Franchise Disclosure Document

L. COFFEE INC.
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The franchise is to operate a restaurant under the name “Café Landwer” that features specialty coffees, lunch, dinner and desserts (the “Franchised Business”).

The total investment necessary to begin operation of a Franchised Business may range from $770,000 to $1,260,000. This includes $30,000 that must be paid to the franchisor or an affiliate.

This disclosure document summarizes certain provisions of the 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.**

The terms of your contract will govern your franchise relationship. Don't rely on the disclosure document alone to understand your contract. Read your contract carefully and in its entirety. Show your contract and this disclosure document to an advisor, such as an attorney or an accountant.

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

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

Issuance date of this Franchise Disclosure Document: May 1, 2019

STATE COVER PAGE

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

Call the state franchisor administrators listed in Exhibit D for information about the franchisor, about other franchisors, or about franchising in your state.

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

Please consider the following RISK FACTORS before you buy this franchise:

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US LITIGATION ONLY IN OUR THEN-CURRENT HOME STATE (WHICH IS CURRENTLY MASSACHUSETTS). OUT-OF-STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO ARBITRATE AND LITIGATE WITH US IN OUR THEN-CURRENT HOME STATE (WHICH IS CURRENTLY MASSACHUSETTS) THAN IN YOUR HOME STATE.

2. THE FRANCHISE AGREEMENT STATES THAT DELAWARE LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE LAWS.

3. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

NOTE: THE FRANCHISE AGREEMENT PROVISIONS REFERRED TO IN THE RISK FACTORS LISTED ABOVE MAY BE VOID UNDER SOME STATE FRANCHISE LAWS AND SOME STATE FRANCHISE LAWS MAY REQUIRE DISCLOSURE OF ADDITIONAL RISK FACTORS (SEE EXHIBIT H).

Effective Date

See the next page for state effective dates.

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:

California: Pending

In all other states without franchise registration laws, the effective date of this Franchise Disclosure Document is the issuance date of May 1, 2019.

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1. ITEM 1: THE FRANCHISOR, AND ANY PARENTS, PREDECESSORS, AND AFFILIATES

This disclosure document refers to the franchisor, L. Coffee Inc. as "we" or "us." We refer to the individual or business entity (corporation, partnership, etc.) buying the franchise as "you." Except for sole proprietorships, the term "you" does not include a business entity's owners.

We were incorporated under the laws of the state of Delaware on October 23, 2015. Except as set forth in this disclosure document, we do business only under our corporate name. Our principal business address is 900 Beacon Street, Boston, MA 02215. We have offered franchises in the United States since November, 2018. We have not offered franchises in any other line of business.

Our Business

We offer and grant franchises under the terms of a Franchise Agreement (the "Franchise Agreement"). The Franchise Agreement provides for the establishment and operation of a Café Landwer restaurant (the "Franchised Business"). You will operate a Café Landwer (referred to in this disclosure document as the "Franchised Business") according to the terms of our franchise agreement in the form attached as Exhibit C to this disclosure document ("Franchise Agreement") and according to our standards, as described below.

The Franchised Business that you operate will be part of the Café Landwer system (the "System"). The System is designed to provide high-quality restaurant services, including specialty coffees, lunch, dinner and desserts. The System is identified by means of certain trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin, including the name "Café Landwer" (the "Proprietary Marks"). We can add, eliminate, modify or substitute any of the Proprietary Marks at any time, in our sole discretion. Our System includes our methods, techniques, standards, specifications, policies and procedures relating to the operation of Café Landwer as described in our confidential operational manuals and other written directives (collectively, the "Manuals"). It also includes our distinctive decor, color schemes, and our special recipes and menu items, and our advertising and promotional programs, all of which we may change, improve and further develop.

We own and operate one Café Landwer in Boston, MA, which opened in January, 2018 and our subsidiary, L Cleveland Circle LLC, a Delaware limited liability company, owns and operates one Café Landwer in Boston, MA, which opened in July, 2018.

Under a Master Franchise Agreement effective April 5th, 2016, L Coffee & Concept Ltd, an Israeli limited corporation, granted us the right to use and license the use of all marks associated with the System in the United States.

We may offer you the right to develop multiple Franchised Businesses under the terms of a multi-site Development Agreement (the "Development Agreement") within certain territories. The number of Franchised Businesses that you will be allowed to establish will be in a number determined by us, within the territories established by us. We will determine the size of each territory and the timeline by which each must be open for business. If you sign a Development Agreement, you will be responsible for developing the number of Franchised Businesses set forth in the Development Agreement. Each location must be approved by us and be compliant with our System standards as applicable in the operation of a single unit franchise. You must continue to meet our then current standards for a grant of a new license under the Development Agreement. If any of your Franchised Business locations do not meet our then-current standards our approval of your continued development under the Development Agreement may be

withheld or your Development Agreement may be terminated. Upon establishing each additional outlet under the Development Agreement, you must sign a then-current Franchise Agreement, which may differ from the current Franchise Agreement included with this disclosure document. The Development Agreement is attached as Exhibit I.

Parents, Predecessors and Affiliates

We converted from a limited liability company organized under Delaware law to a corporation organized under Delaware law on March 14, 2019.

Our corporate parent is L. Coffee North America LLC, a Delaware limited liability company. L. Coffee North America LLC maintains a principal place of business at 900 Beacon Street, Boston, MA 02215.

Café Landwer started operations as a family-owned coffee roaster in 1919 in Berlin, Germany. In 1933, the operations were moved from Germany to Israel. In 1983, the coffee roasting operations were purchased by Federman & Sons Ltd., an Israeli limited corporation ("Federman").

In 2004, an affiliate of ours, Fogel Mazav Roch Tov Ltd., an Israeli limited corporation ("Fogel"), purchased from Federman the rights to operate and franchise Café Landwer restaurants in Israel and the exclusive rights to use the intellectual property associated with Café Landwer in Israel. In 2004, Fogel opened the first Café Landwer restaurant in Tel Aviv, Israel.

A subsidiary of Fogel and also an affiliate of ours, L Coffee & Concept Ltd. ("LCCL"), was established in 2008 in order to manage Café Landwer franchise operations in Israel. LCCL is the franchisor of Café Landwer restaurants in Israel and possesses the right to use and grant rights to Café Landwer intellectual property in Israel.

On March 22, 2016, pursuant to an agreement between LCCL and Federman, Federman granted LCCL the right to use all Café Landwer intellectual property across the globe and to franchise across the globe.

LCCL was incorporated in Israel on August 25, 2008 and maintains a principal place of business at Bloch 2, Tel Aviv, Israel. LCCL has offered franchises for Café Landwer since 2008. LCCL has also offered franchises in Israel for Café Alma coffee shops since 2008.

Our affiliate, LW Coffee Inc., a Canadian entity, ("Canada"), owns and operates two (2) Café Landwer restaurants in Canada. Under a Master Franchise Agreement, L Coffee & Concept Ltd, an Israeli limited corporation, granted LW Coffee Inc. the right to use and license the use of all marks associated with the System in Canada.

Our agents for service of process are described in Exhibit E.

Market and Competition

The Franchised Business will provide specialty coffees, lunch, diner & desserts to the general public. The market for coffee and restaurant service is highly competitive. This competition includes many local, regional and national chains, as well as independent businesses.

Industry-Specific Regulations

In addition to the laws, regulations and ordinances applicable to businesses generally, such as the Americans with Disabilities Act, Federal Wage and Hour Laws, and the Occupational Safety and Health Act, you should consider that certain aspects of the restaurant business are heavily regulated by federal, state and local laws, rules and ordinances. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, as well as state and local departments of health and other agencies have laws and regulations concerning the preparation of food and sanitary conditions of restaurant facilities. State and local agencies routinely conduct inspections for compliance with these requirements. Under the Clean Air Act and state implementing laws, certain state and local areas are required to attain, by the applicable statutory guidelines, the national air quality standards for ozone, carbon monoxide and particulate matters. Certain provisions of those laws impose caps on emissions resulting from commercial food preparation.

To operate the Franchised Business, you will also need to obtain a liquor license. State and local laws, regulations and ordinances vary significantly in the procedures, difficulty and cost associated with obtaining a license to sell liquor, the restrictions placed on the manner in which liquor may be sold, and the potential liability imposed by dram shop laws involving injuries, directly and indirectly, related to the sale of liquor and its consumption. You will need to understand and comply with those laws in operating the Franchised Business.

2. ITEM 2: BUSINESS EXPERIENCE

Nir Caspi — Chief Executive Officer
Nir Caspi has served as our Chief Executive Officer since October, 2015 in Boston, MA. Nir has also served as the Co-Chief Executive Officer of LCCL since 2004 in Boston, MA and Israel.

Michael Tobins — Chief Operating Officer
Michael Tobin has served as our Chief Operating Officer since 2018 in Boston, MA.

Oren Maor — Director of Franchise Operations
Oren Maor has served as Director of Franchise Operations of LCCL since 2004 in Israel.

Ofer Koren — Chief Executive Officer
Ofer Koren has served as Co-Chief Executive Officer of LCCL since 2004 in Israel.

3. ITEM 3: LITIGATION

No litigation is required to be disclosed in this Item.

4. ITEM 4: BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

5. ITEM 5: INITIAL FEES

You must pay us an initial franchise fee in full when you sign the Franchise Agreement. Our standard initial franchise fee is currently $30,000. The entire fee is due when you sign the Franchise Agreement. The initial franchise fee is not refundable. The initial franchise fee is used to cover, among other things, the costs of evaluating your proposed site, providing the initial training program, and helping you develop and open your Franchised Business (although the initial franchise fee is not in exchange for any particular products, services, or assistance.)

The initial franchise fee is not uniform for all franchises currently being offered.

If you are signing your Franchise Agreement to renew your existing franchise, you must pay a Renewal Fee in the amount equal to 50% of the then-current franchise fee.

If you sign a Development Agreement, we currently charge a development fee that you must pay in full when you sign the Development Agreement. You must pay a $10,000 initial development fee for each of the Franchised Businesses to be developed. We and you will determine the number of Franchised Businesses you must develop, and the dates by which you must develop them, before signing the Development Agreement. You will not be allowed to operate any Franchised Business until you have signed a Franchise Agreement and paid the franchise fee.

No portion of the development fee is refundable under any circumstances. If you sign the Development Agreement, pay the development fee, and then cannot find sites for the Franchised Business, do not sign a Franchise Agreement, or choose not to move forward for another reason (in which case the Development Agreement and one or more Franchise Agreements may be terminated), we may keep the entire development fee and need not return any money to you.

The terms of the Development Agreement and the development fee are not uniform for all development rights being offered.

6. ITEM 6: OTHER FEES

Type of Fee	**Amount**	**Due Date**	**Remarks**
Royalty Fee	5% of Gross Sales per month	10th day of each month	See Notes 1 and 2.
Advertising	1% of Gross Sales per month	10th day of each month	See Notes 1, 2, 3 and 4.
Inspection/Audit Expenses	5% APR interest (or the highest rate allowed by law) on underpayment. In addition, if the audit or inspection reveals an understatement of Gross Sales, you must also reimburse us for the cost of the audit or inspection.	On demand	Payable only if inspection or audit shows that any financial information delivered by you to us is inaccurate.
Training Expenses	Amount of expenses for you and your employees who attend training, including costs of transportation, lodging, meals, and wages.	As incurred	See Item 11 for training requirements.

Insurance Fee	Amount of premium plus administrative fee equal to 3% of premium	On demand	Payable only if you fail to maintain required insurance coverage and we elect to obtain coverage for you. See Item 8 for insurance requirements.
Renewal Fee	50% of the then current franchise fee	When signing Renewal Agreement	Payable if you renew your franchise.
Interest/Late Fee	2% of the delinquent amount or the highest amount permitted by law for each month the payment remains delinquent.	Continues to accrue until paid	Payable only if any sums due us are not paid promptly when due
Manual Replacement Fee	$500	When billed	Payable if you lose or misplace any part of the Manual and we replace it.
Transfer Fee	$10,000	Before transfer	Payable if you transfer, sell or assign your franchise.
Product Inspection and Testing	Cost of inspection or testing. We estimated that our costs will be between $1,000 and $10,000.	When billed	Payable if you ask us to evaluate or approve a proposed supplier. See Item 8 for information about supplier restrictions and our supplier approval process.
Legal Fees and Indemnification	Varies according to cost or loss incurred	On demand	You must indemnify us and our affiliates from liability for any claim based on or arising from your operation of the Franchised Business.
Additional Assistance	Then current charge. We currently charge $50 per hour, or $200 per day.	When billed	At your request, we may provide additional advice and assistance to you. We may establish fees for various services we make available to you.

Note 1. Except for Insurance, Product Inspection and Testing, and Advertising, all fees are payable to us, and except as described above, all fees are non-refundable and are uniform for franchises currently being offered.

Note 2. "Gross Sales" means all revenues generated from sales of all products and services conducted at, from or with respect to the Franchised Business, whether these sales are evidenced

by cash, check, credit, charge, account, barter or exchange. Gross Sales do not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment or furnishings used in the operation of the Franchised Business, any sales taxes or other taxes collected from customers and paid directly to the appropriate taxing authority.

Note 3. Your required Advertising spend is the amount you must spend on local advertising of your Franchise Business. You must spend at least 1% of Gross Sales each month on local advertising. See Item 11 of this disclosure document for more information about Advertising obligations.

Note 4. From time to time, we may make available point of sale materials and other advertising materials. We will offer you the right to purchase these materials at a reasonable cost.

7. ITEM 7: ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

Expense	Amount	Method of Payment	When Due	To Whom Payment is to be Made
Initial Franchise Fee	$30,000	Lump sum	When you sign your Franchise Agreement	Us
Travel and Living Expenses (Note 1)	$10,000 - $30,000	As incurred	During training	Airlines, Hotels, Restaurants, etc.
Rent (Not including Purchase of Property) (Note 2)	$10,000 - $20,000	As arranged	Before opening	Lessor
Improvements (Build Out) (Note 3)	$400,000 - $650,000	As arranged	Before opening	Contractor
Design Fees	$50,000 - $65,000	As arranged	Before opening	Vendors
Furniture, Fixtures & Equipment (Note 4)	$150,000 - $250,000	As arranged	Before opening or as arranged with Vendors	Vendors
Insurance (Note 5)	$5,000 - $10,000	As arranged	Before opening	Insurance Company
Signage	$20,000 - $30,000	As arranged	Before opening or as arranged with Vendors	Vendors

Miscellaneous Opening Costs	$5,000 - $10,000	As incurred	Before opening	Suppliers, Utilities, etc.
Opening Inventory (Note 6)	$20,000 - $30,000	As arranged	Before opening	Approved Suppliers
Grand Opening Advertising	$5,000 - $10,000	As arranged	Within 30 days after opening	Distribution Service and Media
Computer Equipment and Software (POS System) (Note 7)	$10,000 - $15,000	As arranged	Before opening and as arranged with Vendors	Vendors
Supplies	$5,000 - $10,000	As arranged	Before opening and as arranged with Vendors	Vendors
Additional Funds (Note 8)	$50,000 – $100,000	As incurred	As incurred	Employees, Suppliers, Utilities
TOTAL	$770,000 - $1,260,000			

Notes:

Note 1. The figure in the chart represents estimated pre-opening salaries of one employee during our training program. See Item 11 of this disclosure document for more information about our initial training program. We will cover the cost of instructors and instructional materials, but you must pay your cost of travel, meals, lodging and salaries.

Note 2. The figures in the charts reflect the estimated security deposit, which typically is calculated as one months' rent. The estimate assumes the size of a restaurant will be 2,000 to 3,000 square feet. You will purchase or lease real estate for the operation of the Franchised Business. Lease costs will vary based on square footage, cost per square foot, location, length of lease, age of the leased property, local market conditions, zoning, and the size of the premises. You should consult a real estate professional in your geographic area before purchasing a franchise.

Note 3. The cost of leasehold improvements will depend on the condition and size of the site, the local cost of contract work, and the location of the Franchised Business. The figures in the charts represent the estimated cost of hiring an architect to conform standard plans to the layout of the Franchised Business, and to engage a general contractor to adapt the Franchised Business to meet our standards. They include remodeling walls, ceilings, floors, and other renovations, including the purchase and installation of signage and HVAC systems, and electrical and carpentry work. This estimate does not include new construction.

Note 4. The figures in the chart represent estimated purchase costs of fixtures and furniture, including tables, chairs, food trolleys and office furniture. They also include the estimated purchase cost of equipment (including ovens, a dishwashing machine, food processors, slicers,

mixers and blenders, coffee machines, hotplates), kitchen utensils and appliances, and tableware and cutlery. The furniture, fixtures and equipment will vary, depending on the size and seating capacity of the Franchised Business.

Note 5. The estimated cost of annual premiums for the policies required by the Franchise Agreement will vary significantly based on your location, and the claims experience of commercial businesses in the area, as well as your claims experience in other businesses you operate. The figures quoted assume deposits for one month's coverage.

Note 6. Opening inventory of products and supplies will vary based on your expected volume of business, the size of your Franchised Business, and the size of any storage areas in the Franchised Business.

Note 7. See Item 11 for more information about computer hardware and software requirements.

Note 8. These amounts are the minimum recommended levels to cover operating expenses, including employee' salaries for 3 months. However, we cannot guarantee that this amount will be sufficient. Additional working capital may be required if sales are low or fixed costs are high. The disclosure laws require us to include this estimate of all costs and expenses to operate your franchise during the "initial phase" of your business, which is defined as a 3 months or longer period if "reasonable for the industry." We are not aware of any established longer "reasonable period" for the restaurant industry, so our disclosure covers a three month period.

* * *

As described in Item 1, you will need to obtain from the state in which you operate the Franchised Business a license for the on-premises sale of alcoholic beverages. You will obtain other necessary permits and licenses directly from government authorities or through your contractors.

