26.6 **Approvals**. Whenever this Agreement requires our prior approval or consent, you must make a timely written request to us and, except as otherwise provided herein, any approval or consent granted shall be effective only if in writing and signed by us. We make no warranties or guarantees upon which you may rely and assume no liability or obligation to you or any third party to which we would not otherwise be subject, by providing any waiver, approval, advice, consent or services to you in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefore.

26.7 **Our Business Judgement**. Whenever this Agreement or any related agreement grants, confers or reserves to us the right to take action, refrain from taking action, grant or withhold our consent or grant or withhold our approval, unless the provision specifically states otherwise, we will have the right to engage in such activity at our option taking into consideration our assessment of the long term interests of the System overall. You and we recognize, and any court or judge is affirmatively advised, that if those activities and/or decisions are supported by our business judgment, neither said court, said judge nor any other person reviewing those activities or decisions will substitute his, her or its judgment for our judgment. When the terms of this Agreement specifically require that we not unreasonably withhold our approval or consent, if you are in default or breach under this Agreement, any withholding of our approval or consent will be considered reasonable.

26.8 **Cumulative Rights and Remedies**. In addition to any other remedies in law or in equity to which it may be entitled, we will be entitled, without bond, to entry of injunctive relief and orders of specific performance enforcing the provisions of this Agreement, in the event you actually or anticipatorily breach this Agreement. If we incur attorneys' fees or other expenses in seeking enforcement of this Agreement, you will be required to reimburse us for our reasonable costs and expenses (including attorneys' fees). No right or remedy conferred upon us is intended to be exclusive, and every right or remedy granted in this Agreement will be cumulative and in addition to any other rights or remedies available under this Agreement, or otherwise. For purposes of this Agreement, a termination will include a termination for any reason, expiration, cancellation, failure to renew, assignment or Transfer.

26.9 **Construction**. The headings of the several sections and paragraphs are for convenience only and do not define, limit, or construe the contents of the sections or paragraphs. The singular usage includes the plural and the masculine and neuter usages include the other and the feminine. If you are comprised of 2 or more persons, the obligations and liabilities to us of each of these persons will be joint and several. Except as otherwise expressly provided, nothing in this Agreement is intended, nor shall be deemed, to confer any rights or remedies upon any person or legal entity not a party to this Agreement. This Agreement is executed in multiple copies, each of which is deemed an original.

26.10 **Notices**. Any notice required or permitted to be given under this Agreement must be in writing; must be delivered to the other party either personally, by certified mail (return receipt requested, postage prepaid), or by documented overnight delivery with a reputable carrier; and, will be effective on the date that delivery is documented to have been first attempted. Notices to either party will be to the address listed in the opening paragraph of this Agreement or at such other address as either party may specify in a notice to the other party. All notices to us will also be sent with a copy to Akerman LLP, 1251 Avenue of the Americas, 37th Floor, New York, New York 10020, Attention: Dale A. Cohen, Esq.

26.11 **Representations and Warranties**. You hereby represent and warrant to us as follows: (i) you are acquiring this franchise for your own account for the operation of a Shop, and not for the purpose of resale or redistribution or other speculative matter; (ii) all information you provided to us in your application and other documents to induce us to grant this franchise was true, correct, complete and accurate as of the date made, and, as of the date of this Agreement, no material change has occurred in such information; (iii) the execution, delivery and performance of this Agreement by you does not and will not violate, conflict with or result in the breach of any term, condition or provision of any contract or agreement, or require the consent of any other person or entity; (iv) if you are an entity, you are duly organized and validly existing, are qualified to do business in each state where you are or will conduct business, and are duly authorized to execute and deliver this Agreement and perform your obligations pursuant to this Agreement; (v) this Agreement represents a valid, binding obligation of you and each guarantor of this Agreement; and, (vi) all of your representations and warranties contained in this Agreement are complete, correct and accurate as of the date of execution of this Agreement and will survive any termination or expiration of this Agreement.

27. General.

27.1 **Non-Liability of Our Affiliates**. We are the only company obligated to you under this Agreement. You may not look to or any other Affiliate of us, or related companies, other business entities or individuals for performance of this Agreement.

27.2 **Force Majeure.** Neither party shall be liable to the other for non-performance or delay in performance occasioned by any causes beyond its control (other than lack of funds) such as acts of civil or military authority, strikes, lock-outs, embargoes, insurrections, acts of God, epidemics, or other public health emergencies of local, national or international concern; provided, however, that with respect to your failure to satisfy the Development Schedule, this shall mean fire, flood, earthquake or other natural disasters, or acts of a public enemy, war, rebellion or sabotage. If any such delay occurs, any applicable time period shall be automatically extended for a period equal to the time lost, provided that the party affected makes reasonable efforts to correct the reason for such delay and gives to the other party prompt Notice of any such delay; provided, however, that if the delay exceeds 75 days, we have the right to terminate this Agreement or to require you to move to a new location approved by us within an additional period of 120 days.

27.3 **Survival.** All obligations which expressly or by their nature survive termination or expiration or Transfer of this Agreement shall continue in full force and effect subsequent to and notwithstanding such termination or expiration or transfer and until they are satisfied or by their nature expire.

27.4 **Relationship of the Parties**. It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them. You are and will be our independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, employment or fiduciary relationship of any kind. Neither you nor any of your employees whose compensation you pay may in any way, directly or indirectly, expressly or by implication, be construed to be our employee for any purpose. You will be solely responsible for your employees and all employment related decisions, including, without limitation, decisions concerning wages and benefits, hiring and discharging, training and supervision and work schedules of employees. You are not empowered to, and may not, make any express or implied agreements, warranties, guarantees or representations or incur any debt or other obligations in our name or for our account (or for those of any of our affiliates). Except as expressly provided in this Agreement, we will have no control or access to your funds or their expenditure or in any other way exercise control over your operations. You agree that you will do business and be identified as a Developer, but not an agent of, ours.

27.5 **No Third-Party Beneficiaries.** Except as otherwise expressly provided herein, this Agreement is exclusively for the benefit of the parties hereto and shall not confer a benefit on, or give rise to liability to, a third party. No agreement between us and a third party is for your benefit.

27.6 **No Right to Offset.** You may not withhold all or any part of any payment to us or any of our affiliates on the grounds of the alleged nonperformance of us or any of our affiliates or as an offset against any amount we or any of our affiliates may owe or allegedly owe you under this Agreement or any related agreements.

27.7 **Entire Agreement.** You and we each acknowledge and warrant to each other that you and we each wish to have all terms of our business relationship defined in this Agreement. Neither you nor we wish to enter into a business relationship with the other in which any terms or obligations are the subject of alleged oral statements or in which oral statements serve as the basis for creating rights or obligations different than or supplementary to the rights and obligations set forth herein. Accordingly, you and we agree that this Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto, supersede and cancel any prior and/or contemporaneous discussions (whether described as representations, inducements, promises, agreements or any other term) between us or anyone acting on our behalf and you or anyone acting on your behalf, which might be taken to constitute agreements, representations, inducements, promises or understandings (or any equivalent to such terms) with respect to the relationship between the parties, and you and we each agree that we each have placed, and will place, no reliance on any such discussion; provided, however, that nothing in this or any related agreement is intended to disclaim the representations we made in the Franchise Disclosure Document furnished to you. This Agreement, together with any other documents or agreements executed by the parties contemporaneously hereto or incorporated herein by reference, constitutes the entire agreement between the parties and contains all of the terms, conditions, rights and obligations of the parties with respect to any aspect of the relationship between the parties. No further franchise rights or offer of franchise rights have been promised to you and no such franchise rights or offer of franchise rights shall come into existence, except by means of a separate writing, executed by one of our officers or such other entity granting the franchise rights and specifically identified as a modification of this Agreement.