We have prepared these estimates based on our experience opening a Café Landwer. The payments described above that are payable to us are not refundable. We are not able to represent whether or not amounts that you pay to third parties are refundable. Except as expressly indicated otherwise in the charts above, these estimates describe your initial cash investment up to the opening of your Franchised Business. They do not provide for your cash needs to cover any financing incurred by you or your other expenses. You should not plan to draw income from the operation during the start-up and development stage of your Franchised Business, the actual duration of which will vary materially from store to store and cannot be predicted by us for your Franchised Business (and which may extend for longer than the 3 month "initial phase" described in Note 8 of the above charts). You must have additional sums available, whether in cash or through a bank line of credit, or have other assets which you may liquidate or against which you may borrow, to cover other expenses and any operating losses you may sustain, whether during your start-up and development stage, or beyond. The amount of necessary reserves will vary greatly from franchisee to franchisee and will depend upon many factors, including the rate of growth and success of your Franchised Business, which in turn will depend upon factors such as the demographics and economic conditions in the area in which your Franchised Business is located, the presence of other Café Landwer restaurants or other public awareness of our franchise and Proprietary Marks within the general vicinity of your Franchised Business, your ability to operate efficiently and in conformance with our recommended methods of doing business, and competition. Because the exact amount of reserves will vary from operation to operation and cannot be meaningfully estimated by us, we urge you to retain the services of an experienced

accountant or financial advisor to develop a business plan and financial projections for your particular operation.

8. ITEM 8: RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

PRODUCTS

All products sold or offered for sale at the Franchised Business, and other products, materials, supplies, paper goods, fixtures, furnishings and equipment used or sold at the Franchised Business, must meet our standards and specifications, as established in the Manual or otherwise in writing. You must purchase all food items, ingredients, supplies, materials, and other products and equipment used or offered for sale at the Franchised Business for which we have established standards or specifications solely from suppliers (including manufacturers, distributors and other sources) which demonstrate the ability to meet our standards and specifications, who possess adequate quality controls and capacity to supply your needs promptly and reliably, and who have been approved by us. If you desire to purchase products from a party other than an approved supplier, you must submit to us a written request to approve the proposed supplier, together with evidence of conformity with our specifications as we may require. You must pay the reasonable costs of the evaluation and testing of the proposed supplier. We will use our best efforts, within 30 days after our receipt of your completed request and completion of all required evaluation and testing, to notify you of our approval or disapproval of the proposed supplier. You may not sell or offer for sale any products of the proposed supplier until our written approval of the proposed supplier is received. We may at any time revoke our approval of particular products or suppliers when we determine, in our sole discretion, that such products or suppliers no longer meet our standards.

You must purchase all food products, paper goods, smallware and coffee used at the Franchised Business from us, an affiliate, or a supplier designated or approved by us. We have developed certain proprietary, confidential and trade secret recipes that are part of the System, including branded goods and sauces, and may develop additional trade secret food ingredients. We have the right to specify certain third parties as designated suppliers for specified products, materials, supplies, paper goods, fixtures, furnishings and equipment used or sold at the Franchised Business. You must purchase such items from our designated suppliers in order to assure the uniform quality and image associated with the Franchised Business.

We are not required to make available to prospective suppliers, our standards and specifications for formulas, including the recipes or ingredients for proprietary or trade secret products that we, in our sole discretion, consider confidential.

We negotiate purchase arrangements with some or all of the approved or designated suppliers and we may receive money or other benefits from approved or designated suppliers as a result of your purchases. As of the date of this disclosure document, there are no purchasing or distribution cooperatives. We do not provide material benefits to you based on your purchase of particular products or services or your use of designated or approved suppliers but we may terminate your Franchise Agreement if you purchase from unapproved sources in violation of your Franchise Agreement.

We derived no revenues during our fiscal year ending December 31, 2017 as a result of franchisee required purchases. None of our officers has an interest in any of our approved suppliers. However, we do receive an economic benefit in the form of a refund or rebate for all required purchases made by Franchisees from our approved suppliers.

SERVICES

All advertising, including internet advertising, must meet our specifications as set forth in our Operations Manual. You must submit to all proposed advertising to us for our approval before use. You may not use any advertising not prepared or previously approved by us within the preceding 6 months. On written notice from us, you must immediately discontinue use of any unapproved, or approved and subsequently disapproved, advertising materials.

As more fully described in Item 11, you must obtain and maintain during the term of the Franchise Agreement technology hardware and software meeting our specifications.

You must obtain before opening the Franchised Business, and maintain in full force and effect at all times during the term of the Franchise Agreement, at your expense, insurance policies protecting you, us, and your and our respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense arising or occurring in connection with the Franchised Business, including comprehensive general liability insurance, property and casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, liquor liability (dram shop), and automobile insurance coverage for all vehicles used in connection with the Franchised Business. These policies must be written by a responsible carrier or carriers acceptable to us and must name us as an additional insured, and must provide at least the types and minimum amounts of coverage specified in the Manual.

If you should fail to obtain or maintain the insurance required by the Franchise Agreement for any reason, we have the right and authority (without, however, any obligation to do so) to procure the insurance. If we do so, you must pay the full premium paid, plus an administrative surcharge of 5%.

We estimate that 25-50% of your expenditures for leases and purchases in establishing your Franchised Business and on an ongoing basis will be for goods and services which are subject to sourcing restrictions (that is, for which suppliers must be approved by us, or which must meet our standards or specifications).

9. ITEM 9: FRANCHISEE'S OBLIGATIONS

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

Obligation	**Section in Agreement**	**Disclosure Document Item**
a. Site selection and acquisition/lease	1.2, 5, Exhibit B	Items 8 and 11
b. Pre-opening purchases/leases	7.4, 7.6	Items 5, 6, 7, 8 and 11
c. Site development and other pre-opening requirements	5, 6.1, 7.6, Exhibit B	Items 6, 7 and 11
d. Initial and ongoing training	6	Items 6, 7, 8 and 11
e. Opening	5, 7	Item 11
f. Fees	2.2.9, 4, 12.4, 14.3.9	Items 5 and 6

g. Compliance with standards and policies and Manual	7	Items 11 and 14
h. Trademarks and proprietary information	8 and 10	Items 13 and 14
i. Restrictions on products and services offered	7.2, 7.3, 7.4, 7.5, 7.6	Items 8 and 16
j. Warranty and customer service requirements	Not applicable	Not applicable
k. Territorial development	1.3, Exhibit A	Item 12
l. Ongoing product/service purchases	7.3, 7.5	Items 6 and 8
m. Maintenance, appearance and remodeling requirements	2.2, 7.10, 7.11	Items 8 and 11
n. Insurance	13	Items 7 and 8
o. Advertising	12	Items 6, 8, and 11
p. Indemnification	20.3	Item 6
q. Owner's participation/management/staffing	7.7, 17.1	Items 1, 11, and 15
r. Records and reports	11	Item 6
s. Inspections and audits	7.8, 11.5	Items 6, 8, and 11
t. Transfer	14	Items 6 and 17
u. Renewal or Extension of Rights	2.2	Items 6 and 17
v. Post-termination obligations	16, 17	Items 6 and 17
w. Noncompetition covenants	17.2, 17.3	Item 17
x. Dispute resolution	25	Items 6 and 17

10. ITEM 10: FINANCING

Neither we nor our affiliates or agents offer you, directly or indirectly, any financing arrangement, including loans, guarantees, leases and installment contracts.

11. 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 Obligations

Before the Franchised Business opens, we must provide the following to you:

1. If you do not have an approved location prior to signing the Franchise Agreement and sign a site selection addendum, such site selection guidelines and consultation as we deem advisable (Franchise Agreement, Exhibit B, Paragraph 5);

2. If you do not have an approved location prior to signing the Franchise Agreement and sign a site selection addendum, such on-site evaluations as we deem advisable as part of our evaluation of your request for site approval. However, we will not provide on-site evaluations for any proposed site before our receipt of the information or materials required by the Franchise Agreement. If an on-site evaluation is deemed necessary and appropriate by us, we will conduct up to two on-site evaluations at our expense. For each additional on-site evaluation (if any), you must reimburse us for our reasonable expenses, including the costs of travel, lodging and meals (Franchise Agreement, Exhibit B, Paragraph 5);

3. We will make available to you specifications for fixtures, furnishings and signs. (Franchise Agreement, Section 3.1);

4. We will provide initial training for you and your managers, as further described below (Franchise Agreement, Sections 3.2 and 6);

5. We will provide up to two (2) representatives to provide such on-site, pre-opening and opening assistance as we deem appropriate in our sole discretion (Franchise Agreement, Section 3.3);

6. We will make available to you advertising and promotional materials at your expense (Franchise Agreement, Sections 3.5 and 12);

7. We will loan you one copy of our Manual or make it available to you through a password protected website (Franchise Agreement, Sections 3.6 and 9)

8. We or our affiliate will make available to you for sale, or designate or approve other suppliers who shall make available to you for sale, products, ingredients, menu items, and supplies as we designate in the Manual or in writing (Franchise Agreement, Section 3.7).

Continuing Obligations

After the Franchised Business opens, we will provide the following to you:

1. On your reasonable request, in our sole discretion and at your expense, we will make available to you advice and assistance on the proper implementation of the System and operation of the Franchised Business (Franchise Agreement, Section 3.4);

2. We will make available to you advertising and promotional materials at your expense (Franchise Agreement, Sections 3.5 and 12);

3. We will designate or approve suppliers who will make available to you for sale, products, supplies, materials, and other products and equipment used or offered for sale at the Franchised Business (Franchise Agreement, Section 7.5); and

4. We or our affiliate may maintain and administer a Brand Fund (Franchise Agreement, Sections 3.8 and 12).

Manual

In order to protect our reputation and goodwill and to maintain high standards of operation under the System, you must operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in our Manual, which will be loaned to you for the term of the Franchise Agreement once you complete the initial training program to our satisfaction. The Manual may consist of multiple volumes of printed text, computer disks, other electronically stored data, DVDs, and/or videotapes. We may provide a portion or all of the Manual (including updates and amendments), and other instructional information and materials, in or via electronic media, including through the Internet. If your copy of the Manual is lost, stolen, or destroyed, you must obtain another copy of the Manual from us and pay us a replacement fee of $500. A copy of the Table of Contents of the Manual is attached to this disclosure document as Exhibit B.

Advertising

You must spend at least $5,000 on an initial, grand opening local advertising, marketing, and promotional program in the form and manner prescribed by us in the Manual or otherwise in writing within 30 days after the opening of the Franchised Business. (Franchise Agreement, Section 12.1.) During the remainder of the term of the Franchise Agreement, you must expend, on a monthly basis, an amount equal to 1% of Gross Sales on local marketing, advertising, and promotion as we may, in our sole discretion, direct in the Manual or otherwise in writing. (Franchise Agreement, Section 12.2.)

All advertising and promotion by you (including any design, advertisement, sign, or form of publicity) must be in the media and of a type and format as we may approve, including television, print media (including yellow pages), radio, and local promotional events, must be conducted in a dignified manner, and must conform to these standards and requirements as we may specify. You must not use any advertising or promotional plans or materials unless and until you have received written approval from us. (Franchise Agreement, Sections 12.6 and 12.7.) You must submit to us for our prior approval samples of all advertising and promotional plans and materials for any print, broadcast, cable, electronic, computer or other media (including the Internet) that you wish to use and that we have not prepared or previously approved within the preceding 6 months. You must not use these plans or materials until they have been approved in writing by us. If you do not receive written notice of disapproval from us within 15 days of the date of our receipt of these samples or materials, we will be deemed to have disapproved them. (Franchise Agreement, Section 12.7.)

We may make available to you periodically, at your expense, approved advertising and promotional materials, including merchandising materials, point-of-purchase materials, and materials for special promotions. (Franchise Agreement, Section 12.6.)

Brand Fund

If we establish a brand fund ("Brand Fund"), you must pay to the Brand Fund a monthly fee in the amount to be determined by us, but not greater than two percent (2%) of your Gross Sales for the preceding month. Your contribution to the Brand Fund is in addition to the required grand opening and local advertising described in this Agreement.

We will direct all advertising, marketing, and promotional programs and have sole discretion over all aspects of those programs, including the concepts, materials, and media used and the placement and allocation of them. The Brand Fund, if in existence, all contributions to it, and any of its earnings, will be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which we believe will enhance the image of the System, including the costs of preparing and conducting radio, television, print, and Internet-based advertising campaigns; utilizing social and business networking media sites and other emerging media or promotional tactics; developing, maintaining, and updating a Website on the Internet; review of locally produced advertisements; door hangers, mailers, inserts and coupons; brochures and promotional materials; market research, market surveys, and sponsorships; web site design and maintenance; public relations and related retainers; mystery shoppers for the System and competitors; celebrity endorsements; trade shows (including costs of travel and personnel expenses, trade booths, and specialty entertainment); association dues; search engine optimization; employing advertising and/or public relations agencies; purchasing promotional items; menu development and developing menu items; providing promotional and other marketing materials and services to the businesses operating under the System; developing poster, banners, and signs; advertising for the sale of franchises.

During our most recent fiscal year, we had not established the Brand Fund, so we had expenditures on media placement, production, or administrative expenses.

A reasonable amount of the Brand Fund fees paid by all franchisees may be used to cover our or our affiliate's costs and overhead as may be incurred in activities reasonably related to the direction and implementation of the Brand Fund and advertising programs for franchisees and the System, including costs and salaries of personnel for creating and implementing advertising, promotional and marketing programs, accounting expenses, and other out of pocket expenses to third parties incurred by the Brand Fund.

It is anticipated that all contributions to the Brand Fund will be expended for their intended purposes during the fiscal year in which contributions are made. To the extent any contributions are not expended by the end of the fiscal year, they will be expended no later than the end of the taxable year following the year of receipt. Although we intend that the Brand Fund will be of perpetual duration, we and our affiliates maintain the right to terminate the Brand Fund. The Brand Fund may not be terminated, however, until all monies in the Brand Fund have been expended for advertising and/or promotional purposes or returned to contributors on the basis of their respective contributions. We will make available to you once a year an annual accounting of the Brand Fund's expenditures upon written request.

Website

You may not establish a separate Website for the Franchised Business unless approved by us. However, we have the right to require that you have one or more references or webpage(s), as designated and approved by us in advance, within our principal Website. The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, Linked In, and on-line blogs and forums ("Networking Media Sites"). We have the right to require that you not have any Website other than the webpage(s), if any, made available on our principal Website. (Franchise Agreement, Section 8.8.)

Franchised Business Location and Lease

You must operate the Franchised Business only at the location approved by us ("Approved Location"). You may not relocate the Franchised Business without our prior written approval, which we may withhold in our sole discretion. (Franchise Agreement, Section 1.2.)

If you have an Approved Location at the time you sign the Franchise Agreement, you must begin operation of the Franchised Business within 180 days after the date of the Franchise Agreement. If you do not have an Approved Location when you sign the Franchise Agreement, you must sign the Site Selection Addendum attached to the Franchise Agreement as Exhibit B and begin operation of the Franchised Business within 180 days after obtaining an Approved Location. (Franchise Agreement, Section 5.3.)

If you sign the Site Selection Addendum, you must, at your expense, lease or acquire a location approved by us within 180 days of the date of the Franchise Agreement within the Site Selection Territory specified in the Site Selection Addendum. (Franchise Agreement, Section 1.2.) If you fail to obtain an Approved Location within 180 days after signing the Franchise Agreement or to open the Franchised Business within 180 days after signing the Franchise Agreement, we can terminate the Franchise Agreement. Under the terms of the Site Selection Addendum, you must submit your proposed site to us for approval in the manner and form specified in the Franchise Agreement, and we will notify you in writing of our approval or disapproval of your proposed site within 30 days.

When we review a proposed site, we will consider such factors as zoning and approval from appropriate agencies, noise restrictions, size, layout, and lease terms. (Franchise Agreement, Exhibit B.)

We will provide site selection guidelines and consultation that we deem advisable. We will conduct two on-site evaluations, as we deem necessary and appropriate and at our expense. For each additional on-site evaluation (if any), you must reimburse us for our expenses, including costs of travel, lodging and meals. Our approval of your proposed site will depend on the factors listed above. (Franchise Agreement, Exhibit B.)

Length of Time to Open Franchised Business

We expect the Franchised Business to open within 12 months after the Franchise Agreement is signed or the location is approved. Factors which may affect the length of time between signing of the Franchise Agreement and opening for business include the time necessary to obtain necessary financing, to obtain permits and licenses necessary to construct and operate the Franchised Business, to complete construction or remodeling (as it may be affected by other conditions, shortages, delivery schedules and other similar factors) to complete landscaping and to complete required training, as described below.

Computer System

You must purchase and use a computer/point of sale system that we specify. The system consists of a computer and related hardware, cash drawers, card swipes, finger print sensors, credit card modems, caller ID, proprietary software, and other hardware and software as we specify.

We estimate that your cost to purchase the computer system and software is between $10,000 and $15,000, depending on the size of the Franchised Business. Acceptable hardware is available from numerous manufacturers, and may be purchased from any source.

We have no proprietary interest in the software, and we are unaware of competing software which may perform the same functions. Support and upgrades may be provided by the software provider, but we do

not require or offer upgrades or maintenance services. We estimate your cost for support services from the software provider will be about $10,000 per year, subject to future increases. You must maintain, upgrade, and update the computer system as we require and the franchise agreement does not restrict the frequency or expense of upgrades and maintenance.

We will have independent access to the business data only (customer data base, POS, sales, inventory, COGS) which is stored in your computer system. There are no contractual limitations on our right to access this information.

Initial Training Program

You and all managers of the Franchised Business approved by us must successfully complete our initial training program. Our initial training program consists of approximately twenty to forty days (four to eight weeks) of training at a Company-owned Franchised Business in Boston, MA.