27.8 **Amendments**. No change, modification, amendment, or waiver of any of the provisions hereof, including by custom, usage of trade, or course of dealing or performance, shall be effective and binding upon either party unless it is in writing, specifically identified as an amendment hereto and signed by a duly authorized representative of both parties.

27.9 **Execution and Electronic Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same Agreement. The counterparts of this Agreement and all related documents may be executed and delivered by facsimile or other electronic signature method by any of the parties to any other party and each will be deemed original signatures. Electronic copies of this document shall constitute and be deemed an original copy of this document for all purposes, provided that such electronic copies are fully executed, dated and identical in form to the original hard copy version of this document. The receiving party may rely on the receipt of such document so executed and delivered by facsimile or other electronic means as if the original had been received.

27.10 **Acknowledgment**. You acknowledge that this Agreement is not a Franchise Agreement and does not confer upon you any rights to use our Marks or System. You will acquire a limited, non-exclusive license to use our Marks and System only pursuant to, and to the extent that these rights are granted by, Franchise Agreements executed by you and us pursuant to this Agreement.

27.11 **Additional Documentation.** You must from time to time, subsequent to the date first set forth above, at our request and without further consideration, execute and deliver such other documentation or agreements and take such other action as we may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that you fail to comply with the provisions of this Section, you hereby appoint us as your attorney-in-fact to execute any and all documents on your behalf, as reasonably necessary to effectuate the transactions contemplated herein.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE FIRST SET FORTH ABOVE.

BLACK SHEEP COFFEE FRANCHISING LLC

By:____________________________________

Print Name: ______________________________

Date:____________________________________

DEVELOPER:

____

IF AN INDIVIDUAL:

By: _____________________________________

Print Name: ______________________________

Date: ____________________________________

IF A PARTNERSHIP, CORPORATION, OR OTHER ENTITY:

By: _____________________________________

Print Name: ______________________________

Title: ____________________________________

Date: ____________________________________

Owner Signature:__________________________

Owner Name:______________________________

Date:_____________________________________

Owner Signature:__________________________

Owner Name:______________________________

Date: ____________________________________

EXHIBIT 1
DEVELOPMENT SCHEDULE DEVELOPMENT FEE

1. **Development Schedule.** The Development Schedule referred to in Section of the Multi-Shop Development Agreement ("MSDA") is as follows:

Development Period	Execution Deadline	Commencement Deadline	Number of New Shops Developer Must Open in Development Period	Cumulative Number of Shops Developer Must Have Open and Operating by End of Development Period
First				
Second				
Third				
Fourth				

3. **Development Fee.** The Development Fee is: $__________________________.

THIS EXHIBIT "1" IS AGREED AND APPROVED BY:

FRANCHISOR:	**DEVELOPER:**
BLACK SHEEP COFFEE FRANCHISING LLC	____________________________________
By: ________________________________	By: ________________________________
Print Name: __________________________	Print Name: __________________________
Date:________________________________	Date: _______________________________

EXHIBIT 2
<u>DEVELOPMENT AREA</u>

1. **Development Area**. The following describes the Development Area within which Developer may locate Black Sheep Coffee Shops under the Multi-Shop Development Agreement:

____
____
____
____

THIS EXHIBIT "2" IS AGREED AND APPROVED BY:

FRANCHISOR:	**DEVELOPER:**
BLACK SHEEP COFFEE FRANCHISING LLC	______________________________
By: ______________________________	By: ______________________________
Print Name: ______________________	Print Name: ______________________
Date:______________________________	Date: ______________________________

EXHIBIT 3
STATEMENT OF OWNERSHIP

1. **Business Entity.** Developer, ______________________, was incorporated or formed on ______________________, 20__, under the laws of the State of ________________. Developer has not conducted business under any name other than your corporate, limited liability company or partnership name. The following is a list of all persons who have management rights and powers (e.g., officers, managers, partners, etc.) and their positions are listed below:

Name of Person	**Position(s) Held**
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

2. **Ownership**. The following is a list of all shareholders, partners, owners or other investors in Developer, including all investors who own or hold a direct or indirect interest in Developer, and a description of the nature of their interest:

Name of Person	**Percentage of Ownership/ Nature of Ownership**
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________

This Statement of Ownership is current and complete as of __________________, 20 __.

DEVELOPER:

____

By: ______________________________

Print Name: ________________________

Date: _____________________________

EXHIBIT 4
GUARANTEE OF MULTI-SHOP DEVELOPMENT AGREEMENT

In consideration of the execution by Franchisor of the Multi-Shop Development Agreement (the “MSDA”) dated ______________________, 20__, between Black Sheep Coffee Franchising LLC (“Franchisor”) and ________________________ (“Developer”) and for other good and valuable consideration, each of the undersigned, for themselves, their heirs, successors, and assigns, do jointly, individually and severally hereby absolutely and unconditionally guarantee the payment of all amounts and the performance of all of the covenants, terms, conditions, agreements and undertakings contained and set forth in said MSDA and in any other agreement(s) by and between Developer and Franchisor.

If more than one person has executed this Guarantee, the term “the undersigned”, as used herein, shall refer to each such person, and the liability of each of the undersigned hereunder shall be joint and several and primary as sureties.

The undersigned, individually and jointly, hereby agree to be personally bound by each and every covenant, term, condition, agreement and undertaking contained and set forth in said MSDA and any other agreement(s) by and between Developer and Franchisor, and agree that this Guarantee shall be construed as though the undersigned and each of them executed agreement(s) containing the identical terms and conditions of the MSDA and any other agreement(s) by and between Developer and Franchisor.

The undersigned hereby agree, furthermore, that without the consent of or notice to any of the undersigned and without affecting any of the obligations of the undersigned hereunder: (a) any term, covenant or condition of the MSDA may be amended, compromised, released or otherwise altered by Franchisor and Developer, and the undersigned do guarantee and promise to perform all the obligations of Developer under the MSDA as so amended, compromised, released or altered; (b) any guarantor of or party to the MSDA may be released, substituted or added; (c) any right or remedy under the MSDA, this Guarantee or any other instrument or agreement between Franchisor and Developer may be exercised, not exercised, impaired, modified, limited, destroyed or suspended; and, (d) Franchisor or any other person may deal in any manner with Developer, any of the undersigned, any party to the MSDA or any other person.

Should Developer be in breach or default under the MSDA or any other agreement(s) by and between Developer and Franchisor, Franchisor may proceed directly against any or each of the undersigned without first proceeding against Developer and without proceeding against or naming in such suit any other Developer, signatory to the MSDA or any others of the undersigned. The undersigned agree to bear any and all Franchisor's costs of collection hereunder, including all court costs and expenses, attorneys' fees, costs of or resulting from delays; travel, food, lodging and other living expenses necessitated by the need or desire to appear before courts or tribunals (including arbitration tribunals), and all other costs of collection.

Notice to or demand upon Developer or any of the undersigned shall be deemed notice to or demand upon Developer and all of the undersigned, and no notice or demand need be made to or upon any or all of the undersigned. The cessation of or release from liability of Developer or any of the undersigned shall not relieve any other Guarantors from liability hereunder, under the

MSDA, or under any other agreement(s) between Franchisor and Developer, except to the extent that the breach or default has been remedied or moneys owed have been paid.

Any waiver, extension of time or other indulgence granted by Franchisor or its agents, successors or assigns, with respect to the MSDA or any other agreement(s) by and between Developer and Franchisor, shall in no way modify or amend this Guarantee, which shall be continuing, absolute, unconditional and irrevocable.