The instructional materials used in the initial training program consist of our Manuals and other operational materials used in Franchised Businesses. We do not charge tuition or impose a fee for training-related materials in connection with our initial training program, but you are responsible for all training-related expenses incurred by all persons who attend training including costs of travel, lodging, meals, and wages.

Our training program is conducted by Nir Caspi, our Chief Executive Officer, and Michael Tobins, our Chief Operating Officer.

Our initial training program may change due to updates in materials, methods, manuals, and personnel, or other reasons, without advance notice to you. The subjects and time periods allocated to the subjects actually taught to a particular franchisee and its personnel may vary based on the experience of those persons being trained.

The following table is a summary of the subjects covered in our initial training program and an estimate of the number of hours of classroom and on the job training allocated to the initial training program.

TRAINING PROGRAM

Subject	**Hours of Classroom/Online Training**	**Hours of Practical Training (on the Job)**	**Location**
Orientation	6 hours	0	Training Facility/Training Restaurant
Brand Orientation (the Landwer experience)	8 hours	0	Training Facility/Training Restaurant
Kitchen Training	5 hours	100 to 120 hours	Training Facility/Training Restaurant
Food Safety Training	5 hours	2 hours	Online/Training

			Facility/Training Restaurant
Bar Training	5 hours	60 to 80 hours	Training Facility/Training Restaurant
Front-of-House Management	12 hours	100 to 120 hours	Training Facility/Training Restaurant
Systems Training (inventory, portal and point-of-sale)	10 hours	10 to 15 hours	Training Facility/Training Restaurant
Expense control	10 hours	15 hours	Training Facility/Training Restaurant
Total	61 hours	287 to 352 hours	

Additional Training

We will provide additional training for the first month of operations of your Franchised Business at your expense. Such training will be conducted on-site at the location of your Franchised Business.

You, your managers, and other employees shall also attend such additional courses, seminars and other training programs as we may reasonably require from time to time.

At your request, we will provide advice and assistance on the proper implementation of the operation of your Franchised Business. We may impose reasonable fees for these services. Other than as described above, we do not provide any other mandatory or optional training courses.

12. ITEM 12: TERRITORY

If you do not already have a location when you sign your Franchise Agreement, you must purchase or lease a site for your Franchised Business. Although you are solely responsible for locating the site for your Franchised Business, the location is subject to our written approval. Our approval will be based upon a variety of factors which may include the viability of the then-current location and demographics including, number of households, household income, and vehicular traffic. You may not relocate the Franchised Business to any other location without our prior written consent. If we approve any relocation of your Franchised Business, you must de-identify the former location. If you have an approved location when you sign the Franchise Agreement, you must begin operations of your Franchised Business within 180 days after you sign your Franchise Agreement. If you do not have an approved location when you sign the Franchise Agreement, you must sign our standard Site Selection Addendum. Under the Site Selection Addendum, you must acquire a location within 180 days after you sign your Franchise Agreement and begin operations of your Franchised Business within 12 months after obtaining an approved location.

You must submit your proposed lease to us for approval. We will only approve a lease if you and the landlord have signed a Conditional Assignment of Lease in the form attached as Exhibit G to your

Franchise Agreement, which provides that we may assume the lease if you default under your lease or your Franchise Agreement.

You will receive a territory, which will be described in Exhibit A of your Franchise Agreement ("Territory"). Your Territory will be determined by us in our sole discretion as we consider appropriate under the circumstances, and will generally be a geographic area described by attaching a map, or by reference to streets, natural boundaries or zip codes. We may permit you to operate a temporary cart or kiosk at a temporary location in your Territory used for fundraising and other special events.

During the term of your Franchise Agreement, we will not open or operate, or license others to own or operate, a Franchised Business in your Territory. We reserve all rights inside and outside the Territory except those we expressly grant in the Franchise Agreement, including the exclusive, unrestricted right, in our sole and absolute discretion, directly and indirectly: (a) to establish and operate, and license others to establish and operate, a Franchised Business under the System and the Proprietary Marks at any location outside the Territory; (b) to establish and operate, and license other parties to establish and operate, the Franchised Business under the System and Proprietary Marks in the Territory at any existing or future (1) shopping malls, (2) airports, (3) bus and train depots and other transportation terminals, (4) entertainment facilities (including sports stadiums) and theme parks, and (5) rest stops, plazas and similar locations accessible from limited access highways; (c) to sell or distribute, directly or indirectly, or license others to sell or distribute, products the same as or similar to those offered under the System, and any other products or services, at any location other than a Franchised Business (regardless of its proximity to your Franchised Business) whether within or outside the Territory under the same or different Proprietary Marks, including sales made at supermarkets, convenience stores, markets, and grocery stores, and over the Internet and/or other on-line networks and other communications methods; (d) to acquire and operate any business or store of any kind under different proprietary marks at any location (regardless of its proximity to your Franchised Business) whether located within or outside the Territory; and (e) within and outside the Territory to acquire, merge with, or otherwise affiliate with, and then own and operate, and franchise or license others to own and operate, any business of any kind, including any business that offers products similar to those offered under the System or that uses the Proprietary Marks or any other system or marks. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

You are restricted from soliciting, accepting orders from, or providing delivery service to customers outside your Territory. You do not have the right to use other channels of distribution, such as the Internet, telemarketing or other direct marketing, or delivery service to make sales outside your Territory, unless permitted by us in writing.

Under the Franchise Agreement, continuation of your location rights does not depend upon the volume of sales generated nor your penetration of the market potential. You do not have the right to acquire additional franchises, although you may apply for the right to operate additional Franchised Businesses pursuant to separate franchise agreements.

13. ITEM 13: TRADEMARKS

Under the Franchise Agreement, you will be granted the right to establish and operate the Franchised Business under the Proprietary Marks, including "Café Landwer" and such other trademarks, trade names, and service marks as we may designate as part of the System. In accordance with the Master Franchise Agreement (see Item 1), LCCL has granted to us the right to use and license the use of all marks associated with the System, including the marks “Café Landwer”.

The following mark is registered on the Principal Register of the United States Patent and Trademark Office:

MARK	REGISTRATION NUMBER	REGISTRATION DATE
Café Landwer	87798444	February 15, 2018

We have filed all required affidavits for the Proprietary Marks. There are currently no effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, or any state trademark administrator or court; or any pending infringement, opposition, or cancellation proceeding, or any pending material federal or state litigation involving the Proprietary Marks.

Other than the Master Franchise Agreement (see Item 1), there are no agreements currently in effect which significantly limit our rights to use or license the use of the Proprietary Marks in any manner material to the franchise. We know of no superior prior rights or infringing uses that could materially affect your use of the Proprietary Marks.

You may use the Proprietary Marks only for the purpose of operating and advertising the Franchised Business, in accordance with our standards. You may not use the Proprietary Marks in your corporate name, and every use of the "Café Landwer" mark as a service mark or trade name or other identifier of the Franchised Business must be in conjunction with the suffix or other words or phrases more specifically identifying the Franchised Business in the exact format that we prescribe. You must comply with our requirements, and all requirements imposed by the jurisdiction in which you operate the Franchised Business, concerning fictitious name usage.

You must promptly notify us of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to our ownership of, our right to use and to license others to use, or our right to use, the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement. We have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. We will defend you against any third-party claim, suit, or demand arising out of your use of the Proprietary Marks. If we, in our sole discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, the cost of your defense, including the cost of any judgment or settlement, will be borne by us. However, if we, in our sole discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, the cost of your defense, including the cost of any judgment or settlement, will be your responsibility. In any litigation relating to your use of the Proprietary Marks, you must sign all documents and do such acts as we may require to effectively carry out your defense or prosecution, including becoming a nominal party to any legal action. We will reimburse you for your out-of-pocket expenses for these acts, 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 may designate new, modified or replacement marks for your use, and require you, at your own expense, to use them in addition to or instead of any of the previously designated Proprietary Marks. These requirements may include, among things, conducting business under a different trade name. The marks also consist of other service marks, trademarks, trade names, slogans, commercial symbols, logos, trade dress, copyrighted material and intellectual property associated with the System, including those which we designate in the future.

14. ITEM 14: PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION

There are no registered patents or copyrights material to your operation of the franchise. There are no pending patent applications that are material to the franchise.

We do, however, claim common law copyright and trade secret protection for many elements of the System, including our confidential information (which includes our trade secrets, recipes, supplier information, operational standards, advertising, marketing and brand strategy information and other information relating to the establishment and operation of a Franchised Business that we designate as "Confidential Information"), our trade dress, copyrighted works and any designs or processes that may in the future be subject to a patent.

You may not, and you must use your best efforts to ensure that no other person discloses or uses (except as authorized by the Franchise Agreement) any of the contents of the Manual or any other trade secrets, whether during or after the term of your Franchise Agreement.

15. ITEM 15: OBLIGATIONS TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISED BUSINESS

You must personally participate in the day-to-day operation of your Franchised Business or Franchised Businesses. In addition, your day-to-day manager will be bound by certain provisions of the Franchise Agreement, including the confidentiality and non-compete provisions. Your manager need not have an equity interest in the franchise.

16. ITEM 16: RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You must offer for sale and sell all menu items, products and services that we designate for sale and only those menu items, products and services that we authorize for sale. We have the right to change the menu items that you must offer for sale.

We have the right to specify in the Manual or otherwise in writing certain third parties that may be designated suppliers for specified products, materials, supplies, paper goods, fixtures, furnishings and equipment used or sold at the Franchised Business. You must purchase these items from those suppliers designated by us in order to assure the uniform quality and image associated with the Franchised Business.

Unless expressly permitted by us, you may deliver products produced at your Franchised Business only within your Territory. You may not operate a temporary cart or kiosk at any location within your Territory without our consent. No vending, game, audio, video, internet, other coin or currency-operated machines, or any service, product or entertainment machine of any kind are permitted in your Franchised Business without our prior written consent.

17. ITEM 17: RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise Agreement	Summary

a. Length of the term of the franchise	2.1	20 years.
b. Renewal or extension of the term	2.2	You may renew for 1 additional 20-year term if certain conditions are met.
c. Requirements to renew or extend	2.2	Conditions to renewal or extension include timely delivery of written notice of your election to renew; completion of all required maintenance, refurbishing, renovating and remodeling of the Franchised Business and all of the equipment, fixtures, furnishings, interior and exterior signage as we require so that the Franchised Business reflects the then-current image of a Café Landwer; your compliance with the Franchise Agreement and substantial compliance with the terms of the Franchise Agreement during the term; your satisfaction of all monetary obligations that you owe to us and our affiliates; satisfaction of all monies owed to trade creditors; your ability to remain in possession of the Franchised Business premises for the duration of the renewal term; your execution of our then-current form of franchise agreement, which may have materially different terms and conditions than your initial franchise agreement; your execution (and your principals' execution) of a full and general release; your compliance with our then-current qualification and training requirements.
d. Termination by Franchisee	Not Applicable	Not Applicable
e. Termination by Franchisor without cause	Not Applicable	Not Applicable
f. Termination by Franchisor with "cause"	15.1, 15.2, 15.3	We can terminate the Franchise Agreement only if you default.
g. "Cause" defined — curable defaults	15.3	We can terminate the Franchise Agreement after providing you a 30 day cure period if you: fail to maintain the cleanliness of the Franchised Business; fail to substantially comply with the Franchise Agreement; fail to pay us monies owing under the Franchise Agreement; fail to maintain and observe our standards and specifications; fail to obtain our written approval when required; violate your lease; use marks confusingly similar to the Proprietary Marks; or receive a health code violation.
h. "Cause" defined — non-curable defaults	15.1, 15.2	The Franchise Agreement will terminate without an opportunity to cure if: you become insolvent or make a general assignment for the benefit of creditors; you file a voluntary bankruptcy petition; you are adjudicated bankrupt or insolvent; a bill in equity or other proceeding for the appointment of your receiver or other custodian for your business or assets is filed and consented to by you; a receiver or other custodian (permanent or temporary) of your assets or property is appointed by any court of competent jurisdiction; proceedings for a composition with creditors is instituted by or against you; a final judgment remains unsatisfied or of record for 30 days or longer; you are dissolved; execution is levied against the Franchised Business' business or property; suit to foreclose any lien or mortgage against the Franchised Business premises or equipment is instituted against you and not dismissed within 30 days; the real or personal property of the Franchised Business is sold after levy by any sheriff, marshal, constable or other government official; you fail to locate an approved site or

		open the Franchised Business within the required time limits; you fail to successfully complete the initial training program; you abandon the Franchised Business or lose your right to possession of the premises; you are convicted of a crime; you violate any non-competition covenant; you disclose any confidential information; you submit false reports to us; you misuse the Proprietary Marks; you refuse to permit us to inspect the Franchised Business; or you commit multiple defaults, whether or not cured. We can also terminate the Franchise Agreement if you default under another agreement with us that gives us the right to terminate that other agreement.
i. Franchisee's obligations on termination or non-renewal	16	You must stop operating the Franchised Business; refrain from holding yourself out as a present or former Café Landwer franchisee; stop using all Confidential Information and Proprietary Marks; cancel all assumed names containing the Proprietary Marks; refrain from infringing on our Proprietary Marks; pay all sums that you owe to us and our affiliates; pay us liquidated damages; return the Manuals and all other Confidential Information; comply with the non-compete covenants; provide us a summary of your advertising and promotion schedule; offer us the option to purchase, or assume the lease for, as applicable, the Franchised Business premises and to purchase the Franchised Business' assets; assign to us all telephone numbers that you used in connection with the operation of the Franchised Business; cancel or assign to us all Internet domain names, URLs and web site advertising containing or reflecting the Proprietary Marks.
j. Assignment of contract by Franchisor	14.1	We can transfer or assign the Franchise Agreement and all or any part of its rights or obligations to any person or legal entity, and any designated assignee of ours will become solely responsible for all obligations of ours under the Franchise Agreement from the date of assignment.
k. "Transfer" by Franchisee — defined	14.2	A transfer is when you sell, assign, transfer, convey, pledge, encumber, merge or give away any direct or indirect interest in the Franchise Agreement, in the Franchisee, or in all or substantially all of the assets of the Franchised Business.
l. Franchisor approval of transfer by Franchisee	14.2	Transfers require our prior written consent.
m. Conditions for Franchisor approval of transfer	14.3	You have satisfied all monetary obligations under the Franchise Agreement; you are not in default; the payment terms offered by the transferee are not excessive or unreasonable; you sign a general release; the transferee signs our then-current form of franchise agreement; the transferee is approved by us as a franchisee; and you pay us a transfer fee.
n. Franchisor's right of first refusal to acquire Franchisee's business	14.5	We can match any offer for your business by a third party.
o. Franchisor's option to purchase Franchisee's business	16	Upon the termination or expiration of the Franchise Agreement, we can require you to assign your lease and/or telephone number to us. We also have the option of purchasing the assets of the Franchised Business from you within 30 days, including equipment, furnishings, and signs.
p. Death or disability of	14.6	Upon the death or physical or mental incapacity of any person with

Franchisee		an interest in the Franchise Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person must transfer the interest to a third party approved by us within 6 months, which will be subject to the same conditions as any other transfer.
q. Non-competition covenants during the term of the franchise	10.2, 17	During the term of the Franchise Agreement, you may not own or have any interest in any business that offers food service or coffee drinks.
r. Non-competition covenants after the franchise is terminated or expires	10.2, 17	For 5 years after expiration or termination of the Franchise Agreement, within your Territory or 5 miles of your Franchised Business or any business operating under the Proprietary Marks, you may not own or have any interest in any business that offers food service or coffee drinks.
s. Modification of the Agreement	23	No amendment or change to the Franchise Agreement is binding on either you or us unless mutually agreed to by the parties and signed by their authorized officers or agents in writing.
t. Integration/merger clause	23	The Franchise Agreement and exhibits constitute the entire, full and complete agreement between you and us concerning the subject matter of the Franchise Agreement. Nothing in the Franchise Agreement is intended to disclaim any of the representations made in this disclosure document.
u. Dispute resolution by arbitration or mediation	NA	Not Applicable
v. Choice of forum	25.2	All disputes must be litigated in the U.S. District Court for the District of Massachusetts.
w. Choice of law	25.1	Delaware law governs all disputes.

18. ITEM 18: PUBLIC FIGURES

We do not use any public figures to promote our franchise.

19. ITEM 19: FINANCIAL PERFORMANCE REPRESENTATION

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchise 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 also be given, but only if: (1) a franchisor provide 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 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 our Chief Executive Officer, Nir Caspi, 900 Beacon Street, Boston, MA 02215 or (857) 753-4035; the Federal Trade Commission; and the appropriate state regulatory agencies.

20. ITEM 20: OUTLETS AND FRANCHISEE INFORMATION

Table No. 1

System-Wide Outlet Summary

For Years 2016 - 2018

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the end of the Year	Net Change
Franchised	2016	0	0	0
	2017	0	0	0
	2018	0	0	0
Company-Owned (Note 1)	2016	0	0	0
	2017	0	0	0
	2018	0	2	2
Total Outlets	2016	0	0	0
	2017	0	0	0
	2018	0	0	2

Note 1: See Item 1 regarding the regarding the Café Landwer that are owned and operated by us and our subsidiary.

Table No. 2

Transfers of Outlets from Franchisee to New Owners (other than the Franchisor or an Affiliate)

For Years 2016 to 2018

State	Year	Number of Transfers
All states	2016	0
	2017	0

	2018	0
Total	**2016**	**0**
	2017	**0**
	2018	**0**

Table No. 3

Status of Franchised Outlets

For Years 2016 to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Termin-ations	Non-Renewals	Re-acquired by Franchisor/ Affiliate	Ceased Operations — Other Reasons	Outlets at End of the Year
All States	2016	0	0	0	0	0	0	0
	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
Total	**2016**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2017	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2018	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Table No. 4

Status of Company-Owned Outlets

For Years 2016 to 2018

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Mass-achusetts	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0

	2018	0	2	0	0	0	0
All other	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	0	0	0	0	0
Total	2016	0	0	0	0	0	0
	2017	0	0	0	0	0	0
	2018	0	2	0	0	0	0

Table No. 5

Projected Openings As of December 31, 2019

State	**Franchise Agreements Signed But Outlet Not Opened as of December 31, 2017**	**Projected New Franchise Outlet in the Next Fiscal Year**	**Projected New Company-Owned Outlet in the Next Fiscal Year**
All states	0	1	0
Total	**0**	**1**	**0**

Exhibit F lists the name of all current franchisees and the addresses and telephone numbers of their Franchised Businesses, as of the date of this franchise disclosure document.

Exhibit G lists the name, city and state, and current business telephone number, or if unknown, the last known home telephone number, of each franchisee whose franchise was transferred, terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the franchise agreement during the most recently completed fiscal year; or who has not communicated with us within 10 weeks of the date of this disclosure document. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

In the last 3 fiscal years, we have not entered into any agreements with franchisees that contain confidentiality clauses restricting their ability to communicate with you. We are not aware of any trademark-specific franchisee organizations that are associated with our franchise system.

21. ITEM 21: FINANCIAL STATEMENTS

We began franchising as of the issuance date of this disclosure document and do not have 3 years of operational history. Attached to this disclosure document as Exhibit A are our unaudited financial statements (balance sheet, statement of operations and members equity and statement of cash flow) for the period beginning January 1, 2018 and ending December 31, 2018.

22. ITEM 22: CONTRACTS

Our standard form of Franchise Agreement is attached to this disclosure document as Exhibit C. Our standard form of the Development Agreement is attached to this disclosure document as Exhibit I.

23. ITEM 23: RECEIPT

Two copies of the Receipt for this disclosure document are attached to this disclosure document as Exhibit J. Please return one copy to us and retain one copy for your files.

EXHIBIT A: FINANCIAL STATEMENTS

L. Coffee Inc.
Balance Sheet
As of December 31, 2018

	As of Dec 31, 2018
ASSETS	
Current Assets	
Total Bank Accounts	**$ 1,906,137.77**
Other Current Assets	
Inventory	164,156.00
Prepaid Expenses	2,533.93
Total Repayment	**$ 0.00**
Security Deposit (Rent)	82,461.00
Supplies	125,623.98
Uncategorized Asset	37,034.00
Total Other Current Assets	**$ 411,808.91**
Total Current Assets	**$ 2,317,946.68**
Fixed Assets	
Accumulated Amortization	-26,454.00
Accumulated Depreciation	-81,330.00
Coffee machine	3,833.97
Computer	4,158.47
Equipment	2,666.41
Equipment restaurant	20,932.39
Espresso machine	26,606.40
Furniture and Equipment	2,027.44
Illuminated Sign	3,523.62
Juicer	12,342.00
Kitchen Equipment	205,406.36
Kitchen Front	10,000.00
Lease downpayment	5,000.00
Leasehold Improvements	1,409,368.21
LIGHTSPEED POS INC.	12,027.03
Liquor license	115,410.62

Security System		11,651.00
Small equipment- fix Asset		11,984.00
Start-up		988,330.00
Start Up- Wages		309,920.00
Start-up Legal Cost		38,293.00
Start-up Managment		222,013.00
Start-up- Advertising		36,802.00
Total Start-up	**$**	**1,595,358.00**
Waiter Unit		5,000.00
Total Fixed Assets	**$**	**3,349,511.92**
Other Assets		
Cash for Drawer		4,140.00
POS & CC Machines		10,162.32
Total Other Assets	**$**	**14,302.32**
TOTAL ASSETS	**$**	**5,681,760.92**
LIABILITIES AND EQUITY		
Liabilities		
Total Current Liabilities	**$**	**0.00**
Total Long-Term Liabilities	**$**	**5,585,282.50**
Total Liabilities	**$**	**5,585,282.50**
Equity		
Total Equity	**$**	**96,478.42**
TOTAL LIABILITIES AND EQUITY	**$**	**5,681,760.92**

L. Coffee Inc.
Profit and Loss
January 1 - December 31, 2018

	Jan - Dec 2018
Total Income	**$ 2,800,003.84**
Total Cost of Goods Sold	**$ 585,514.36**
Gross Profit	**$ 2,214,489.48**
Expenses	
Advertising and Promotion	0.08
Amortization Expense	26,454.00
Total Automobile Expense	**$ 17,191.64**
Bank Service Charges	1,873.40
Computer and Internet Expenses	1,199.06
Consulting	12,240.00
Contractor Expenses	-0.35
Corporate ExciseTax	900.00
Depreciation Expense	81,330.00
Dues and Subscriptions	2,598.48
Filing Fee	746.00
Insurance Expense	
Builder's Risk	1,546.00
General Liability Insurance	15,315.17
Travel	368.26
Workers compensation	6,621.07
Total Insurance Expense	**$ 23,850.50**
Internet	4,262.98

Laundry Service		3,775.44
Licenses and permits		7,260.00
Meals and Entertainment		5,367.22
Meals Taxes		147,220.76
Office Expense		459.40
Office Supplies		3,316.01
Total Payroll Expenses	**$**	**1,333,797.37**
Payroll fees		4,238.21
Pest control		1,515.45
POS System		1,021.09
Postage and delivery		1,970.85
Processing fees		27,352.86
Professional Fees		4,893.00
Accounting		5,303.50
Legal		0.36
Online Ordering Company		1,618.06
Total Professional Fees	**$**	**11,814.92**
Recruiting		3,463.42
Rent Expense		334,509.81
Repairs and Maintenance		-52.04
Security Monitoring		490.00
Small equipment		-0.45
Supplies for restaurant		32,172.63
Telephone Expense		3,434.21
Total Travel Expense	**$**	**36,069.40**
Uniform		4,086.40
Total Utilities	**$**	**82,825.79**
Total Expenses	**$**	**2,218,754.54**
Net Operating Income	**-$**	**4,265.06**
Other Income		
Interest Earned		569.96
Total Other Income	**$**	**569.96**
Net Other Income	**$**	**569.96**
Net Income	**-$**	**3,695.10**

L. Coffee Inc.
Statement of Cash Flows
January 1 - December 31 2018

	2018 Total
OPERATING ACTIVITIES	
Net Income	-2,345.10
Adjustments to reconcile Net Income to Net Cash provided by operations:	
Accounts Receivable	-1,350.00
Inventory	-152,150.00
Security Deposit (Rent)	-82,461.00
Supplies	-7,265.77
Start-up:Start-up Legal Cost	-38,293.00
Start-up:Start-up Managment	-222,013.00
Start-up:Start-up- Advertising	-36,802.00
Total Adjustments to reconcile Net Income to Net Cash provided by operations:	**-$ 540,334.77**
Net cash provided by operating activities	**-$ 542,679.87**
INVESTING ACTIVITIES	
Accumulated Amortization	26,454.00
Accumulated Depreciation	81,330.00
Computer	-2,305.49
Equipment	-1,229.50
Equipment restaurant	-19,182.39
Espresso machine	-12,379.20
Furniture and Equipment	-2,027.44
Juicer	-7,165.00
Kitchen Equipment	-145,406.36
Leasehold Improvements	-924,244.21
Liquor license	-115,410.62
Security System	-1,892.00
Small equipment- fix Asset	-11,984.00
Start-up:Start Up- Wages	-309,920.00
Cash for Drawer	-4,140.00
POS & CC Machines	-10,162.32
Net cash provided by investing activities	**-$ 1,459,664.53**
Net cash provided by financing activities	**$ 3,376,375.50**
Net cash increase for period	**$ 1,374,031.10**
Cash at beginning of period	532,106.67
Cash at end of period	**$ 1,906,137.77**

EXHIBIT B: TABLE OF CONTENTS OF OPERATIONS MANUAL

CAFÉ LANDWER
OPERATIONS MANUAL

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EXHIBIT C: FRANCHISE AGREEMENT

L. COFFEE INC.
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L. COFFEE INC.
FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT ("Agreement") is made and entered into on _____, by and between L. COFFEE INC., a Delaware corporation with its principal place of business at 900 Beacon Street, Boston, MA 02215 ("Franchisor"), and _____, a _____with its principal place of business at [_____] ("Franchisee").

WHEREAS, Franchisor, is the licensor of a distinctive system relating to the establishment, operation, and promotion of restaurants, which offer specialty coffees, lunch, dinner and desserts, and all of which may be changed, improved and further developed by Franchisor from time to time (the "System"); and

WHEREAS, the distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, décor, color scheme, fixtures, and furnishings; standards and specifications for menu items, recipes, products and supplies; uniform standards, specifications, and procedures for operations; procedures for screening, recruiting and training personnel; payroll and bookkeeping procedures and policies; training and assistance; marketing methods; and advertising and promotional programs; all of which may be changed, improved and further developed by Franchisor from time to time; and

WHEREAS, the System is identified by means of certain trade names, service marks, trademarks, trade dress, logos, emblems, and indicia of origin, including, but not limited to, the name "Café Landwer," as are now designated and may hereafter be designated by Franchisor in writing for use in connection with the System (the "Proprietary Marks"); and

WHEREAS, Franchisee desires to enter into the business of operating a Café Landwer under Franchisor's System and Proprietary Marks, and wishes to enter into an agreement with Franchisor for that purpose, and to receive the training and other assistance provided by Franchisor in connection therewith; and

WHEREAS, Franchisee understands and acknowledges the importance of Franchisor's high standards of quality, cleanliness, appearances, and service and the necessity of operating the business franchised hereunder in conformity with Franchisor's standards and specifications.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 Grant of Franchise. Franchisor grants to Franchisee the right and Franchisee undertakes the obligation, upon the express terms and conditions set forth in this Agreement, to establish and operate a Café Landwer under the Proprietary Marks and System (the "Café Landwer" or "Franchised Business"), and to use the Proprietary Marks and the System, as they may be changed and improved from time to time at Franchisor's sole discretion, solely in connection therewith.

1.2 Approved Location. Franchisee shall operate the Franchised Business only at the location identified in Exhibit A (the "Approved Location"). If, at the time of execution of this Agreement, a location for the Franchised Business has not been obtained by Franchisee and approved by Franchisor, Franchisee shall lease or acquire a location within one hundred

and eighty days (180) days after the date of this Agreement, subject to the Franchisor's approval, as provided for in the Site Selection Addendum attached hereto as Exhibit B. Franchisee shall not relocate the Franchised Business without the prior written approval of Franchisor. Franchisor shall have the right, in its sole discretion, to withhold approval of relocation.

1.3 Franchisee's Territory. Except as otherwise provided in this Agreement, during the term of this Agreement, Franchisor shall not establish or operate, nor license any other person to establish or operate, a Café Landwer under the System and the Proprietary Marks at any location within the territory described in Exhibit A (the "Franchisee's Territory"). Franchisor and its affiliates further retain the rights, among others, on any terms and conditions Franchisor deems advisable, and without granting Franchisee any rights therein:

1.3.1 to establish and operate, and license others to establish and operate, Café Landwer under the System and the Proprietary Marks at any location outside the Franchisee's Territory;

1.3.2 to sell or distribute, directly or indirectly, or license others to sell or distribute, products the same as or similar to those offered under the System, and any other products or services, at any location other than Café Landwer (notwithstanding its proximity to the Approved Location) whether within or outside the Franchisee's Territory under the same or different Proprietary Marks, including, without limitation, sales made at supermarkets, convenience stores, markets, and grocery stores, and over the Internet and/or other on-line networks and other communications methods now or hereafter devised of any nature whatsoever;

1.3.3 to acquire and operate any business or store of any kind under different proprietary marks at any location (notwithstanding its proximity to the Approved Location) whether located within or outside the Franchisee's Territory; and

1.3.4 within and outside Franchisee's Territory, and notwithstanding any other provision hereof, to acquire, merge with, or otherwise affiliate with, and thereafter own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products the same as or similar to those offered under the System or that uses the Proprietary Marks or any other system or marks.

1.4 Supplementing the System. Franchisee acknowledges that the System may be supplemented, improved, and otherwise modified from time to time by Franchisor; and Franchisee agrees to comply with all reasonable requirements of Franchisor in that regard, including, without limitation, offering and selling new or different products or services as specified by Franchisor.

2. TERM AND RENEWAL

2.1 Term. This Agreement shall be in effect upon its acceptance and execution by Franchisor and, except as otherwise provided herein, the term of this Agreement shall be twenty (20) years from the date first above written.

2.2 Renewal. Franchisee may, subject to the following conditions, renew the rights granted under this Agreement for one (1) additional consecutive term(s) of ten (10) years.

Franchisor may require, in its sole discretion, that any or all of the following conditions be met prior to such renewal:

2.2.1 Franchisee shall give Franchisor written notice of Franchisee's election to renew not less than six (6) months nor more than twelve (12) months prior to the end of the then-current term;

2.2.2 Franchisee shall make or provide for, in a manner satisfactory to Franchisor, such maintenance, refurbishment, renovation and remodeling of the premises of the Franchised Business (the "Premises") as Franchisor may reasonably require, including, without limitation, installation of new equipment and installation or renovation of signs, furnishings, fixtures, and décor to reflect the then-current standards and image of the System;

2.2.3 Franchisee and all of its affiliates shall not be in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates; and Franchisee and all of its affiliates shall have substantially complied with all the terms and conditions of such agreements during the terms thereof;

2.2.4 Franchisee and all of its affiliates shall have satisfied all monetary obligations owed by Franchisee to Franchisor and its affiliates under this Agreement, and shall have timely met those obligations throughout the term of this Agreement;

2.2.5 Franchisee shall present evidence satisfactory to Franchisor that Franchisee has the right to remain in possession of the Premises for the duration of the renewal term (including without limitation providing Franchisor a complete copy of Franchisee's lease and all exhibits and amendments thereto) or shall obtain Franchisor's approval of a new location for the Franchised Business for the duration of the renewal term;

2.2.6 Franchisee shall, at Franchisor's option, execute Franchisor's then-current form of franchise agreement (but only for such renewal terms as are provided by this Agreement), which shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty fee and advertising contribution and a smaller or modified Franchisee's Territory, except that Franchisee shall not be required to pay any initial franchise fee (but shall be required to pay the renewal fee set forth in Section 2.2.9 hereof);

2.2.7 Franchisee shall execute, and shall cause each of its affiliates to execute, a general release, in a form prescribed by Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, and employees;

2.2.8 Franchisee shall comply with Franchisor's then-current qualification and training requirements; and

2.2.9 Franchisee shall pay Franchisor a renewal fee in the amount of fifty percent (50%) of Franchisor's then-current initial franchise fee.

3. DUTIES OF FRANCHISOR

3.1 Plans and Specifications. Franchisor, an Affiliate of Franchisor, or vendor designated by Franchisor shall provide, at the expense of Franchisee, (a) standard architectural plans for the Franchised Business, including exterior and interior design and layout, and (b) specifications for fixtures, furnishings and signs. Franchisee acknowledges that such layout and specifications shall not contain the requirements of any federal, state or local law, code or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the "ADA") or similar rules governing public accommodations or commercial facilities for persons with disabilities).

3.2 Training. Franchisor shall provide training as set forth in Section 6 hereof.

3.3 Opening Assistance. Franchisor shall provide up to two (2) representatives to provide such on-site, pre-opening and opening assistance as Franchisor, in its sole discretion, deems appropriate.

3.4 Additional Assistance. On Franchisee's reasonable request, and in Franchisor's sole discretion, Franchisor will make available to Franchisee advice and assistance on the proper implementation of the System and operation of the Franchised Business. Franchisor shall have the right to charge a reasonable fee for such advice and assistance.

3.5 Advertising and Promotional Materials. Franchisor shall make available to Franchisee advertising and promotional materials as provided in Section 12 hereof.

3.6 Confidential Operating Manual. Franchisor shall provide Franchisee, on loan, one copy of Franchisor's Confidential Operating Manual (the "Manual"), as more fully described in Section 9 hereof.

3.7 Products. During the required time period of operations of the Franchised Business, as specified by Franchisor in the Manual or otherwise in writing from time to time, Franchisor shall make available to Franchisee for sale, or designate or approve other suppliers who shall make available to Franchisee for sale, products, ingredients, menu items, and supplies as Franchisor may designate in the Manual or in writing from time to time.

3.8 Brand Fund. Franchisor may administer an advertising and brand promotion fund in the manner set forth in Section 12 hereof.

3.9 Inspections. Franchisor shall have the right, as it deems advisable in its sole discretion, to conduct inspections of Franchisee's operation of the Franchised Business, including annual inspections prior to the Franchised Business opening for each season.

3.10 Performance by Designee. Franchisee acknowledges and agrees that any duty or obligation imposed on Franchisor by this Agreement may be performed by any designee, employee, or agent of Franchisor, as Franchisor may direct.

4. **FEES**

4.1 Initial Franchise Fee. In consideration of the franchise granted herein, Franchisee shall pay to Franchisor, on execution of this Agreement, an initial franchise fee of thirty-thousand dollars ($30,000). The entire initial franchise fee is fully earned and non-refundable in consideration of administrative and other expenses incurred by Franchisor in

granting this franchise and for Franchisor's lost or deferred opportunity to enter into this Agreement with others.

4.2 Royalty Fees. Franchisee shall pay to Franchisor a continuing royalty fee in an amount equal to five percent (5%) of Gross Sales for each month during the term of this Agreement, which shall be paid to Franchisor in accordance with Section 4.4 below.

4.3 Gross Sales. "Gross Sales" means all revenues generated from sales of all products and services conducted at, from or with respect to the Franchised Business, whether such sales are evidenced by cash, check, credit, charge, account, barter or exchange. Gross Sales shall not include the sale of products or services for which refunds have been made in good faith to customers, the sale of equipment or furnishings used in the operation of the Franchised Business, any sales taxes or other taxes collected from customers by Franchisee and paid directly to the appropriate taxing authority.