It is understood and agreed by the undersigned that the provisions, covenants and conditions of this Guarantee shall inure to the benefit of the Franchisor, its successors and assigns. This Guarantee may be assigned by Franchisor voluntarily or by operation of law without reducing or modifying the liability of the undersigned hereunder.

This Guarantee is to be exclusively construed in accordance with and/or governed by the law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Guarantee would not be enforceable under the laws of such state, and if the development business under the MSDA is located outside of such state and the provision would be enforceable under the laws of the state in which the development business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Guarantee is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant”, unfair competition, fiduciary or any other doctrine of law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles or any other state, which would not otherwise apply.

Any litigation arising out of or related to this Guarantee will be instituted exclusively in the federal or state court having jurisdiction where Franchisor's then-current principal place of business is then located. The undersigned agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated nearest the city where the Franchisor's then-current principal place of business is then located. The undersigned hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

Should any one or more provisions of this Guarantee be determined to be illegal or unenforceable, all other provisions shall nevertheless be effective.

IN WITNESS WHEREOF, each of the undersigned has executed this Guarantee effective as of the date of the MSDA.

____
Signature

____
Printed Name

____
Address

EXHIBIT 5
CONFIDENTIALITY/NON-COMPETITION AGREEMENT

NAME: ____
FRANCHISEE: ____
HOME ADDRESS: ____
____
HOME TELEPHONE: ____
CLASSIFICATION: **(Owner, Shareholder, Officer, Director, Attorney, Employee, Etc.)**

________________________ ("Developer") is A developer of Black Sheep Coffee Franchising LLC ("Franchisor") pursuant to a Multi-Shop Development Agreement entered into by Developer and Franchisor dated ______________________, 20__, (the "MSDA"). I agree that, unless otherwise specified, all terms in this Confidentiality/Non-Competition Agreement ("Agreement") have those meanings ascribed to them in the MSDA.

I agree that during the term of my employment by, ownership participation in, association with or service to Developer, or at any time thereafter, I will not communicate, divulge or use for the benefit of any other person, persons, partnership, proprietorship, association, corporation or entity any confidential information, knowledge, trade secrets or know-how concerning the systems of operation, programs, services, products, equipment and materials, methods, techniques, formulas, contracts, customer lists, customer information, suppliers, supplier lists, pricing, marketing, computer programs, products, skills, performance specifications, technical and financial information and results, manuals, computer files, databases, software, training and instruction programs and materials of Developer and/or Franchisor which may be communicated to me ("Confidential Information"), and I will not divert any business to competitors of Developer and/or Franchisor.

I specifically understand that, without limitation, the following constitute Confidential Information of Franchisor: all elements of the System and all programs, products, services, equipment, technologies, policies, standards, requirements, criteria, and procedures that now or in the future are part of the System; Franchisor's manuals (as same may be amended from time to time); supplements and/or amendments to the manuals; records pertaining to customers or billings; methods of advertising and promotion; customers; instructional materials; staff composition and organization systems; supervision systems; recommended services; recordkeeping systems and materials; bookkeeping systems and materials; business forms; product and service order forms; general operations materials; revenue reports; standards of interior and exterior design and decor; activity schedules; job descriptions; advertising, promotional and public relations materials/campaigns/guidelines/philosophy; all specifications, systems, standards, techniques, philosophies and materials, guidelines, policies and procedures concerning the System; additions to, deletions from, and modifications and variations of the components constituting the System or the systems and methods of operations which are now, or may in the future, be employed by Franchisor, including all standards and specifications relating thereto and the means and manner of offering and selling same; and, all other components, specifications, standards, requirements and duties imposed by Franchisor or its affiliates.

I will at no time copy, duplicate, record or otherwise reproduce any of the Confidential Information or material containing it, in whole or in part, store them in a computer retrieval or data base, nor otherwise make the them available to any unauthorized person. Upon the expiration or other termination for any reason of my employment, association, service or ownership participation, I agree to return to Franchisor or Developer, as the case may be, all Confidential Information or material containing it (in whole or in part) in my possession utilized during my employment, association, service or ownership participation.

I further agree that during the term of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following its expiration or termination for any reason, I will not, directly or indirectly, engage or participate in any other business which engages in any of the activities which the MSDA contemplates will be engaged in by Developer; or, which offers or sells any other service, product or component which now or in the future is part of the System, or any confusingly similar product or service. I agree that I am prohibited from engaging in any competitive business as a proprietor, partner, investor, shareholder, director, officer, employee, principal, agent, advisor, or consultant.

For a period of two years immediately following the expiration or termination of my employment/service/association/ownership participation, I am prohibited from engaging in any Competitive Business, if the other business is located within (a) the Development Area; (b) a five-mile radius surrounding the Development Area; (c) within the Development Area of any other Black Sheep Coffee shop business; or (d) within a five-mile radius of the Development Area of any other Black Sheep Coffee Shop, whether or not established, being constructed or subject to an executed MSDA at the time this restriction begins to be enforced.

In addition, of my employment/service/association/ownership participation, and under the circumstances set forth in the following paragraph, for a period of two years immediately following my expiration or termination for any reason, whether for any reason or no reason, voluntary or involuntary, or for cause or without cause, I will not, directly or indirectly, solicit or accept any business from, and will not directly or indirectly contact any existing customers or identified prospective customers with whom Developer or its employees or other agents have had direct or indirect contact or about whom Developer or its employees or other agents have learned Confidential Information by virtue of the operation of the development business for any other business.

It is the intention of these provisions to preclude not only direct competition but also all forms of indirect competition, such as consultation for competitive businesses, service as an independent contractor for competitive businesses, or any assistance or transmission of information of any kind which would be of any material assistance to a competitor. Nothing herein will prevent me from owning for investment purposes up to an aggregate of 5% of the capital stock of any competitive business, so long as the competitive business is registered under the Securities Act of 1933, and so long as I or Developer do not control the company in question.

It is the intention of these provisions that any person or entity having any legal or beneficial interest in or traceable to, down or through me to be bound by the provisions of this covenant, including (without limitation) my spouse, brother, brother-in-law, sister, sister-in-law, parent, parent-in-law, child, son-in-law or daughter-in-law; any direct or indirect beneficiary; any partner (general or limited) or proprietor of mine; and, any other such related person or entity, regardless of how many levels or tiers there may be between any such described person or entity and me. I further agree that upon the expiration or termination of my term of employment/service/association, I will immediately refrain from any and all contacts with customers, for any purpose whatsoever.

I acknowledge that violation of the covenants not to compete contained in this Agreement would result in immediate and irreparable injury to Franchisor and Developer for which no adequate remedy at law will be available. Accordingly, I hereby consent to the entry of an injunction procured by Franchisor or Developer (or both) prohibiting any conduct by me in violation of the terms of those covenants not to compete and/or restrictions on the use of confidential information set forth in this Agreement. I expressly agree that it may conclusively be presumed in any legal action that any violation of the terms of these covenants not to compete was accomplished by and through my unlawful utilization of Franchisor's Confidential Information. Further, I expressly agree that any claims I may have against Franchisor will not constitute a defense to Franchisor's enforcement of the covenants not to compete set forth in this Agreement. I further agree to pay all costs and expenses (including reasonable attorneys' and experts' fees) incurred by Franchisor in connection with the enforcement of those covenants not to compete set forth in this Agreement.