4.4 Advertising Expenditures. Franchisee shall make monthly expenditures and contributions for advertising and promotion as specified in Section 12 hereof.

4.5 Payments. All payments to Franchisor required by Sections 4.2 and 12 hereof shall be paid by the tenth (10th) day of each month based on the Gross Sales from the preceding month. All such payments shall be made by direct deposit or electronic funds transfer. All such payments shall be accompanied by such Gross Sales reports as Franchisor requires under Section 11.2 below. Any payment or Gross Sales report not actually received by Franchisor on or before such date shall be deemed overdue. If any payment or Gross Sales report is overdue, Franchisee shall pay Franchisor immediately upon demand, in addition to the overdue amount, a "late charge" on such amount from the date it was due until received by Franchisor, at the rate of two percent (2%) per month on the overdue amount, or the maximum rate permitted by applicable law. Entitlement to such late charges shall be in addition to any other remedies Franchisor may have. Franchisee shall not be entitled to set off any payments required to be made under this Section 4 against any monetary claim it may have against Franchisor. Franchisor reserves the right to require Franchisee to make any or all payments under this Agreement to an affiliate of Franchisor.

4.6 Bank Account. Franchisee shall deposit all revenues from operation of the Franchised Business into one bank account within two (2) days of receipt, including cash, checks, credit card receipts or the value of other forms of payment. Franchisee shall furnish to Franchisor, upon Franchisor's request, such bank and account number, a voided check from such bank account, and written authorization for Franchisor to withdraw funds from such bank account via electronic funds transfer without further consent or authorization for all payments payable by Franchisee to Franchisor hereunder. Franchisee agrees to execute any and all documents as may be necessary to effectuate and maintain the electronic funds transfer arrangement, as required by Franchisor. Franchisee agrees to pay all costs associated with any such transfer. In the event Franchisee changes banks or accounts for the bank account required by this Section 4.6, Franchisee shall, prior to such change, provide such information concerning the new account and an authorization to make withdrawals therefrom. Franchisee's failure to provide such information concerning the bank account required by this Section 4.6 or any new account, or Franchisee's withdrawal of consent to withdrawals for whatever reason and by whatever method, shall be a breach of this Agreement.

5. **OPENING OF FRANCHISED BUSINESS**

5.1 Construction. Franchisee shall renovate or construct, and equip, the Franchised Business at Franchisee's own expense. Before commencing any renovation or construction of the Franchised Business, Franchisee, at its expense, shall adapt the preliminary plans and drawings provided to Franchisee under Section 3.1 above by having prepared draft and final architectural drawings and specifications of the Premises by a licensed architect or engineer. Such draft and final drawings and specifications shall be submitted to Franchisor for its prior written approval. The drawings and specifications shall not thereafter be changed or modified without the prior written approval of Franchisor. Franchisor's approval hereunder shall not relate to Franchisee's obligations with respect to any federal, state or local laws, codes or regulations including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Business, which shall be Franchisee's sole responsibility.

5.2 Permits. Franchisee shall be responsible, at Franchisee's expense, for conforming the premises to local ordinances, building codes and the ADA, and for obtaining all zoning classifications, permits, and clearances, including, but not limited to, certificates of occupancy and certificates of health, which may be required by federal, state or local laws, ordinances, or regulations, or which may be necessary or advisable owing to any restrictive covenants relating to the premises or required by the lessor.

5.3 Opening Deadline. Franchisee shall obtain Franchisor's written approval prior to first opening the Franchised Business, which approval shall not be unreasonably withheld. Franchisee shall commence operation of the Franchised Business not later than twelve (12) months after the date of this Agreement, if Franchisee has selected a site prior to the execution hereof or, if Franchisee has executed the Site Selection Addendum, within one twelve (12) months after obtaining an Approved Location. The parties agree that time is of the essence in the opening of the Franchised Business.

6. **TRAINING**

6.1 Initial Training Program. Prior to the opening of the Franchised Business, Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal of Franchisee approved by Franchisor) and all managers of the Franchised Business, approved by Franchisor, shall attend and complete to Franchisor's satisfaction the initial training program offered by Franchisor. Any persons subsequently employed by Franchisee in the position of manager shall also attend and complete Franchisor's training program, to Franchisor's satisfaction, within ninety (90) days of their date of hire. Franchisee, Franchisee's managers, and other employees shall also attend such additional courses, seminars and other training programs as Franchisor may reasonably require from time to time.

6.2 Training Expenses. All training programs required by Section 6.1 hereof shall be at such times and places as may be designated by Franchisor, and also may be conducted via Internet, intranet, conference call, or such other means as Franchisor determines in its sole discretion. For all training courses, seminars and programs required by Section 6.1 hereof, Franchisor shall provide, at no charge to Franchisee, instructors, training materials, and technical training tools. Franchisee shall be responsible for any and all other expenses incurred by Franchisee and its employees in connection with the initial training program

and any additional courses, seminars, and other training programs, including, without limitation, the costs of transportation, lodging, meals, and wages.

7. DUTIES OF FRANCHISEE

7.1 Operating Standards. Franchisee understands and acknowledges that every detail of the Franchised Business is important to Franchisee, Franchisor and other franchisees in order to develop and maintain high operating standards, to increase the demand for the products sold by all franchised businesses operating under the System, and to protect Franchisor's reputation and goodwill.

7.2 Shop Operations. Franchisee shall use the Premises solely for the operation of the business franchised hereunder; shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may specify; shall refrain from using or permitting the use of the Premises for any other purpose or activity at any time without first obtaining the written consent of Franchisor; and shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Franchisee shall refrain from deviating from such standards, specifications, and procedures without Franchisor's prior written consent.

7.3 Adherence to Standards and Specifications. To ensure that the highest degree of quality and service is maintained, Franchisee shall operate the Franchised Business in strict conformity with such methods, standards, and specifications as Franchisor may from time to time prescribe in the Manual or otherwise in writing. Franchisee agrees:

7.3.1 To maintain in sufficient supply as Franchisor may prescribe in the Manual or otherwise in writing, and to use at all times, only such products and ingredients acquired from a supplier or suppliers designated or approved by Franchisor, and such other ingredients, products, materials, supplies, paper goods, fixtures, furnishings, equipment, signs and menu items, as conform with Franchisor's standards and specifications, and to refrain from deviating therefrom by the use of nonconforming items, without Franchisor's prior written consent. Franchisor may designate itself or an affiliate to be an approved supplier, or the only approved supplier, of any products or other items.

7.3.2 To sell or offer for sale only such menu items, and other products and services as have been expressly approved for sale in writing by Franchisor; to sell or offer for sale all types of menu items, and other products and services specified by Franchisor; to refrain from any deviation from Franchisor's standards and specifications without Franchisor's prior written consent; and to discontinue selling and offering for sale any menu items, or other products or services which Franchisor may, in its discretion, disapprove in writing at any time.

7.3.3 To purchase products and supplies designated by Franchisor solely from Franchisor or such other designated sources as Franchisor may describe in the Manual or otherwise in writing from time to time.

7.3.4 Franchisee agrees that all products shall be stored, maintained and served in strict conformity with Franchisor's standards, specifications and procedures, including, without limitation, stored in equipment approved by Franchisor in the Manual or in

writing from time to time, from the time of delivery to the time of sale, as Franchisor may specify in the Manual or otherwise in writing from time to time.

7.3.5 Franchisee acknowledges and agrees that all products shall be fresh and served in strict accordance with the temperature, appearance and quality standards prescribed in the Manual or otherwise in writing from time to time, and that any products failing to meet such standards shall not be offered for sale or sold by Franchisee. Franchisee acknowledges and agrees that Franchisor shall have the right to require that any product be immediately removed from sale if Franchisee, during any inspection, reasonably believes the products are not fresh or are of substandard quality. Franchisee agrees to immediately remove, upon Franchisor's request, such products from sale.

7.3.6 To use and display only the standard menu format required by Franchisor, as the same may be revised by Franchisor from time to time. Any change in the menu format must be approved in writing by Franchisor prior to use.

7.3.7 To sell all products hereunder at retail and not sell such products at wholesale or for re-sale, and to refrain from selling any products at any location other than the Approved Location, except as described in Section 7.4.9 below.

7.3.8 To use, in the operation of the Franchised Business, such standards, specifications, and procedures as prescribed by Franchisor.

7.3.9 To serve alcoholic beverages from the Franchised Business, subject to local laws and ordinances and the availability and procurement of all required licenses and permits.

7.3.10 To refrain from selling or advertising any products or services hereunder on the Internet without Franchisor's prior, written approval.

7.3.11 To participate in Franchisor's gift certificate or loyalty programs for all Café Landwer restaurants operating under the System, as prescribed by Franchisor in the Manual or otherwise in writing from time to time, including, but not limited to, selling and offering for sale gift certificates which may be redeemed at any Café Landwer for menu items or retail products; permitting customers who purchased gift certificates from another Café Landwer or Franchisor to redeem their gift certificates for menu items or retail products at Franchisee's Franchised Business; and participating in Franchisor's customer complaint program, which may require Franchisee's offering free gift certificates, at Franchisee's expense, to customers complaining about service at Franchisee's Franchised Business. Franchisee must comply with all of Franchisor's policies regarding advertising and promotion, including the use and acceptance of coupons.

7.4 Fixtures, Furnishings, and Equipment. Franchisee shall purchase and install, at Franchisee's expense, all fixtures, furnishings, supplies, equipment (including, without limitation, décor, and signs as Franchisor may reasonably direct from time to time); and shall refrain from installing or permitting to be installed on or about the Premises, without Franchisor's prior written consent, any fixtures, furnishings, equipment, décor, signs or other items not previously approved by Franchisor.

7.5 Sources of Products. All products sold or offered for sale at the Franchised Business, and other products, materials, supplies, paper goods, fixtures, furnishings and equipment used or sold at the Franchised Business, shall meet Franchisor's then-current standards and specifications, as established in the Manual or otherwise in writing. Except as provided in Section 7.3 and 7.4 hereof, Franchisee shall purchase all food items, ingredients, supplies, materials, and other products and equipment used or offered for sale at the Franchised Business for which Franchisor has established standards or specifications solely from Franchisor, an affiliate of Franchisor, or suppliers (including manufacturers, distributors and other sources) designated by Franchisor that demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's standards and specifications, who possess adequate quality controls and capacity to supply Franchisee's needs promptly and reliably, and who have been approved by Franchisor in the Manual or otherwise in writing. Franchisor reserves the right to require Franchisee to purchase any or all approved products, equipment, and merchandise solely from Franchisor or an affiliate of Franchisor. If Franchisee desires to purchase products from a party other than an approved supplier, Franchisee shall submit to Franchisor a written request to approve the proposed supplier, together with such evidence of conformity with Franchisor's specifications as Franchisor may reasonably require. Franchisor shall have the right to require that its representatives be permitted to inspect the supplier's facilities, and that samples from the supplier be delivered for evaluation and testing either to Franchisor or to an independent testing facility designated by Franchisor. A charge not to exceed the reasonable cost of the evaluation and testing shall be paid by Franchisee. Franchisor shall use its best efforts, within thirty (30) days after its receipt of such completed request and completion of such evaluation and testing (if required by Franchisor), to notify Franchisee in writing of its approval or disapproval of the proposed supplier. Franchisee shall not sell or offer for sale any products of the proposed supplier until Franchisor's written approval of the proposed supplier is received. Franchisor may from time to time revoke its approval of particular products or suppliers when Franchisor determines, in its sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee shall cease to sell any disapproved products and cease to purchase from any disapproved supplier. Franchisee agrees that it shall use products purchased from approved suppliers solely for the purpose of operating the Franchised Business and not for any other purpose, including, without limitation, resale. Nothing in the foregoing shall be construed to require Franchisor to make available to prospective suppliers, standards and specifications for formulas, including, without limitation, the recipes or ingredients for proprietary or trade secret products that Franchisor, in its sole discretion, deems confidential. Notwithstanding the above, Franchisor reserves the right, in its business judgment, to require Franchisee to purchase any or all approved products, equipment, merchandise, or services used in the Franchised Business solely from Franchisor or an affiliate of Franchisor.

7.6 Initial Inventory. At the time the Franchised Business opens for the first time, Franchisee shall stock the initial inventory of products and supplies prescribed by Franchisor in the Manual or otherwise in writing. Thereafter, Franchisee shall stock and maintain all types of approved products in quantities sufficient to meet reasonably anticipated customer demand.

7.7 On-Premises Supervision. The Franchised Business shall at all times be under the direct, on-premises supervision of an individual who has satisfactorily completed the

training as required by Section 6.1 hereof. Franchisee shall maintain a competent, conscientious, trained staff, including a manager (who may be Franchisee) who has completed the training described in Section 6.1 hereof. Franchisee shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous and knowledgeable service; wear uniforms of the color, design, and other specifications that Franchisor requires; present a neat and clean appearance during all hours of operation; and meet such additional minimum standards as Franchisor may establish from time to time in the Manual. Franchisee and its employees shall handle all customer complaints, refunds, returns and other adjustments in a manner that will not detract from the name and goodwill of Franchisor. Franchisee shall take such steps as are necessary to ensure that its employees do not violate Franchisor's policies relating to the use of Networking Media Sites (as defined in Section 8.8 below), including, but not limited to, prohibiting employees from posting any information relating to Franchisor, the System, the Proprietary Marks, or the Franchised Business on any Networking Media Site that is inconsistent with such policies. Franchisee shall be solely responsible for all employment decisions and functions of the Franchised Business, including, without limitation, those related to hiring, firing, training, wage and hour requirements, record-keeping, supervision, and discipline of employees.

7.8 Inspections. Franchisee shall permit Franchisor and its agents to enter upon the Franchised Business premises at any time during normal business hours for the purpose of conducting inspections; shall cooperate with representatives of Franchisor in such inspections by rendering such assistance as they may reasonably request; and, upon notice from Franchisor or its agents, and without limiting Franchisor's other rights under this Agreement, shall take such steps as may be necessary to correct immediately any deficiencies detected during any such inspection. Should Franchisee, for any reason, fail to correct such deficiencies within a reasonable time as determined by Franchisor, Franchisor shall have the right, but not the obligation, to correct any deficiencies which may be susceptible to correction by Franchisor and to charge Franchisee a reasonable fee for Franchisor's expenses in so acting, payable to Franchisor upon demand. The foregoing shall be in addition to such other remedies Franchisor may have.

7.9 Advertising Materials. Franchisee shall ensure that all advertising and promotional materials, signs, decorations and other items specified by Franchisor bear the Proprietary Marks in the form, color, location, and manner prescribed by Franchisor.

7.10 Maintenance of Premises. Franchisee shall maintain the Franchised Business premises (including the adjacent public areas) in a clean, orderly condition and in excellent repair; and, in connection therewith, Franchisee shall, at its expense, make such additions, alterations, repairs and replacements thereto (but no others without Franchisor's prior written consent) as may be required for that purpose, including, without limitation, such periodic repainting or replacement of obsolete signs, furnishings, equipment and décor as Franchisor may reasonably direct.

7.11 Refurbishment. At Franchisor's request, but no more than once every seven (7) years, unless sooner required by Franchisee's lease, Franchisee shall refurbish the Franchised Business premises, at its expense, to conform to the building design, trade dress, color schemes and presentation of the Proprietary Marks in a manner consistent with the then-current image for new Café Landwer franchised businesses; provided, however, that the costs of such refurbishment shall not exceed twenty percent (20%) of the initial costs

of construction of the Approved Location. Such refurbishment may include, without limitation, structural changes, remodeling, redecoration and modifications to existing improvements.

7.12 Changes to the System. Franchisee shall not implement any change, amendment or improvement to the System without the express prior written consent of Franchisor. Franchisee shall notify Franchisor in writing of any change, amendment or improvement in the System which Franchisee proposes to make, and shall provide to Franchisor such information as Franchisor requests regarding the proposed change, amendment or improvement. Franchisee acknowledges and agrees that Franchisor shall have the right to incorporate the proposed change, amendment or improvement into the System and shall thereupon obtain all right, title and interest therein without compensation to Franchisee.

7.13 Compliance With Lease. Franchisee shall comply with all the terms of its lease or sublease and all other agreements affecting the operation of the Franchised Business; shall promptly furnish Franchisor a copy of its lease, upon request; shall undertake best efforts to maintain a good and positive working relationship with its landlord and/or lessor; and shall refrain from any activity which may jeopardize Franchisee's right to remain in possession of, or to renew the lease or sublease for, the Franchised Business premises.

7.14 Health and Safety Standards. Franchisee shall meet and maintain the highest health and safety standards and ratings applicable to the operation of the Franchised Business. Franchisee shall furnish to Franchisor within forty-eight (48) hours after receipt thereof, a copy of any violation or citation which indicates Franchisee's failure to maintain local health or safety standards in the operation of the Franchised Business.

7.15 Pricing. Franchisor shall have the right to determine the prices of the products and services offered, sold, and advertised by Franchisee. Franchisor also shall have the right to establish minimum prices and/or maximum prices of the products and services offered, sold, and advertised by Franchisee. Franchisee shall strictly adhere to the prices (including minimum and/or maximum prices) established by Franchisor. Franchisor retains the right to modify the prices from time to time in its reasonable discretion.

8. PROPRIETARY MARKS AND TECHNOLOGY

8.1 Franchisor's Representations. Franchisor represents with respect to the Proprietary Marks:

8.1.1 Franchisor has the right to use, and to license others to use, the Proprietary Marks in accordance with this Agreement; and

8.1.2 Franchisor has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks.

8.2 Franchisee's Use of the Proprietary Marks. With respect to Franchisee's use of the Proprietary Marks, Franchisee agrees that:

8.2.1 Franchisee shall use only the Proprietary Marks designated by Franchisor, and shall use them only in the manner authorized and permitted by Franchisor;

8.2.2 Franchisee shall use the Proprietary Marks only for the operation of the Franchised Business and only at the Approved Location, or in advertising for the Franchised Business conducted at or from the Approved Location;

8.2.3 Unless otherwise authorized or required by Franchisor, Franchisee shall operate and advertise the Franchised Business only under the name "Café Landwer" and shall use all Proprietary Marks without prefix or suffix. Franchisee shall not use the Proprietary Marks as part of its corporate or other legal name;

8.2.4 During the term of this Agreement and any renewal or extension hereof, Franchisee shall identify itself as the owner of the Franchised Business (in the manner required by Franchisor) in conjunction with any use of the Proprietary Marks, including, but not limited to, on invoices, order forms, receipts, business stationery, and contracts with all third parties or entities, as well as the display of such notices in such content and form and at such conspicuous locations as Franchisor may designate in writing;

8.2.5 Franchisee's 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 Franchisor's rights and will entitle Franchisor to exercise all of its rights under this Agreement in addition to all rights available at law or in equity;

8.2.6 Franchisee shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of Franchisor;

8.2.7 Franchisee shall execute any documents deemed necessary by Franchisor to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability;

8.2.8 Franchisee shall promptly notify Franchisor of any suspected unauthorized use of the Proprietary Marks, any challenge to the validity of the Proprietary Marks, or any challenge to Franchisor's ownership of, Franchisor's right to use and to license others to use, or Franchisee's right to use, the Proprietary Marks. Franchisee acknowledges that Franchisor has the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. Franchisor has the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. Franchisor shall defend Franchisee against any third-party claim, suit, or demand arising out of Franchisee's use of the Proprietary Marks. If Franchisor, in its sole discretion, determines that Franchisee has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisor. If Franchisor, in its sole discretion, determines that Franchisee has not used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, shall be borne by Franchisee. In the event of any litigation relating to Franchisee's use of the Proprietary Marks, Franchisee shall execute any and all documents and do such acts as may, in the opinion of Franchisor, be necessary to carry out such defense or prosecution, including, but not limited to, becoming a nominal party to any legal action. Except to the extent that such litigation is the result of Franchisee's use of the Proprietary Marks in a manner inconsistent with the terms of this Agreement, Franchisor agrees to reimburse Franchisee for its out-of-pocket costs in doing such acts; and

8.2.9 Franchisee shall not attempt to register or otherwise obtain any interest in any Internet domain name or URL containing any of the Proprietary Marks or any other word, name, symbol or device which is likely to cause confusion with any of the Proprietary Marks.

8.3 Acknowledgements. Franchisee expressly understands and acknowledges that:

8.3.1 Franchisor has the right to use, and license others to use, the Proprietary Marks;

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

8.3.3 During the term of this Agreement and after its expiration or termination, Franchisee shall not directly or indirectly contest the validity of Franchisor's ownership of, or Franchisor's right to use and to license others to use, the Proprietary Marks;

8.3.4 Franchisee's use of the Proprietary Marks does not give Franchisee any ownership interest or other interest in or to the Proprietary Marks;

8.3.5 Any and all goodwill arising from Franchisee's use of the Proprietary Marks shall inure solely and exclusively to the benefit of Franchisor, and upon expiration or termination of this Agreement and the license granted herein, no monetary amount shall be assigned to Franchisee or any of its principals, affiliates, subsidiaries, successors, licensees or assigns as attributable to any goodwill associated with Franchisee's use of the System or the Proprietary Marks;

8.3.6 Except as specified in Section 1.3 hereof, the license of the Proprietary Marks granted hereunder to Franchisee is nonexclusive, and Franchisor and its affiliates thus have and retain the rights, among others: (a) to use the Proprietary Marks itself in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses thereto without providing any rights therein to Franchisee; and

8.3.7 Franchisor reserves the right, in Franchisor's sole discretion, to modify, add to, or discontinue use of the Proprietary Marks, or to substitute different proprietary marks, for use in identifying the System and the businesses operating thereunder. Franchisee agrees promptly to comply with such changes, revisions and/or substitutions, and to bear all the costs of modifying Franchisee's signs, advertising materials, interior graphics and any other items which bear the Proprietary Marks to conform therewith.

8.4 Computer System and Required Software.

8.4.1 Franchisor shall have the right to specify or require that certain brands, types, makes, and/or models of communications, computer systems, and hardware be used by Franchisee, including without limitation: (a) back office and point of sale systems, data, audio, and video, systems for use at the Franchised Business; (b) printers and other peripheral hardware or devices; (c) archival back-up systems; (d) Internet

access mode and speed; and (e) physical, electronic, and other security systems (collectively, the "Computer System").

8.4.2 Franchisor shall have the right, but not the obligation, to develop or have developed for it, or to designate: (a) computer software programs that Franchisee must use in connection with the Computer System (the "Required Software"), which Franchisee shall install at its expense; (b) updates, supplements, modifications, or enhancements to the Required Software, which Franchisee shall install at its expense; (c) the tangible media upon which Franchisee shall record data; and (d) the database file structure of the Computer System.

8.4.3 At Franchisor's request, Franchisee shall purchase or lease, and thereafter maintain, the Computer System and, if applicable, the Required Software. Franchisor shall have the right at any time to remotely retrieve and use such data and information from Franchisee's Computer System or Required Software that Franchisor deems necessary or desirable. Franchisee expressly agrees to strictly comply with Franchisor's standards and specifications for all items associated with Franchisee's Computer System and any Required Software in accordance with Franchisor's standards and specifications. Franchisee agrees, at its own expense, to keep the Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as Franchisor directs from time to time in writing. Franchisee agrees that its compliance with this Section 8.4 shall be at Franchisee's sole cost and expense.

8.5 Data. All data provided by Franchisee, uploaded to Franchisor's system from Franchisee's system, downloaded from Franchisee's system to Franchisor's system, and/or obtained electronically or otherwise from Franchisee by Franchisor, is and will be owned exclusively by Franchisor, and Franchisor will have the right to use such data in any manner that Franchisor deems appropriate without compensation to Franchisee. In addition, all other data created or collected by Franchisee in connection with the System, or in connection with Franchisee's operation of the Franchised Business (including but not limited to consumer and transaction data), is and will be owned exclusively by Franchisor during the term of, and following termination or expiration of, this Agreement. Copies and/or originals of such data must be provided to Franchisor upon Franchisor's request. Franchisor hereby licenses use of such data back to Franchisee, at no additional cost, solely for the term of this Agreement and solely for Franchisee's use in connection with the establishment and operation of the Franchised Business pursuant to this Agreement.

8.6 Privacy. Subject to applicable law, Franchisor may, from time-to-time, specify in the Manual (or otherwise in writing) the information that Franchisee shall collect and maintain on the Computer System installed at the Franchised Business, and Franchisee shall provide to Franchisor such reports as Franchisor may reasonably request from the data so collected and maintained. All data pertaining to or derived from the Franchised Business (including, without limitation, data pertaining to or otherwise about customers) is and shall be the exclusive property of Franchisor, and Franchisor hereby grants a royalty-free nonexclusive license to Franchisee to use said data during the term of this Agreement. Franchisee shall abide by all applicable laws pertaining to the privacy of consumer, employee, and transactional information. Franchisee shall not publish, disseminate, implement, revise, or rescind a data privacy policy without Franchisor's prior written consent as to said policy.

8.7 Extranet. Franchisor may, but is not obligated to, establish an Extranet. The term "Extranet" means a private network based upon Internet protocols that will allow users inside and outside of Franchisor's headquarters to access certain parts of Franchisor's computer network via the Internet. If Franchisor does establish an Extranet, then Franchisee shall comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to connecting to the Extranet and utilizing the Extranet in connection with the operation of the Franchised Business. The Extranet may include, without limitation, the Manual, training and other assistance materials, and management reporting solutions (both upstream and downstream, as Franchisor may direct). Franchisee shall purchase and maintain such computer software and hardware (including, but not limited to, telecommunications capacity) as may be required to connect to and utilize the Extranet. Franchisor shall have the right to require Franchisee to install a video, voice and data system that is accessible by both Franchisor and Franchisee on a secure Internet website, in real-time, all in accordance with Franchisor's then-current written standards as set forth in the Manual or otherwise in writing. Franchisee shall comply with Franchisor's requirements (as set forth in the Manual or otherwise in writing) with respect to establishing and maintaining telecommunications connections between Franchisee's Computer System and Franchisor's Extranet and/or such other computer systems as Franchisor may reasonably require.

8.8 Websites. Unless otherwise approved in writing by Franchisor, Franchisee shall not establish a separate Website. However, Franchisor shall have the right to require that Franchisee have one or more references or webpage(s), as designated and approved in advance by Franchisor, within Franchisor's principal Website (currently, http://www.landwercafe.com/) ("Franchisor's Website"). The term "Website" means an interactive electronic document contained in a network of computers linked by communications software, commonly referred to as the Internet or World Wide Web, including, but not limited to, any account, page, or other presence on a social or business networking media site, such as Facebook, Twitter, Linked In, and on-line blogs and forums ("Networking Media Sites"). Franchisor shall have the right to require that Franchisee not have any Website other than the webpage(s), if any, made available on Franchisor's Website. However, if Franchisor approves a separate Website for Franchisee (which Franchisor is not obligated to approve; and, which approval, if granted, may later be revoked by Franchisor), then each of the following provisions shall apply:

8.8.1 Franchisee specifically acknowledges and agrees that any Website owned, established, or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement and will be subject to, among other things, Franchisor's prior review and approval;

8.8.2 Before establishing any Website, Franchisee shall submit to Franchisor, for Franchisor's prior written approval, a sample of the proposed Website domain name, format, visible content (including, without limitation, proposed screen shots), and non-visible content (including, without limitation, meta tags) in the form and manner Franchisor may reasonably require;

8.8.3 If approved, Franchisee shall not materially modify such Website without Franchisor's prior written approval as to such proposed modification;

8.8.4 Franchisee shall comply with the standards and specifications for Websites that Franchisor may periodically prescribe in the Manual or otherwise in writing;

8.8.5 If required by Franchisor, Franchisee shall establish such hyperlinks to Franchisor's Website and other Websites as Franchisor may request in writing;

8.8.6 Neither Franchisee, its principals, or any of Franchisee's employees shall make any posting or other contribution to a Networking Media Site relating to Franchisor, the System, the Proprietary Marks, or the Franchised Business that (a) is derogatory, disparaging, or critical of Franchisor, (b) is offensive, inflammatory, or indecent, (c) harms the goodwill and public image of the System and/or the Proprietary Marks, or (d) violates Franchisor's policies relating to the use of Networking Media Sites.

8.9 Domain Names. Franchisee acknowledges and agrees that if Franchisor grants its approval for Franchisee's use of a generic, national, and/or regionalized domain name, Franchisor shall have the right to own and control said domain name at all times and may license it to Franchisee for the term of this Agreement on such terms and conditions as Franchisor may reasonably require (including, but not limited to, the requirement that Franchisee reimburse Franchisor's costs for doing so). If Franchisee already owns any domain names, or hereafter registers any domain names, then Franchisee agrees that it shall notify Franchisor in writing and assign said domain names to Franchisor and/or a designee that Franchisor specifies in writing.

8.10 Online Use of Proprietary Marks and E-mail Solicitations. Franchisee shall not use the Proprietary Marks or any abbreviation or other name associated with Franchisor and/or the System as part of any e mail address, domain name, and/or other identification of Franchisee in any electronic medium. Franchisee agrees not to transmit or cause any other party to transmit advertisements or solicitations by e-mail or other electronic media without first obtaining Franchisor's written consent as to: (a) the content of such e-mail advertisements or solicitations; and (b) Franchisee's plan for transmitting such advertisements. In addition to any other provision of this Agreement, Franchisee shall be solely responsible for compliance with all laws pertaining to e-mails, including, but not limited to, the U.S. Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (known as the "CAN-SPAM Act of 2003").

8.11 No Outsourcing without Prior Written Approval. Franchisee shall not hire third party or outside vendors to perform any services or obligations in connection with the Computer System, Required Software, or any other of Franchisee's obligations without Franchisor's prior written approval. Franchisor's consideration of any proposed outsourcing vendor(s) may be conditioned upon, among other things, such third party or outside vendor's entry into a confidentiality agreement with Franchisor and Franchisee in a form that is provided by Franchisor. The provisions of this Section 8.11 are in addition to and not instead of any other provision of this Agreement.

8.12 Changes to Technology. Franchisee and Franchisor acknowledge and agree that changes to technology are dynamic and not predictable within the term of this Agreement. In order to provide for inevitable but unpredictable changes to technological needs and opportunities, Franchisee agrees that Franchisor shall have the right to establish, in writing, reasonable new standards for the implementation of technology in the System; and

Franchisee agrees that it shall abide by those reasonable new standards established by Franchisor as if this Agreement were periodically revised by Franchisor for that purpose.

9. OPERATING MANUAL

9.1 Standards of Operation. In order to protect the reputation and goodwill of Franchisor and to maintain high standards of operation under the System, Franchisee shall operate the Franchised Business in accordance with the standards, methods, policies, and procedures specified in the Manual, one copy of which Franchisee shall receive on loan from Franchisor for the term of this Agreement upon completion by Franchisee of Franchisor's initial training program to Franchisor's satisfaction. The Manual may consist of multiple volumes of printed text, computer disks, other electronically stored data, DVDs, and/or videotapes. Franchisee acknowledges and agrees that Franchisor may provide a portion or all of the Manual (including updates and amendments), and other instructional information and materials, in or via electronic media, including, without limitation, through the Internet. If Franchisee's copy of the Manual is lost, stole, or destroyed, Franchisee shall be required to obtain another copy of the Manual from Franchisor and pay Franchisor a replacement fee of five hundred dollars ($500).

9.2 Confidentiality. Franchisee shall treat the Manual, any other manuals created for or approved for use in the operation of the Franchised Business, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Franchisee shall not copy, duplicate, record or otherwise reproduce the foregoing materials, in whole or in part, or otherwise make the same available to any unauthorized person.

9.3 Exclusive Property. The Manual shall remain the sole property of Franchisor and shall be kept in a secure place on the Franchised Business premises.

9.4 Revisions to Manual. Franchisor may from time to time revise the contents of the Manual, and Franchisee expressly agrees to comply with each new or changed standard. Franchisee shall ensure that the Manual is kept current at all times. In the event of any dispute as to the contents of the Manual, the terms of the master copy maintained by Franchisor at Franchisor's home office shall be controlling.

10. CONFIDENTIAL INFORMATION

10.1 Confidential Information. Franchisee shall not, during the term of this Agreement or thereafter, communicate, divulge or use for the benefit of any other person, partnership, association, limited liability company or corporation any confidential information, knowledge or know-how concerning the methods of operation of the business franchised hereunder, including, without limitation, the Manual, recipes, ingredients, cooking procedures, customer lists, drawings, materials, or equipment which may be communicated to Franchisee or of which Franchisee may be apprised by virtue of Franchisee's operation under the terms of this Agreement ("Confidential Information"). Franchisee shall divulge such Confidential Information only to such of its employees as must have access to it in order to operate the Franchised Business. Any and all information, knowledge, know-how, techniques and other data which Franchisor designates as confidential shall be deemed confidential for purposes of this Agreement.

10.2 Confidentiality and Non-Competition Agreements. At Franchisee's request, Franchisee shall require Franchisee's managers and other such personnel having access to any of Franchisor's Confidential Information as Franchisor requires, including any Executive Chef and General Manager, to execute non-competition covenants and covenants that they will maintain the confidentiality of information they receive in connection with their employment by Franchisee at the Franchised Business. Such covenants shall be in the form attached hereto as Exhibit C.

10.3 Irreparable Injury. Franchisee acknowledges that any failure to comply with the requirements of this Section 10 will cause Franchisor irreparable injury, and Franchisee agrees to pay all court costs and reasonable attorneys' fees incurred by Franchisor in obtaining specific performance of, or an injunction against violation of, the requirements of this Section 10, or such other relief sought by Franchisor.

11. ACCOUNTING AND RECORDS

11.1 Gross Sales Reports. Franchisee shall record all sales on a point-of-sale recordkeeping and control system designated by Franchisor, or on any other equipment specified by Franchisor in the Manual or otherwise in writing. Franchisee shall maintain a record of all Gross Sales and expenses using such software or other means as specified by Franchisor in the Manual or otherwise in writing. Franchisee shall provide Franchisor with such Gross Sales records together with Franchisee's Royalty Fee payments as required by Section 4.5 hereof. Such reports shall be submitted to Franchisor by such means as designated by Franchisor in the Manual or otherwise in writing, including, but not limited to, a Web-based management system or other system that allows Franchisor instant, unrestricted access to Franchisee's sales information. Any report not actually received by Franchisor on or before the due date shall be deemed overdue. If a report is overdue, all payments to Franchisor for that month, whether or not timely received, shall be deemed overdue until such time as Franchisor has received the required report, and late charges shall be due as provided in Section 4.5. Franchisor shall have the right to access any business information or data collected and generated on Franchisee's point-of-sale system.

11.2 Other Reports. Franchisee shall submit to Franchisor within thirty (30) days after the close of each fiscal quarter, a quarterly profit and loss statement. Upon Franchisor's request, but not more often than once per month, Franchisee shall, at Franchisee's expense, submit to Franchisor in the form prescribed by Franchisor, within fifteen (15) days of Franchisor's request, unaudited financial statements showing the results of operations of the Franchised Business during the preceding calendar month, and such other forms, reports, records, information and data as Franchisor may reasonably designate.