If all or any portion of this covenant not to use confidential information and not to compete is held unreasonable, void, vague or illegal by any court or agency having valid jurisdiction in an unappealed final decision to which Developer and/or Franchisor is a party, the court or agency will be empowered to revise and/or construe the covenant to fall within permissible legal limits, and should not invalidate the entire covenant. I expressly agree to be bound by any lesser covenant subsumed within the terms of this Agreement as if the resulting covenant were separately stated in and made a part of this Agreement.

I agree that this Agreement and all relations and disputes between myself on the one hand, and Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, are to be exclusively construed in accordance with and/or governed by (as applicable) the law of the state where Franchisor's principal headquarters is then-located without recourse to that state's (or any other) choice of law or conflicts of law principles. If, however, any provision of this Agreement would not be enforceable under the laws of such state, and if the development business is located outside of such state and the provision would be enforceable under the laws of the state in which the development business is located, then the provision (and only that provision) will be interpreted and construed under the laws of that state. Nothing in this Agreement is intended to invoke the application of any franchise, business opportunity, antitrust, “implied covenant,” unfair competition, fiduciary or any other doctrine of law of the state of where Franchisor's principal headquarters is then-located or any other state, which would not otherwise apply.

I further agree that any litigation arising out of or related to this Agreement; any breach of this Agreement; and, all relations and any and all disputes between myself on the one hand, and

Developer or Franchisor on the other hand, whether sounding in contract, tort, or otherwise, will be instituted exclusively in the federal or state court having jurisdiction where Franchisor's then-current principal place of business is then located. I agree that any dispute as to the venue for this litigation will be submitted to and resolved exclusively by a court of competent jurisdiction situated nearest the city where the Franchisor's then-current principal place of business is then located.

I hereby waive and covenant never to assert or claim that said venue is for any reason improper, inconvenient, prejudicial or otherwise inappropriate (including, without limitation, any claim under the judicial doctrine of forum non conveniens).

____
(Print Name)

____
(Signature)

____
(Date)

EXHIBIT 6
STATE ADDENDA

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
MULTI-SHOP DEVELOPMENT AGREEMENT
FOR THE STATE OF CALIFORNIA

The Black Sheep Coffee Franchising Multi-Shop Development Agreement between _________________ ____________________ ("Developer" or "you") and Black Sheep Coffee Franchising LLC ("Franchisor" or "us") dated _____________________(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into the Multi-Shop Development Agreement. This Amendment is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of California; (b) Developer is a resident of the State of California; and/or (c) part or all of the Development Area is located in the State of California.

2. The following sentences are added to the end of Section 24.3:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Developer concerning the choice of which state's law governs the Agreement. If the Agreement contains a provision that is inconsistent with the law, the law will control.

3. The following sentences are added to the end of Section 24.5:

California Business and Professions Code Sections 20000 through 20043 provide rights to the Developer concerning the choice of forum for disputes between the Developer and the Franchisor. If the Agreement contains a provision that is inconsistent with the law, the law will control.

4. Section 16 restricts Developer's ability to compete for two (2) years following Transfer, termination or expiration of the term of the Agreement. This provision may be unenforceable under California law.

5 The following sentences are added to the end of Section 22:

California Business and Professions Code Sections 20000 through provide rights to Developer concerning transfer and termination of the Agreement. The Federal Bankruptcy Code also provides rights to Developer concerning termination of the Agreement upon certain bankruptcy-related events. To the extent the Agreement contains a provision that is inconsistent with these laws, these laws will control.

6. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Multi-Shop Development Agreement.

8. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the California Franchise Investment Law are met independently of this Amendment.

9. Except as expressly modified by this Amendment, the Multi-Shop Development Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ______________________, 20____.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING, LLC

By: ____
Name:_______________________________________
Title:_______________________________________

DEVELOPER:

____

By: ____
Name:_______________________________________
Title:_______________________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
MULTI-SHOP DEVELOPMENT AGREEMENT
FOR THE STATE OF ILLINOIS

The Black Sheep Coffee Franchising Multi-Shop Development Agreement between _________________ ____________________ ("Developer" or "you") and Black Sheep Coffee Franchising LLC ("Franchisor" or "us") dated _____________________(the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Agreement. This Amendment is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of Illinois; (b) Developer is a resident of the State of Illinois; and/or (c) part or all of the Development Area is located in the State of Illinois.

2. The following sentence is added to the end of Section 22:

Your rights upon termination and, if applicable, non-renewal of a franchise agreement are set forth in Sections 19 and 20 of the Illinois Franchise Disclosure Act.

3. The following sentence is added to the end of Section 24.3:

Notwithstanding the foregoing, Illinois law will govern this Agreement.

4. The following sentence is added to the end of Section 24.5:

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue in a forum outside of Illinois is void with respect to any cause of action that otherwise is enforceable in Illinois; however, a franchise agreement may provide for arbitration in a venue outside of Illinois.

5. The following sentence is added to the end of Section 24.1:

Section 27 of the Illinois Franchise Disclosure Act provides that causes of action under the Illinois Franchise Disclosure Act must be brought within the earlier of: 3 years after the violation, 1 year after the Developer becomes aware of the underlying facts or circumstances, or 90 days after delivery to the Developer of a written notice disclosing the violation.

6. The following sentence is added to the end of Section 25.2:

Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

7. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the Illinois Franchise Disclosure Act are met independently of this Amendment.

9. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

10. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ______________________, 20____.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING, LLC

By: ____
Name:______________________________________
Title:______________________________________

DEVELOPER:

____

By: ____
Name:______________________________________
Title:______________________________________

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AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC MULTI-SHOP DEVELOPMENT AGREEMENT
<u>FOR THE STATE OF INDIANA</u>

The Black Sheep Coffee Franchising Multi-Shop Development Agreement between ____________________ ____________________ ("Developer" or "you") and Black Sheep Coffee Franchising LLC ("Franchisor" or "us") dated ____________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The laws of the State of Indiana supersede any provisions of the Agreement or Florida law if such provisions are in conflict with Indiana law. The Agreement will be governed by Indiana law, rather than Florida law, as stated in Section 24.3 of the Agreement.

2. Venue for litigation will not be limited to Miami Dade County, Florida, as specified in Section 24.5 of the Agreement.

3. The prohibition by Indiana Code 23-2-2.7-1(7) against unilateral termination of the franchise without good cause or in bad faith, good cause being defined therein as a material breach of the Agreement, will supersede the provisions of Article 22 of the Agreement in the State of Indiana to the extent they may be inconsistent with such prohibition.

4. No release language set forth in the Agreement will relieve the Franchisor or any other person, directly or indirectly, from liability imposed by the laws concerning franchising of the State of Indiana.

5. Article 16 of the Agreement is revised to limit the geographical extent of the post-term covenant not to compete to the Development Area for all franchises sold in the State of Indiana.

6. Section 24.2 ("Your Waiver of Punitive Damages, Class Actions, and Jury Trial") is deleted from the Agreement.

7. Notwithstanding the terms of Article 12 of the Agreement ("Indemnification"), Developer will not be required to indemnify Franchisor and the other Indemnitees for any liability caused by Developer's proper reliance on or use of procedures or materials provided by Franchisor or caused by Franchisor's negligence.

8. No statement, questionnaire, or acknowledgment signed or agreed to by a developer in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ______________________, 20____.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING, LLC

By: ____
Name:______________________________________
Title:_______________________________________

DEVELOPER:

____

By: ____
Name:______________________________________
Title:_______________________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
MULTI-SHOP DEVELOPMENT AGREEMENT
FOR THE STATE OF MARYLAND

The Black Sheep Coffee Franchising Multi-Shop Development Agreement between _________________ ____________________ ("Developer" or "you") and Black Sheep Coffee Franchising LLC ("Franchisor" or "us") dated _____________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into the Multi-Shop Development Agreement. This Amendment is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of Maryland; (b) Developer is a resident of the State of Maryland; and/or (c) part or all of the Development Area is located in the State of Maryland.

2. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

3. The following sentence is added to the end of Section 24.3:

Notwithstanding the foregoing, you may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (a) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (b) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

5. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

6. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently of this Amendment.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on ______________________, 20____.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING, LLC

By: ____
Name:______________________________________
Title:_______________________________________

DEVELOPER:

____

By: ____
Name:______________________________________
Title:_______________________________________

AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
MULTI-SHOP DEVELOPMENT AGREEMENT
FOR THE STATE OF NEW YORK

The Black Sheep Coffee Franchising Multi-Shop Development Agreement between ________________ ____________________ ("Developer" or "you") and Black Sheep Coffee Franchising LLC ("Franchisor" or "us") dated ______________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into the Agreement. This Amendment is being executed because: (a) the offer or sale of a franchise to Developer was made in the State of New York; (b) Developer is a resident of the State of New York; and/or (c) part or all of the Development Area is located in the State of New York.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Any capitalized terms that are not defined in this Amendment will have the meaning given them in the Agreement.

4. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of Article 33 of the General Business Law of the State of New York are met independently of this Amendment.

5. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on _____________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING, LLC

By: ______________________________________
Name:_____________________________________
Title:______________________________________

DEVELOPER:

____

By: ______________________________________
Name:_____________________________________
Title:______________________________________

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AMENDMENT TO BLACK SHEEP COFFEE FRANCHISING LLC
MULTI-SHOP DEVELOPMENT AGREEMENT
FOR THE STATE OF SOUTH DAKOTA

The Black Sheep Coffee Franchising Multi-Shop Development Agreement between ____________________________________ ("Developer" or "you") and Black Sheep Coffee Franchising LLC ("Franchisor" or "us") dated ______________________ (the "Agreement") shall be amended by the addition of the following language, which shall be considered an integral part of the Agreement (the "Amendment"):

1. The provisions of this Amendment form an integral part of, and are incorporated into, the Agreement. This Amendment is being executed because the franchise was "offered or sold" (as defined in the South Dakota Franchise Investment Act ("Act")) in South Dakota.

2. No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship will have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. The provisions of this Amendment will be effective only to the extent that the jurisdictional requirements of the Act are met independently of this Amendment.

4. Any capitalized terms that are not defined in this Amendment shall have the meanings given them in the Agreement.

5. Except as expressly modified by this Amendment, the Agreement remains unmodified and in full force and effect.

IN WITNESS WHEREOF, the parties have duly executed and delivered this Amendment to the Agreement on _____________________, 20___.

FRANCHISOR:

BLACK SHEEP COFFEE FRANCHISING, LLC

By: ______________________________________
Name:_____________________________________
Title:______________________________________

DEVELOPER:

____

By: ______________________________________
Name:_____________________________________
Title:______________________________________

EXHIBIT B — List of State Administrators

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 Toll Free: (866) 275-2677	**NEW YORK** New York State Department of Law Investor Protection Bureau 28 Liberty Street, 21st Floor New York, New York 10005 (212) 416-8222
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Department State Capitol Department 414 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Office of the Attorney General Franchise Bureau 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563

MARYLAND Office of the Attorney General Securities Division 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** State Corporation Commission Division of Securities and Retail Franchising 1300 East Main Street, 9th Floor Richmond, Virginia 23219 (804) 371-9051
MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Department of Financial Institutions Securities Division P.O. Box 41200 Olympia, Washington 98504-1200 (360) 902-8760
MINNESOTA Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

EXHIBIT C **List of Agents for Service of Process**

We intend to register this disclosure document as a "franchise" in some or all of the following states, if required by the applicable state laws. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in these states:

CALIFORNIA Commissioner of Financial Protection and Innovation Department of Financial Protection and Innovation 320 West Fourth Street, Suite 750 Los Angeles, California 90013-2344 (213) 576-7500 / Toll Free: (866) 275-2677	**NEW YORK** New York Secretary of State New York Department of State One Commerce Plaza, 99 Washington Avenue, 6th Floor Albany, New York 12231-0001 (518) 473-2492
HAWAII Commissioner of Securities Department of Commerce & Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813 (808) 586-2722	**NORTH DAKOTA** North Dakota Securities Commissioner State Capitol 600 East Boulevard Avenue, Fifth Floor Bismarck, North Dakota 58505-0510 (701) 328-4712
ILLINOIS Illinois Attorney General 500 South Second Street Springfield, Illinois 62706 (217) 782-4465	**RHODE ISLAND** Director of Department of Business Regulation Department of Business Regulation Securities Division, Building 69, First Floor John O. Pastore Center 1511 Pontiac Avenue Cranston, Rhode Island 02920 (401) 462-9527
INDIANA Secretary of State Franchise Section 302 West Washington, Room E-111 Indianapolis, Indiana 46204 (317) 232-6681	**SOUTH DAKOTA** Division of Insurance Director of the Securities Regulation 124 South Euclid Avenue, 2nd Floor Pierre, South Dakota 57501 (605) 773-3563
MARYLAND Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202-2020 (410) 576-6360	**VIRGINIA** Clerk of the State Corporation Commission 1300 East Main Street, 1st Floor Richmond, Virginia 23219 (804) 371-9733

MICHIGAN Michigan Attorney General's Office Corporate Oversight Division, Franchise Section 525 West Ottawa Street G. Mennen Williams Building, 1st Floor Lansing, Michigan 48913 (517) 335-7567	**WASHINGTON** Director of Department of Financial Institutions Securities Division – 3rd Floor 150 Israel Road, Southwest Tumwater, Washington 98501 (360) 902-8760
MINNESOTA Commissioner of Commerce Minnesota Department of Commerce 85 7th Place East, Suite 280 St. Paul, Minnesota 55101 (651) 539-1600	**WISCONSIN** Division of Securities 4822 Madison Yards Way, North Tower Madison, Wisconsin 53705 (608) 266-2139

The following is our current general release language that we expect to include in a release that a franchisee and/or transferor may sign as part of a renewal or an approved transfer. We have the right to periodically modify the release.

Franchisee, its officers and directors, its owners, and their respective agents, heirs, administrators, successors, and assigns (the "Franchisee Group)", hereby forever release and discharge, and forever hold harmless Black Sheep Coffee Franchising LLC, its current and former affiliates and predecessors, and their respective shareholders, partners, members, managers, directors, officers, agents, representatives, heirs, administrators, successors, and assigns (the "Franchisor Group"), from any and all claims, demands, debts, liabilities, actions or causes of action, costs, agreements, promises, and expenses of every kind and nature whatsoever, at law or in equity, whether known or unknown, foreseen and unforeseen, liquidated or unliquidated, which the Franchisee Group and/or its owners had, have, or may have against any member of the Franchisor Group, including, without limitation, any claims or causes of action arising from, in connection with or in any way related or pertaining, directly or indirectly, to the Franchise Agreement, the relationship created by the Franchise Agreement, or the development, ownership, or operation of the Franchised Business.

Each party represents and warrants to the others, and agrees, that it may later learn of new or different facts, but that still, it is that party's intention to fully, finally, and forever release all of the Demands that are released above. This includes the parties' waiver of state laws that might apply to limit a release (such as Calif. Civil Code Section 1542, which states that "[a] general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.) " The Franchisee Group further indemnifies and holds the Franchisor Group harmless against, and agrees to reimburse them for any loss, liability, expense, or damages (actual or consequential) including, without limitation, reasonable attorneys', accountants', and expert witness fees, costs of investigation and proof of facts, court costs, and other litigation and travel and living expenses, which any member of the Franchisor Group may suffer with respect to any claims or causes of action which any customer, creditor, or other third party now has, ever had, or hereafter would or could have, as a result of, arising from, or under the Franchise Agreement or the Franchised Business. The Franchisee Group and its owners represent and warrant that they have not asserted (nor made an assignment or any other transfer of any interest in) the claims, causes of action, suits, debts, agreements, or promises described above.

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Report of Independent Auditors
and Financial Statements

Black Sheep Coffee Franchising, LLC

December 31, 2024, 2023, and 2022

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MOSSADAMS

Report of Independent Auditors

The Member
Black Sheep Coffee Franchising, LLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Black Sheep Coffee Franchising, LLC which comprise the balance sheets as of December 31, 2024, 2023, and 2022, and the related statements of operations, changes in member's deficit, and cash flows for the years ended December 31, 2024, 2023, and for the period from May 16, 2022 (inception) through December 31, 2022, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Black Sheep Coffee Franchising, LLC as of December 31, 2024, 2023, and 2022, and the results of its operations and its cash flows for the years ended December 2024, 2023, and for the period from May 16, 2022 (inception) through December 31, 2022, in accordance with accounting principles generally accepted in the United States of America (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Black Sheep Coffee Franchising, LLC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Sheep Coffee Franchising, LLC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Black Sheep Coffee Franchising, LLC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Black Sheep Coffee Franchising, LLC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Irvine, California
April 23, 2025

Black Sheep Coffee Franchising, LLC
Balance Sheets
December 31, 2024, 2023, and 2022

	December 31, 2024		
	2024	2023	2022
ASSETS			
CURRENT ASSETS			
Cash	$ 140,076	$ 42,836	$ 4,796
Due from related party, current	131,097	-	-
Total current assets	271,173	42,836	4,796
DUE FROM RELATED PARTY, non-current	284,090	76,500	45,000
Total assets	$ 555,263	$ 119,336	$ 49,796
LIABILITIES AND MEMBER'S DEFICIT			
CURRENT LIABILITIES			
Accounts payable	$ 16,513	$ 30	$ 95
Accrued expenses	17,850	-	-
Contract liability, current	11,144	-	-
Total current liabilities	45,507	30	95
DUE TO RELATED PARTY, non-current	113,570	106,440	49,900
CONTRACT LIABILITY, non-current	475,856	30,000	-
Total liabilities	634,933	136,470	49,995
MEMBER'S DEFICIT	(79,670)	(17,134)	(199)
Total liabilities and member's deficit	$ 555,263	$ 119,336	$ 49,796

See accompanying notes.

Black Sheep Coffee Franchising, LLC
Statements of Operations
Years Ended December 31, 2024, 2023, and Period from May 16, 2022 (inception) to December 31, 2022

	2024	2023	2022
REVENUES			
Royalty fees	$ 51,097	$ -	$ -
Franchise fees	3,000	-	-
Total revenues	54,097	-	-
OPERATING EXPENSES			
General and administrative	116,633	16,935	299
NET LOSS	$ 62,536	$ 16,935	$ 299

See accompanying notes.

Black Sheep Coffee Franchising, LLC
Statements of Changes in Member's Deficit
Years Ended December 31, 2024, 2023, and Period from May 16, 2022 (inception) to December 31, 2022

BALANCE, May 16, 2022 (inception)	$ -
Contribution	100
Net loss	(299)
BALANCE, December 31, 2022	(199)
Net loss	(16,935)
BALANCE, December 31, 2023	(17,134)
Net loss	(62,536)
BALANCE, December 31, 2024	$ (79,670)

See accompanying notes.

Black Sheep Coffee Franchising, LLC
Statements of Cash Flows
Years Ended December 31, 2024, 2023, and Period from May 16, 2022 (inception) to December 31, 2022

	2024	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (62,536)	$ (16,935)	$ (299)
Changes in			
Accounts payable	16,483	(65)	95
Contract liabilities	457,000	30,000	-
Accrued liabilities	17,850	-	-
Net cash provided by (used in) operating activities	428,797	13,000	(204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution	-	-	100
Borrowings from related party	7,130	56,540	49,900
Payments made to related party	(338,687)	(31,500)	(45,000)
Net cash provided by (used in) financing activities	(331,557)	25,040	5,000
NET CHANGE IN CASH	97,240	38,040	4,796
CASH, beginning of period	42,836	4,796	-
CASH, end of period	$ 140,076	$ 42,836	$ 4,796

See accompanying notes.

Note 1 – Organization and Description of Business

Black Sheep Coffee Franchising, LLC (the Company), a Delaware limited liability company (LLC), was formed on May 16, 2022, for the purpose of operating the U.S. franchise operations of Black Sheep Coffee. The sole Member of the Company is Black Sheep Coffee Inc. (the Member), whose ultimate parent is Conilon Ltd. (the Ultimate Parent), a UK based Company. The Ultimate Parent is the owner of all intellectual property rights in certain systems, trademarks, service marks, and other intellectual property used in the operation of Black Sheep Coffee Shops (the BSC IP). The Company franchises the Black Sheep Coffee concept through a perpetual, royalty free license agreement which grants the Company a nonexclusive right to use the BSC IP and to license the BSC IP to franchisees under franchise agreements.

The Company, together with its Ultimate Parent, is in the business of operating modern coffee shops that seek to be innovators in the coffee industry. The Company does not operate and has never operated any Black Sheep Coffee locations, and the Company's future operations are dependent upon the success of the Ultimate Parent's operations. The franchise agreements are typically for 10 years and will require the purchaser to pay an initial franchise fee of generally $40,000. Once the franchise begins operations, the Company will charge a royalty fee of up to 7% of the franchise's gross sales and a marketing fee of up to 2% of gross sales. As of December 31, 2024, the Company sold the rights to develop multiple franchise locations; and two locations have opened.

The Ultimate Parent transferred $50,000 in cash to fund operations on September 13, 2022, of which $100 was considered an equity contribution. The Company has relied on resources from its Member and Ultimate Parent to support initial operations and the Member and Ultimate Parent have committed to continue to provide financial support to the Company sufficient for the Company during the start-up phase of the franchising operations.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation – The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Company believes this information includes all adjustments, consisting of normal recurring accruals, necessary to fairly present the financial condition as of December 31, 2024, 2023, and 2022. References to ASC and ASU included hereinafter refers to the Accounting Standards Codification and Accounting Standards Update established by the Financial Accounting Standards Board (FASB) as the source of authoritative U.S. GAAP.

Reclassification – Certain financial statement reclassifications have been made to prior-year amounts to conform to current-year presentation. The reclassifications had no impact on the statements of operations or net income previously reported.

Use of estimates – The preparation of the financial statements, in accordance with GAAP, requires that management makes certain estimates and assumptions. These estimates and assumptions affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities as of the balance sheet date. The actual results could differ significantly from those estimates.

Cash – The Company considers all highly liquid debt instruments purchased with an original maturity of ninety days or less to be cash equivalents. As of December 31, 2024, 2023, and 2022, the Company carried no cash equivalents.

Concentration of credit risk – Financial instruments, which may potentially be subject to a concentration of credit risk, consist of cash. The Company maintains substantially all of the day-to-day operating cash balances with a major financial institution. The Company has experienced no loss or lack of access to cash in its operating account.