11.3 Annual Financial Statements. Franchisee shall, at Franchisee's expense, submit to Franchisor in the form prescribed by Franchisor, within ninety (90) days after the end of each fiscal year, Franchisee's financial statements for the preceding fiscal year, including, without limitation, a complete and accurate profit and loss statement and balance sheet, which may be unaudited but, upon Franchisor's request, shall be reviewed in accordance with generally accepted accounting principles.

11.4 Preservation of Records. Franchisee shall prepare, and shall preserve for at least seven (7) years from the dates of their preparation (or such longer period as may be required under applicable law), complete and accurate books, records and accounts in accordance

with generally accepted accounting principles and in the form and manner prescribed by Franchisor from time to time in the Manual or otherwise in writing.

11.5 Inspection and Audit. **FRANCHISOR AND ITS DESIGNATED AGENTS SHALL HAVE THE RIGHT AT ALL REASONABLE TIMES TO EXAMINE AND COPY, AT FRANCHISOR'S EXPENSE, THE BOOKS, RECORDS, ACCOUNTS AND TAX RETURNS OF FRANCHISEE. FRANCHISOR SHALL ALSO HAVE THE RIGHT, AT ANY TIME, TO HAVE AN INDEPENDENT AUDIT MADE OF THE BOOKS OF FRANCHISEE. IF AN INSPECTION SHOULD REVEAL THAT ANY PAYMENTS HAVE BEEN UNDERSTATED IN ANY REPORT TO FRANCHISOR, THEN FRANCHISEE SHALL IMMEDIATELY PAY TO FRANCHISOR THE AMOUNT UNDERSTATED UPON DEMAND, IN ADDITION TO INTEREST FROM THE DATE SUCH AMOUNT WAS DUE UNTIL PAID, AT THE RATE OF EIGHTEEN PERCENT (18%) PER ANNUM, OR THE MAXIMUM RATE PERMITTED BY LAW, WHICHEVER IS LESS, PLUS ALL OF FRANCHISOR'S COSTS AND EXPENSES IN CONNECTION WITH THE INSPECTION, INCLUDING, WITHOUT LIMITATION, TRAVEL COSTS, LODGING AND WAGES EXPENSES, AND REASONABLE ACCOUNTING AND LEGAL COSTS. THE FOREGOING REMEDIES SHALL BE IN ADDITION TO ANY OTHER REMEDIES FRANCHISOR MAY HAVE.**

12. ADVERTISING AND PROMOTION

Recognizing the value of advertising and promotion, and the importance of the standardization of advertising and promotion programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

12.1 Grand Opening Advertising. At least thirty (30) days prior to the opening of the Franchised Business, Franchisee shall prepare and submit to Franchisor for its approval a grand opening advertising and promotional program in the form and manner prescribed by Franchisor in writing. Franchisee shall expend at least five thousand dollars ($5,000) on such grand opening advertising and promotion within thirty (30) days after the opening of the Franchised Business.

12.2 Local Advertising and Promotion. During the term of this Agreement, Franchisee shall expend, on a monthly basis, an amount equal to at least one percent (1%) of Franchisee's Gross Sales from the previous month on local marketing, advertising, and promotion. All local marketing, advertising, and promotion shall be conducted in such manner as Franchisor may, in its sole discretion, direct in the Manual or otherwise in writing.

12.3 Verification of Advertising Expenditures. Franchisee shall submit verification of the expenditures required by Sections 12.1 and 12.2 hereof to Franchisor in the form and manner prescribed by Franchisor in the Manual or otherwise in writing from time to time.

12.4 Brand Fund Fee. Franchisor shall have the right, at its sole discretion, to establish an advertising and brand promotion fund (the “Brand Fund”). During the term of this Agreement, if such Brand Fund shall be active and in existence, Franchisee shall pay to the Brand Fund a fee in an amount equal to up to two percent (2%) of Franchisee's Gross Sales from the preceding month, such amount to be determined in the Franchisor’s sole discretion. Such contributions to the Brand Fund shall be in addition to any expenditures

made pursuant to Sections 12.1 and 12.2 hereof and shall be made in accordance with Section 4.5 hereof. The Brand Fund shall be maintained and administered by Franchisor or its affiliate as follows:

12.4.1 Franchisor or its affiliate shall direct all advertising programs, with sole discretion over the concepts, materials, and media used in such programs and the placement and allocation thereof. Franchisee agrees and acknowledges that the Brand Fund is intended to maximize general public recognition, acceptance, and use of the System; and that Franchisor or its affiliate is not obligated, in administering the Brand Fund, to make expenditures for Franchisee which are equivalent or proportionate to Franchisee's contribution, or to ensure that any particular franchisee benefits directly or from expenditures by the Brand Fund.

12.4.2 The Brand Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting and preparing advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which Franchisor or its affiliate believes will enhance the image of the System, including, among other things, the costs of preparing and conducting radio, cable television, print, and Internet-based advertising campaigns; utilizing Networking Media Sites (as defined in Section 8.8 above) and other emerging media or promotional tactics; developing, maintaining, and updating a Website on the Internet; review of locally produced advertisements; door hangers, mailers, inserts and coupons; brochures and promotional materials; market research, market surveys, and sponsorships; web site design and maintenance; public relations and related retainers; mystery shoppers for the System and competitors; celebrity endorsements; trade shows (including costs of travel and personnel expenses, trade booths, and specialty entertainment); association dues; search engine optimization; employing advertising and/or public relations agencies; purchasing promotional items; menu development and developing menu items; providing promotional and other marketing materials and services to the businesses operating under the System; developing poster, banners, and signs; advertising for the sale of franchises.

12.4.3 All sums paid by Franchisee to the Brand Fund shall be maintained in an account separate from the other monies of Franchisor and shall not be used to defray any of Franchisor's or its affiliate's expenses, except for such reasonable costs and overhead, if any, as Franchisor or its affiliate may incur in activities reasonably related to the direction and implementation of the Brand Fund and advertising programs for franchisees and the System, including, among other things, costs of personnel for creating and implementing advertising, promotional and marketing programs, accounting expenses, and other out of pocket expenses to third parties incurred by the Brand Fund. The Brand Fund and any earnings thereon shall not otherwise inure to the benefit of Franchisor or its affiliate. Franchisor shall maintain separate bookkeeping accounts for the Brand Fund and reserves the right to form an affiliated entity to control and administer the Brand Fund. Franchisee acknowledges that neither Franchisor nor its affiliate is a fiduciary to Franchisee of the monies in the Brand Fund.

12.4.4 It is anticipated that all contributions to and earnings of the Brand Fund will be expended for advertising and/or promotional purposes during the taxable year within which the contributions are made. If, however, excess amounts remain in the Brand

Fund at the end of such taxable year, all expenditures in the following taxable year(s) will be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions.

12.4.5 Although the Brand Fund shall be intended to be of perpetual duration, Franchisor or its affiliate maintains the right to terminate the Brand Fund. The Brand Fund shall not be terminated, however, until all monies in the Brand Fund have been expended for advertising and/or promotional purposes.

12.5 Advertising Materials. All advertising and promotion (including without limitation any design, advertisement, sign, or form of publicity) by Franchisee shall be in such media and of such type and format as Franchisor may approve, shall be conducted in a dignified manner, and shall conform to such standards and requirements as Franchisor may specify. Franchisee shall not use any such advertising or promotional plans or materials unless and until Franchisee has received written approval from Franchisor, pursuant to the procedures and terms set forth in Section 12.7 hereof. Franchisor may make available to Franchisee from time to time, pre-approved advertising that Franchisee will be required to use during such season and at such times as Franchisor shall specify in writing. In addition, Franchisor may make available, at Franchisee's expense, such promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials.

12.6 Franchisor Approval. Franchisee shall submit to Franchisor samples of all advertising and promotional plans and materials (including without limitation any design, advertisement, sign, or form of publicity) and proposed coupons for any print, broadcast, cable, electronic, computer or other media (including, without limitation, the Internet) that Franchisee desires to use and that have not been prepared or previously approved by Franchisor within the preceding six (6) months (as provided in Section 21 hereof), for Franchisor's prior approval (including with respect to prices to be charged). Any request by Franchisee for Franchisor's approval of advertising materials must be addressed to Franchisor and marked "Attention: Advertising Department - Ad Review." Franchisee shall not use such plans or materials or coupons until they have been approved in writing by Franchisor. If written notice of approval is not received by Franchisee from Franchisor within fifteen (15) days of the date of receipt by Franchisor of such samples or materials, Franchisor shall be deemed to have disapproved them.

12.7 Directory Listings. Franchisee shall, at its expense, obtain listings in the white and yellow pages of local telephone directories. Franchisee shall comply with Franchisor's specifications concerning the form and size of such listings, and the number of directories in which such listings shall be placed. Franchisee's expenditures for the advertising described in this Section 12.7 shall be in addition to any expenditures required under this Section 12.

12.8 Photographs of the Franchised Business. Franchisor shall have the right to photograph the interior and exterior of the Franchised Business and use such photographs in any advertising or promotional materials. Franchisor is not obliged to compensate Franchisee or Franchisee's employees for use of the Franchised Business or Franchisee's employees in any advertising or promotional materials. Franchisee shall cooperate in securing the consent of persons photographed for such use.

12.9 Advertising Cooperative. Franchisor shall have the right, in its discretion, to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative ("Cooperative"), and to determine whether a Cooperative is applicable to the Franchised Business. If a Cooperative has been established applicable to the Franchised Business at the time the Franchisee commences operations hereunder, Franchisee shall immediately become a member of the Cooperative. If a Cooperative applicable to the Franchised Business is established at any later time during the term of this Agreement, Franchisee shall become a member of such Cooperative no later than thirty (30) days after the date on which the Cooperative commences operation. If the Franchised Business is within the territory of more than one Cooperative, Franchisee shall be required to be a member of only one such Cooperative:

12.9.1 Each Cooperative shall be organized and governed in a form and manner, shall commence operation on a date, and shall operate pursuant to written governing documents, all of which must be approved in advance by Franchisor in writing.

12.9.2 Each Cooperative shall be organized for the exclusive purpose of administering regional advertising programs and developing such programs, subject to Franchisor's approval.

12.9.3 No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without the prior approval of Franchisor. All such plans and materials shall be submitted to Franchisor in accordance with the procedure set forth in Section 12.6 hereof.

12.9.4 Each Cooperative shall have the right to require its members to make contributions to the Cooperative in such amounts as determined by the Cooperative; provided, however, that Franchisee shall not be required to contribute to any Cooperative in excess of two percent (2%) of Gross Sales during any calendar year, unless two-thirds of the members of the Cooperative vote in favor of a greater contribution. Franchisee's payments made under this Section 12.9.4 shall be credited towards the expenditure required to be made under Section 12.2 hereof. Each member franchisee shall submit to the Cooperative the amount invoiced by the Cooperative or Franchisor, as described in Section 4.5 hereof, its contribution as provided in Section 12.9.4 hereof, together with such other statements or reports as may be required by Franchisor or by the Cooperative with Franchisor's prior approval.

12.9.5 Franchisor, in its sole discretion, may grant to any franchisee an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating the reasons supporting such exemption. Franchisor's decision concerning such request for exemption shall be final. If an exemption is granted to a franchisee, such franchisee shall be required to expend on local promotion and advertising in the full amount provided for in Section 12.2 hereof. Franchisor reserves the right to require Cooperatives to be changed, dissolved, or merged.

13. INSURANCE

13.1 Minimum Insurance Requirements. Franchisee shall procure, prior to the commencement of any operations under this Agreement, and shall maintain in full force and effect at all times during the term of this Agreement, at Franchisee's expense, an

insurance policy or policies protecting Franchisee, Franchisor, and their respective officers, directors, partners, agents and employees against any demand or claim with respect to personal injury, death or property damage, or any loss, liability or expense whatsoever arising or occurring upon or in connection with the Franchised Business, including, but not limited to, comprehensive general liability insurance, property and casualty insurance, business interruption insurance, statutory workers' compensation insurance, employer's liability insurance, product liability insurance, liquor liability (dram shop), and automobile insurance coverage for all vehicles used in connection with the Franchised Business. Such policy or policies shall be written by a responsible carrier or carriers acceptable to Franchisor, shall name Franchisor as an additional insured as specified by Franchisor, and shall provide at least the types and minimum amounts of coverage specified in the Manual.

13.2 No Waiver. Franchisee's obligation to obtain and maintain the policy or policies in the amounts specified in the Manual shall not be limited in any way by reason of any insurance which may be maintained by Franchisor, nor shall Franchisee's performance of that obligation relieve it of liability under the indemnity provisions set forth in Section 20.3 of this Agreement.

13.3 Franchisor Entitled to Recover. All public liability and property damage policies shall contain a provision that Franchisor, although named as an insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to Franchisor or its servants, agents or employees by reason of the negligence of Franchisee or its servants, agents or employees.

13.4 Certificates of Insurance. Prior to the commencement of any operations under this Agreement, and thereafter at least thirty (30) days prior to the expiration of any policy, Franchisee shall deliver to Franchisor Certificates of Insurance evidencing the proper types and minimum amounts of coverage. All Certificates shall expressly provide that no less than thirty (30) days' prior written notice shall be given Franchisor in the event of material alteration to or cancellation of the coverages evidenced by such Certificates.

13.5 Franchisor's Right to Procure. Should Franchisee, for any reason, fail to procure or maintain the insurance required by this Agreement, as such requirements may be revised from time to time by Franchisor in the Manual or otherwise in writing, Franchisor shall have the right and authority (but not the obligation) to procure such insurance and to charge same to Franchisee, which charges, together with an administrative surcharge of five percent (5%), shall be payable by Franchisee immediately upon notice. The foregoing remedies shall be in addition to any other remedies Franchisor may have.

14. TRANSFER OF INTEREST

14.1 Franchisor's Right to Transfer. Franchisor shall have the right to transfer or assign this Agreement and all or any part of its rights or obligations herein to any person or legal entity, and any designated assignee of Franchisor shall become solely responsible for all obligations of Franchisor under this Agreement from the date of assignment. Franchisee shall execute such documents of attornment or otherwise as Franchisor shall request.

14.2 Franchisee's Conditional Right to Transfer. Franchisee understands and acknowledges that the rights and duties set forth in this Agreement are personal to Franchisee, and that Franchisor has granted this franchise in reliance on Franchisee's (or, if Franchisee is a corporation, partnership, or limited liability company, its principals')

business skill, financial capacity and personal character. Accordingly, neither Franchisee nor any immediate or remote successor to any part of Franchisee's interest in this Agreement, nor any individual, partnership, limited liability company, corporation or other legal entity which directly or indirectly owns any interest in Franchisee or in the Franchised Business shall sell, assign, transfer, convey, pledge, encumber, merge or give away (collectively, "transfer") any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business without the prior written consent of Franchisor. Any purported assignment or transfer not having the written consent of Franchisor required by this Section 14.2 shall be null and void and shall constitute a material breach of this Agreement, for which Franchisor may immediately terminate without opportunity to cure pursuant to Section 15.2.6 of this Agreement.

14.3 Conditions of Transfer. Franchisee shall notify Franchisor orally and in writing sent by certified mail, return receipt requested, of any proposed transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business (a) prior to Franchisee's offering for sale (including, but not limited to, advertising the sale of) the Franchised Business, or any assets of the Franchised Business, or any ownership interest in Franchisee; and (b) at least thirty (30) days before any transfer is proposed to take place. Franchisor may, in its sole discretion, require any or all of the following as conditions of its approval:

14.3.1 That all of Franchisee's accrued monetary obligations and all other outstanding obligations to Franchisor and its affiliates have been satisfied;

14.3.2 That Franchisee is not in default of any provision of this Agreement, any amendment hereof or successor hereto, or any other agreement between Franchisee and Franchisor or its affiliates;

14.3.3 That the consideration or payment terms offered by a proposed transferee are not excessive or unreasonable, based on the gross revenues of the Franchised Business and sale prices of other franchised businesses in the System, in our reasonable business judgment;

14.3.4 That the transferor executes a general release, in a form satisfactory to Franchisor, of any and all claims against Franchisor and its affiliates, and their respective officers, directors, agents, shareholders, and employees;

14.3.5 That (1)(a) the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) enters into a written assignment, in a form satisfactory to Franchisor, assuming and agreeing to discharge all of Franchisee's obligations under this Agreement, or (b) the transferee executes, for a term ending on the expiration date of this Agreement and with such renewal term(s) as may be provided by this Agreement, the Franchisor's then-current form of franchise agreement and other ancillary agreements as Franchisor may require for the Franchised Business, which agreements shall supersede this Agreement in all respects, and the terms of which may differ from the terms of this Agreement including, without limitation, a higher royalty fee and advertising contribution and a smaller or modified Franchisee's Territory, except that transferee shall not be required to pay any initial franchise fee; and (2) the transferee or its principals guaranty the performance of all such obligations in writing in a form satisfactory to Franchisor;

14.3.6 That the transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as Franchisor may request) demonstrates to Franchisor's satisfaction that it meets Franchisor's educational, managerial and business standards; possesses a good moral character, business reputation and credit rating; has the aptitude and ability to operate the Franchised Business (as may be evidenced by prior related business experience or otherwise), and has adequate financial resources and capital to operate the Franchised Business;

14.3.7 That Franchisee remains liable for all of the obligations to Franchisor in connection with the Franchised Business which arose prior to the effective date of the transfer and execute any and all instruments reasonably requested by Franchisor to evidence such liability;

14.3.8 That the transferee (or, if the transferee is a corporation, partnership or limited liability company, a principal of the transferee acceptable to Franchisor), or the transferee's manager (if transferee or transferee's principal will not manage the Franchised Business), at the transferee's expense, completes any training programs then in effect upon such terms and conditions as Franchisor may reasonably require; and

14.3.9 That Franchisee pays to Franchisor a transfer fee of ten thousand dollars ($10,000). However, in the case of a transfer to a corporation formed by Franchisee for the convenience of ownership, no such transfer fee shall be required.