Fair value measurements – The Company's financial instruments, none of which are held for trading purposes, include only cash. Management estimates that the fair value of all financial instruments at December 31, 2024, 2023, and 2022, do not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying financial statements.

Contract liabilities – Contract liabilities represent a liability related to a revenue-producing activity for which revenue has not yet been recognized. The Company records contract liabilities when it receives consideration from a customer before achieving certain criteria that must be met for revenue to be recognized in conformity with GAAP. Contract liabilities represent the initial franchise fee received that the Company has not yet earned.

The following table reflects the change in deferred revenue between May 16, 2022 (inception) through December 31, 2024:

	Deferred Revenue
BALANCE, May 16, 2022 (inception)	$ -
Revenue recognized that was included in deferred revenue at beginning of the year	-
Increase, excluding amounts recognized as revenue during the period	-
BALANCE, December 31, 2022	-
Revenue recognized that was included in deferred revenue at beginning of the year	-
Increase, excluding amounts recognized as revenue during the period	30,000
BALANCE, December 31, 2023	30,000
Revenue recognized that was included in deferred revenue at beginning of the year	3,000
Increase, excluding amounts recognized as revenue during the period	454,000
BALANCE, December 31, 2024	$ 487,000

The following table illustrates estimated revenues expected to be recognized in the future related to performance obligations that are unsatisfied (or partially unsatisfied) as of December 31, 2024:

	Amount
Deferred revenue to be recognized in	
2025	$ 11,144
2026	23,636
2027	29,636
2028	35,636
2029	41,636
Thereafter	345,312
Total	$ 487,000

Revenue recognition – The Company records revenue under FASB ASC Topic 606, *Revenue from Contracts with Customers (Topic 606)*, which requires revenue to be recorded as the transfer of promised goods or services to customers in an amount that reflects the consideration to which the reporting entity expects to be entitled in exchange for those goods or services. The Company analyzes each contract for separate performance obligations existing over the term of the contract and recognizes revenue as those performance obligations are satisfied. The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

As part of its assessment of each franchise contract, the Company evaluates certain factors including the customer's ability to pay, or credit risk. For each contract, the Company considers the promise to fulfill services, each of which is distinct to be the identified performance obligations. The Company has the following revenue streams:

Franchise and development fee revenues **–** The Company's franchise agreements typically operate under 10-year franchise agreements with the option to renew for up to two additional five-year successor terms. Initial franchise fees are deferred as contract liabilities and recognized as revenue as the performance obligations of the contract are satisfied. Activities performed by the Company are highly interrelated with the franchise license and are considered to represent a single performance obligation, which is the transfer of the franchise license and intellectual property. The nature of the Company's promise in granting the franchise license is to provide the franchise owner with access to the BSC IP over the term of the franchise arrangement.

The Company may enter into area development agreements. The Company's performance obligation under area development agreements generally consists of an obligation to grant geographic exclusive area development rights. These development rights are not distinct from franchise agreements, so upfront fees paid by franchisees for exclusive development rights are deferred as contract liabilities and apportioned to each franchise agreement signed by the franchisee. The pro rata amount apportioned to each franchise agreement is recognized as revenue over the life of the agreement, starting at the location opening date.

Royalty revenue **–** Royalty revenue represents royalties earned from franchisees in accordance with the franchise agreements. The royalty rate in the franchise agreement is typically up to 7% of the gross sales of each coffee shop operated, which is recognized when earned and is payable to the Company weekly or monthly when the sales are reported by the franchisees.

Marketing fund revenue **–** Marketing fund revenue represents advertising fees earned from each of the franchisees in accordance with the franchise agreements. The marketing fund rate in the franchise agreements is typically up to 2% of the gross sales of each restaurant operated, which is recognized when earned and is payable to the Company weekly or monthly when the sales are reported by the franchisees.

Income taxes – The Company is an LLC and is classified as a partnership for income tax purposes. The Company's taxable income or loss is reportable by the Member on its income tax return. Accordingly, no taxes payable or deferred tax assets or liabilities are reflected in these financial statements.

General and administrative – General and administrative expenses consist primarily of bank charges, marketing expenses, software subscriptions, and professional fees. Advertising and marketing expense amounted to approximately $66,000 during the year ended December 31, 2024. There were no advertising and marketing expenses during the years ended December 31, 2023 and 2022.

Private company accounting alternative for variance interest entities – The Company does not apply the variable interest entity (VIE) guidance to certain legal entities under common control when all of the following conditions are met:

- The Company and legal entity are under common control of a parent. This determination only considers the direct and indirect voting interest held by the Company's parent in the Company and the legal entity.
- Neither the Company nor the legal entity are under control of a public business entity.
- The legal entity under common control is not a public business entity.
- The Company does not directly or indirectly have a controlling financial interest in the legal entity. This determination excludes consideration of a controlling financial interest under the VIE guidance and only considers the voting interest model.

Entities under common control during 2024, 2023, and 2022, consist of Black Sheep Coffee Inc; Black Sheep Coffee LLC and Black Sheep Dallas LLC. Black Sheep Dallas LLC was formed in 2024. The Company makes an ongoing assessment of whether entities under common control meet these criteria.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through April 23, 2025, which is the date these financial statements were available to be issued, and concluded that there were no additional events or transactions that need to be disclosed.

Note 3 – Member's Deficit

The Company's LLC operating agreement has a perpetual life. Excess cash flow, tax liability distributions, and profits and losses are to be distributed to the Member in accordance with the operating agreement. The liability of the Company's Member is limited to its specific capital balance. Upon liquidation of the Company, the net assets shall be distributed to the Member in accordance with the operating agreement.

Note 4 – Related-Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions, or if they are subject to common control or common significant influence. The related party activity is as follows:

		As of and for the year ended December 31, 2024		As of and for the year ended December 31, 2023		As of and for the year ended December 31, 2022	
Related party names	Types of related party transactions	Due from (to) related parties	Cash inflow (outflow)	Due from (to) related parties	Cash inflow (outflow)	Due from (to) related parties	Cash inflow (outflow)
	Due from related parties:						
Black Sheep Coffee LLC	Receivable for cash transferred to other entity to fund operations	183,840	(107,340)	76,500	(31,500)	45,000	(45,000)
Black Sheep Coffee Inc	Receivable for cash transferred to other entity	250	(250)	-	-	-	-
Black Sheep Coffee Dallas LLC	Receivable for royalties, franchise fees, and funding operations	231,097	(231,097)	-	-	-	-
	Total due from activity	415,187	(338,687)	76,500	(31,500)	45,000	(45,000)
	Due to related parties:						
Conilon Ltd.	Payable for expense paid on behalf of company	(113,570)	7,130	(106,440)	56,540	(49,900)	49,900

Significant related-party transactions during the years ended December 31, 2024, 2023, and 2022 consist of borrowings from the Ultimate Parent and payments made to related party entities under the common control of the Member for use in the normal course of business operations. The Company is also owed royalties and franchise fees from an affiliated entity with two locations open and operating in the current year. These amounts are anticipated to be paid within a year and are represented in the current due from affiliate.

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 OR HER OPINION WITH REGARD TO THEIR CONTENT OR FORM.

Black Sheep Coffee Franchising, LLC
Balance Sheet at 31 January 2025

CURRENT ASSETS	
Cash	$76
Due from related party, current	$144,018
Total current assets	$144,094
DUE FROM RELATED PARTY, non-current	$403,180
Total assets	**$547,275**
CURRENT LIABILITIES	
Accounts payable	$17,850
Accruals	$0
Contract liability, current	$11,028
Total current liabilities	$28,878
DUE TO RELATED PARTY, non current	$113,570
CONTRACT LIABILITY, non current	$475,306
Total liabilities	$617,753
MEMBER'S DEFICIT	($70,479)
Total liabilities and member's deficit	**$547,275**

Black Sheep Coffee Franchising, LLC

Statement of Operations for the two month period ended 31 January 2025

Revenues	
Royalties	$12,921
Franchise fees	$667
	$13,588
Operating expenses	
General and administrative	$4,397
Net Profit	$9,191

ADDENDUM TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF CALIFORNIA

1. Section 31125 of the California Corporation Code requires the franchisor to provide you with a disclosure document before asking you to agree to a material modification of an existing franchise.

2. Neither the franchisor, any person or franchise broker in Item 2 of the Disclosure Document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 79a et seq., suspending or expelling such persons from membership in such association or exchange.

3. You must sign a general release if you renew or transfer your franchise. California Corporation Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

4. 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.

5. 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 the State of California.

6. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION at www.dfpi.ca.gov.

7. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

9. The highest interest rate allowed by law in California is 10% annually.

10. **The registration of this franchise offering by the California Department of Financial Protection and Innovation does not constitute approval, recommendation, or endorsement by the commissioner.**

ADDENDUM TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
<u>FOR THE STATE OF ILLINOIS</u>

1. Illinois law governs the agreements between the parties to this franchise.

2. Section 4 of the Illinois Franchise Disclosure Act provides that any provision in the franchise agreement which designates jurisdiction or venue outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

3. Section 41 of the Illinois Franchise Disclosure Act provides that any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

4. Your rights upon termination and non-renewal of a franchise agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF INDIANA

1. Item 17 of the Disclosure Document is amended to reflect the requirement under Indiana Code 23-2-2.7- 1 (9), which states that any post term non-compete covenant must not extend beyond the franchisee's exclusive territory.

2. Item 17 is amended to state that this is subject to Indiana Code 23-2-2.7-1 (10).

3. Item 17 of the Disclosure Document is amended to state that under Indiana Code 23-2-2.7-1 (10), jurisdiction and venue must be in Indiana if the franchisee so requests. This amends Article 27 of the Franchise Agreement and Article 24 of the Multi-Shop Development Agreement.

4. Item 17 of the Disclosure Document is amended to state that under Indiana Code 23-2-2.7-1 (10), franchisee may not agree to waive any claims or rights.

5. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF MARYLAND

1. Item 17 of the Disclosure Document is amended to state that the general release required as a condition of renewal, sale and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

2. Item 17 of the Disclosure Document is amended to state that a franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Item 17 of the Disclosure Document is amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

4. Item 17 of the Disclosure Document is amended to state that the provisions in the Franchise Agreement and Multi-Shop Development Agreement which provide for termination upon bankruptcy of the franchisee operator may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 et seq.).

5. The appropriate sections of the Franchise Agreement and Multi-Shop Development Agreement are amended to permit a franchisee to bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

6. The appropriate sections of the Franchise Agreement and Multi-Shop Development Agreement are amended to state that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

7. The appropriate sections of the Franchise Agreement and Multi-Shop Development Agreement are amended to state that the general release required as a condition of renewal, sale and/or assignment/ transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

8. The Franchise Agreement and Multi-Shop Development Agreement are amended to include the following statement: "All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law."

9. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

ADDENDUM TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF NEW YORK

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

INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT E OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.

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

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

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

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

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

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

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

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

4. The following language replaces the "Summary" section of Item 17(d), titled "Termination by you":

You may terminate the agreement on any grounds available by law.

5. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum", and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. Franchise Questionnaires and Acknowledgements – No statement, questionnaire or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of: (i) waiving any claims under any applicable state franchise law, including fraud in the inducement; or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Receipts – Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

ADDENDUM TO BLACK SHEEP COFFEE FRANCHISING LLC
FRANCHISE DISCLOSURE DOCUMENT
FOR THE STATE OF SOUTH DAKOTA

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement by any franchisor, franchise seller, or other person acting on behalf of franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

EXHIBIT H **List of Current and Former Franchisees**

Current operating franchisees as of our fiscal year ended Dec. 31, 2024

None.

*Current franchisees that signed a franchise agreement but did not yet have an outlet open as of our fiscal year ended Dec. 31, 2024

Florida Franchisees

Donn Berdahl*
14848 W. 69th Drive, Unit A,
Arvada, CO 80007
(209) 609-0225

Texas Franchisees

Keagan Rodrigues and Victoria Rodrigues*
1117 W. 9th Street,
Austin, TX 78703
(512) 665-1359

Christian Romero*
11192 Hocking Hills Drive,
Frisco, TX 75035
(214) 679-1476

Bru Bros LLC*
3 Greenway Plz, Ste 1320,
Houston, TX 77046
(325) 665-5539

Former franchisees as of our fiscal year ended Dec. 31, 2024

There are no franchisees with whom we have not communicated in the last ten weeks.

* Asterisk represents multi-unit developers.

STATE EFFECTIVE DATES

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

This Franchise Disclosure Document is registered, on file, or exempt from registration in the following states having franchise registration and disclosure laws, with the following effective dates:

State	Effective Date
California	Not Effective
Hawaii	Not Effective
Illinois	Not Effective
Indiana	Not Effective
Maryland	Not Effective
Michigan	Not Effective
Minnesota	Not Effective
New York	
North Dakota	Not Effective
Rhode Island	Not Effective
South Dakota	April 30,2025
Virginia	Not Effective
Washington	Not Effective
Wisconsin	Not Effective

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

EXHIBIT J **Item 23 Receipt**

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain English. Read this disclosure document and all agreements carefully.

If Black Sheep Coffee Franchising LLC ("**BSC**") offers you a franchise, it must provide this disclosure document to you: (a) 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; (b) in New York, at the earlier of: (i) your first personal meeting to discuss the franchise, or (ii) 10 business days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; (c) in Iowa, at the earlier of: (i) your first personal meeting to discuss the franchise; or (ii) 14 days before you sign a binding agreement with, or make payment to, us or an affiliate in connection with the proposed franchise sale; or (d) in Michigan, at least 10 business days before the earlier of when you sign a binding franchise or other agreement or pay any consideration to us (or an affiliate of ours).

If BSC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and to your state authority listed on Exhibit B.

The franchisor is BSC located at 2950 SW 27th Avenue, Suite 206, Miami, FL 33133. Its telephone number is: (786) 422-9717.

Issuance date: April 28, 2025, as amended January 26, 2026

The franchise seller is Izzy Childs, who works at 2nd Floor Crowne House, 56-58 Southwark Street, London, United Kingdom, SE1 1UN (Tel: (786) 422-9717). Any additional individual franchise sellers involved in offering the franchise are: ___________________________________.

BSC authorizes the respective state agencies identified on Exhibit C to receive service of process for it in the particular state.

I received a disclosure document dated April 28, 2025, as amended January 26, 2026 that included the following Exhibits:

A-1	Franchise Agreement with Exhibits	F	Financial Statements
A-2	Development Agreement with Exhibits	G	State-Specific Addenda
B	List of State Administrators	H	List of Current and Former Franchisees
C	List of Agents for Service of Process	I	State Effective Dates
D	Form of General Release	J	Item 23 Receipts
E	Table of Contents to Manual		

______________________________	______________________________
Date Received	Prospective Franchisee
	______________________________
	Name (Please print)
	______________________________
	______________________________
	Address

Please keep this copy of the receipt with your FDD

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______________________________	______________________________
Date Received	Prospective Franchisee
	______________________________
	Name (Please print)
	______________________________
	______________________________
	Address

Please return this copy of the receipt to BSC