14.4 No Security Interest. Franchisee shall not grant a security interest in the Franchised Business or in any of the assets of the Franchised Business unless the secured party agrees that in the event of any default by Franchisee under any documents related to the security interest, Franchisor shall have the right and option (but not the obligation) to be substituted as obligor to the secured party and to cure any default of Franchisee, and, in the event Franchisor exercises such option, any acceleration of indebtedness due to Franchisee's default shall be void.

14.5 Franchisor's Right of First Refusal. If any party holding any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business desires to accept any bona fide offer from a third party to purchase such interest, Franchisee shall notify Franchisor as provided in Section 14.3 hereof, and shall provide such information and documentation relating to the offer as Franchisor may require. Franchisor shall have the right and option, exercisable within thirty (30) days after receipt of such written notification, to send written notice to the seller that Franchisor intends to purchase the seller's interest on the same terms and conditions offered by the third party. If Franchisor elects to purchase the seller's interest, closing on such purchase shall occur within thirty (30) days from the date of notice to the seller of the election to purchase by Franchisor. If Franchisor elects not to purchase the seller's interest, any material change thereafter in the terms of the offer from a third party shall constitute a new offer subject to the same rights of first refusal by Franchisor as in the case of the third party's initial offer. Failure of Franchisor to exercise the option afforded by this Section 14.5 shall not constitute a waiver of any other provision of this Agreement, including all of the requirements of this Section 14, with respect to a proposed transfer. In the event the consideration, terms and/or conditions offered by a third party are such that Franchisor may not reasonably be required to furnish the same consideration, terms and/or conditions, then Franchisor may purchase the interest proposed to be sold for the reasonable equivalent in

cash. If the parties cannot agree within thirty (30) days on the reasonable equivalent in cash of the consideration, terms and/or conditions offered by the third party, an independent appraiser shall be designated by Franchisor at Franchisor's expense, and the appraiser's determination shall be binding.

14.6 Death or Incapacity. Upon the death or physical or mental incapacity of any person with an interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business, the executor, administrator, or personal representative of such person shall transfer such interest to a third party approved by Franchisor within six (6) months after such death or incapacity. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions as any inter vivos transfer. In the case of transfer by devise or inheritance, if the heirs or beneficiaries of any such person are unable to meet the conditions in this Section 14, the executor, administrator, or personal representative of the decedent shall transfer the decedent's interest to another party approved by Franchisor within a reasonable time, which disposition shall be subject to all the terms and conditions for transfers contained in this Agreement. If the interest is not disposed of within a reasonable time, Franchisor may terminate this Agreement, pursuant to Section 15.2.7 hereof.

14.7 No Waiver. Franchisor's consent to a transfer of any interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of Franchisor's right to demand exact compliance with any of the terms of this Agreement by the transferor or transferee.

15. DEFAULT AND TERMINATION

15.1 Automatic Termination. Franchisee shall be deemed to be in default under this Agreement, and all rights granted to Franchisee herein shall automatically terminate without notice to Franchisee, if Franchisee shall become insolvent or make a general assignment for the benefit of creditors; if a petition in bankruptcy is filed by Franchisee or such a petition is filed against and not opposed by Franchisee; if Franchisee is adjudicated a bankrupt or insolvent; if a bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian for Franchisee's business or assets is filed and consented to by Franchisee; if a receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; if proceedings for a composition with creditors under any state or federal law should be instituted by or against Franchisee; if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless supersedeas bond is filed); if Franchisee is dissolved; if execution is levied against Franchisee's business or property; if suit to foreclose any lien or mortgage against the premises of the Franchised Business or equipment is instituted against Franchisee and not dismissed within thirty (30) days; or if the real or personal property of the Franchised Business shall be sold after levy thereupon by any sheriff, marshal, or constable.

15.2 Notice Without Opportunity to Cure. Upon the occurrence of any of the following events of default, Franchisor may, at its option, terminate this Agreement and all rights granted hereunder, without affording Franchisee any opportunity to cure the default, effective immediately upon the provision of notice to Franchisee (in the manner provided under Section 22 hereof):

15.2.1 If Franchisee fails to locate an approved site or to construct and open the Franchised Business within the time limits provided in the Site Selection Addendum or Section 5.3 hereof;

15.2.2 If Franchisee or Franchisee's designated trainees fail to complete the initial training program or additional training described in Section 6.1 hereof to Franchisor's satisfaction;

15.2.3 If Franchisee at any time ceases to operate or otherwise abandons the Franchised Business, or loses the right to possession of the premises of the Franchised Business, or otherwise forfeits the right to do or transact business in the jurisdiction where the Franchised Business is located. However, if, through no fault of Franchisee, the premises of the Franchised Business are damaged or destroyed by an event such that repairs or reconstruction cannot be completed within sixty (60) days thereafter, then Franchisee shall have thirty (30) days after such event in which to apply for Franchisor's approval to relocate and/or reconstruct the premises of the Franchised Business, which approval shall not he unreasonably withheld;

15.2.4 If Franchisee is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that Franchisor believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith or Franchisor's interest therein;

15.2.5 If a threat or danger to public health or safety results from the operation of the Franchised Business;

15.2.6 If any purported assignment or transfer of any direct or indirect interest in this Agreement, in Franchisee, or in all or substantially all of the assets of the Franchised Business is made to any third party without Franchisor's prior written consent, contrary to the terms of Section 14 hereof;

15.2.7 If an approved transfer is not effected within the time provided following death or mental incapacity, as required by Section 14.6 hereof;

15.2.8 If Franchisee fails to comply with the covenants in Section 17.2 hereof or fails to obtain execution of the covenants required under Section 10.2 hereof;

15.2.9 If, contrary to the terms of Sections 9 or 10 hereof, Franchisee discloses or divulges the contents of the Manual or other Confidential Information provided to Franchisee by Franchisor;

15.2.10 If Franchisee submits any false reports to Franchisor;

15.2.11 If Franchisee misuses or makes any unauthorized use of the Proprietary Marks or any other identifying characteristics of the System, or otherwise materially impairs the goodwill associated therewith or Franchisor's rights therein;

15.2.12 If Franchisee refuses to permit Franchisor to inspect the Franchised Business premises, or the books, records or accounts of Franchisee upon demand;

15.2.13 If Franchisee, upon receiving a notice of default under Section 15.3 hereof, fails to initiate immediately a remedy to cure such default; or

15.2.14 If Franchisee, after curing any default pursuant to Section 15.3 hereof, commits the same default again, whether or not cured after notice.

15.3 Notice With Opportunity to Cure. Except as otherwise provided in Sections 15.1 and 15.2 of this Agreement, upon any other default by Franchisee, Franchisor may terminate this Agreement by giving written notice of termination (in the manner set forth under Section 22 hereof) stating the nature of the default to Franchisee at least thirty (30) days prior to the effective date of termination; provided, however, that Franchisee may avoid termination by immediately initiating a remedy to cure such default, curing it to Franchisor's satisfaction, and by promptly providing proof thereof to Franchisor within the applicable cure period. If any such default is not cured within the specified time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Franchisee, effective immediately upon the expiration of the applicable cure period or such longer period as applicable law may require. Defaults which are susceptible of cure hereunder include the following illustrative events:

15.3.1 If Franchisee fails to maintain the cleanliness of the Franchised Business, or fails to comply with any of Franchisor's specifications;

15.3.2 If Franchisee fails to substantially comply with any of the requirements imposed by this Agreement, as it may from time to time reasonably be supplemented by the Manual, or failure to carry out the terms of this Agreement in good faith;

15.3.3 If Franchisee fails, refuses or neglects promptly to pay any monies owing to Franchisor or its affiliates when due, or to submit the financial or other information required by Franchisor under this Agreement;

15.3.4 If Franchisee fails to maintain or observe any of the standards or procedures prescribed by Franchisor in this Agreement, the Manual or otherwise in writing;

15.3.5 Except as provided in Section 15.2.6 hereof, if Franchisee fails, refuses or neglects to obtain Franchisor's prior written approval or consent as required by this Agreement;

15.3.6 If Franchisee acts, or fails to act, in any manner which is inconsistent with or contrary to its lease or sublease for the premises, or in any way jeopardizes its right to renewal of such lease or sublease;

15.3.7 If Franchisee engages in any business or markets any service or product under a name or mark which, in Franchisor's opinion, is confusingly similar to the Proprietary Marks; or

15.3.8 If Franchisee receives any citation or notice of potential health code violation from the local board of health or Franchisor.

15.4 Cross-Default. Any default by Franchisee under any other agreement between Franchisor or its affiliates as one party and Franchisee or any of Franchisee's owners or affiliates as the other party, that is so material as to permit Franchisor to terminate such other agreement, shall be deemed to be a default of this Agreement, and Franchisor shall have the right, at its option, to terminate this Agreement without affording Franchisee an opportunity to cure, effective immediately upon notice to Franchisee.

16. OBLIGATIONS UPON TERMINATION OR EXPIRATION

Upon termination or expiration of this Agreement, all rights granted hereunder to Franchisee shall forthwith terminate, and:

16.1 Cease Operations. Franchisee shall immediately cease to operate the Franchised Business, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of Franchisor. Immediately upon the expiration or termination hereof, Franchisee shall dispose of, and not sell, any proprietary or trade secret products sold hereunder, including, but not limited to, any products having the Proprietary Marks or contained in packaging having the Proprietary Marks.

16.2 Cease Use of Confidential Information and Marks. Franchisee shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures and techniques associated with the System; any Confidential Information; the Proprietary Mark "Café Landwer" and all other Proprietary Marks and distinctive forms, slogans, signs, symbols and devices associated with the System. In particular, Franchisee shall cease to use, without limitation, all signs, advertising materials, displays, stationery, forms, products and any other articles which display the Proprietary Marks.

16.3 Cancellation of Registrations. Franchisee shall take such action as may be necessary to cancel any assumed name registration or equivalent registration obtained by Franchisee which contains the mark "Café Landwer" or any other Proprietary Marks, and Franchisee shall furnish Franchisor with evidence satisfactory to Franchisor of compliance with this obligation within five (5) days after termination or expiration of this Agreement.

16.4 Assignment of Lease. Franchisee shall, at Franchisor's option, assign to Franchisor any interest which Franchisee has in any lease or sublease for the Franchised Business premises. In the event Franchisor does not elect to exercise its option to acquire the lease or sublease for the Franchised Business premises, Franchisee shall make such modifications or alterations to the premises immediately upon termination or expiration of this Agreement as may be necessary to distinguish the appearance of the premises from that of the Franchised Business under the System, and shall make such specific additional changes thereto as Franchisor may reasonably request for that purpose. In the event Franchisee fails or refuses to comply with the requirements of this Section 16.4, Franchisor shall have the right to enter upon the premises, 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 the expense of Franchisee, which expense Franchisee agrees to pay upon demand.

16.5 Assignment of Telephone Number. Franchisee must cease using all telephone numbers and directory or other business listings used in connection with the Franchised Business. At Franchisor's option, Franchisee shall assign to Franchisor all rights to such telephone numbers and directory and other business listings, and shall sign all forms and documents required by Franchisor and any telephone company to effect such transfer. Franchisee hereby appoints Franchisor as Franchisee's true and lawful agent and attorney-in-fact with full power and authority for the sole purpose of taking such action as is necessary to complete such assignment, and Franchisee agrees to execute Exhibit E for such purpose. This power of attorney shall survive the expiration, termination or transfer of this Agreement. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises its rights or options under this Section 16.5.

16.6 Subsequent Use of Proprietary Marks Prohibited. Franchisee agrees, in the event it continues to operate or subsequently begins to operate any other business, not to use any reproduction, counterfeit, copy or colorable imitation of the Proprietary Marks, either in connection with such other business or the promotion thereof, which, in Franchisor's sole discretion, is likely to cause confusion, mistake or deception, or which, in Franchisor's sole discretion, is likely to dilute Franchisor's rights in and to the Proprietary Marks. Franchisee further agrees not to utilize any designation of origin, description or representation (including but not limited to reference to the Franchisor, the System or the Proprietary Marks) which, in Franchisor's sole discretion, suggests or represents a present or former association or connection with Franchisor, the System or the Proprietary Marks.

16.7 Payment. Franchisee shall promptly pay all sums owing to Franchisor and its affiliates. In the event of termination for any default of Franchisee, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by Franchisor as a result of the default, which obligation shall give rise to and remain, until paid-in-full, a lien in favor of Franchisor against any and all of the personal property, furnishings, equipment, signs, fixtures, and inventory owned by Franchisee and on the premises operated hereunder at the time of default.

16.8 Liquidated Damages. In the event this Agreement is terminated prior to the end of its term due to Franchisee's default hereunder, in addition to the amounts set forth in Section 16.7 above, Franchisee shall promptly pay to Franchisor a lump sum payment (as damages and not as a penalty) for breaching this Agreement in an amount equal to: (a) the average monthly continuing royalty fee and Brand Fund fee payable by you under Sections 4.3 and 12.4 above over the twelve (12) month period immediately preceding the date of termination (or such shorter time period if the Franchised Business has been open less than twelve (12) months); (b) multiplied by the lesser of (a) thirty-six (36) months or (b) the number of months then remaining in the then-current term of this Agreement. Franchisee acknowledges that a precise calculation of the full extent of the damages Franchisor will incur in the event of termination of this Agreement as a result of Franchisee's default is difficult to determine and that this lump sum payment is reasonable in light of the damages Franchisor will incur for Franchisee's pre-mature termination of this Agreement. This lump sum payment shall be in lieu of any damages we may incur as a result of Franchisee's default, but it shall be in addition to all amounts provided above in Section 16.7 and any attorneys' fees and other costs and expenses to which Franchisor is entitled under the terms of this Agreement, including but not limited to, Section 25.7 below. Franchisee's payment of this lump sum shall not affect Franchisor's right to obtain appropriate injunctive relief and remedies to enforce this Section 16 and the covenants set forth in Sections 10 and 17.

16.9 Return Manual. Franchisee shall immediately deliver to Franchisor the Manual and all other records, correspondence and instructions containing Confidential Information relating to the operation of the Franchised Business (and any copies thereof, even if such copies were made in violation of this Agreement), all of which are acknowledged to be the property of Franchisor, and shall retain no copy or record of any of the foregoing, with the exception of Franchisee's copy of this Agreement, any correspondence between the parties and any other documents which Franchisee reasonably needs for compliance with any provision of law.

16.10 Transfer Websites. Franchisee shall immediately irrevocably assign and transfer to Franchisor or its designee any and all interests Franchisee may have in the Website

maintained by Franchisee in connection with the Franchised Business and in the domain name and home page address related to such Website. Franchisee shall immediately execute any documents and perform any other actions required by Franchisor to effectuate such assignment and transfer and otherwise ensure that all rights in such Website revert to Franchisor or its designee, and hereby appoints Franchisor as its attorney-in-fact to execute such documents on Franchisee's behalf if Franchisee fails to do so. Franchisee may not establish any Website using any similar or confusing domain name and/or home page address.

16.11 Franchisor's Option to Purchase Assets. Franchisor shall have the option, to be exercised within thirty (30) days after termination, to purchase from Franchisee any or all of the equipment, furnishings, and signs related to the operation of the Franchised Business at fair market value or at Franchisee's depreciated book value, whichever is less, and to purchase any or all supplies and inventory of the Franchised Business at Franchisee's cost or depreciated book value, whichever is less. If the parties cannot agree on the price of any such items within a reasonable time, an independent appraisal shall be conducted at Franchisor's expense, and the appraiser's determination shall be binding. If Franchisor elects to exercise any option to purchase herein provided, it shall have the right to set off all amounts due from Franchisee, and the cost of the appraisal, if any, against any payment therefor.

16.12 Compliance With Covenants. Franchisee shall comply with the covenants contained in Sections 10.1 and 17.3 of this Agreement.

17. COVENANTS

17.1 Best Efforts. Franchisee covenants that, during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee (or, if Franchisee is a corporation, partnership or limited liability company, a principal, general partner or member of Franchisee) or Franchisee's fully-trained manager shall devote full time and best efforts to the management and operation of the Franchised Business.

17.2 In-Term Covenants. Franchisee specifically acknowledges that, pursuant to this Agreement, Franchisee 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. Franchisee covenants that during the term of this Agreement, except as otherwise approved in writing by Franchisor, Franchisee shall not, either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity:

17.2.1 Divert or attempt to divert any present or prospective business or customer of any of Franchisor's franchised businesses 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 the Proprietary Marks and the System;

17.2.2 Employ or seek to employ any person who is at that time employed by Franchisor or by any other franchisee of Franchisor, or otherwise directly or indirectly induce such person to leave his or her employment; or

17.2.3 Own, maintain, operate, engage in, be employed by, provide any assistance or advice to, or have any interest in (as owner or otherwise) any business that offers or

sells food or food products that are the same as or similar to the products being offered by the Franchised Business under the System.

17.3 Post-Term Covenants. Franchisee covenants that, except as otherwise approved in writing by Franchisor, Franchisee shall not, for a continuous uninterrupted period of two (2) years commencing upon the date of: (a) a transfer permitted under Section 14 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); (d) a final order of a duly authorized arbitrator, panel of arbitrators, or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing or with respect to enforcement of this Section 17.3; or (e) any or all of the foregoing; either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person or legal entity, own, maintain, operate, engage in, be employed by, provide assistance to, or have any interest in (as owner or otherwise) any business that: (i) offers or sells food or food products that are the same as or similar to the products being offered by the Franchised Business under the System; and (ii) is, or is intended to be, located at or within:

17.3.1 the Approved Location or Franchisee's Territory; or

17.3.2 one-hundred (100) miles of the Approved Location; or

17.3.3 one-hundred (100) miles of any business operating under the Proprietary Marks;

provided, however, that Sections 17.2.3 and this Section 17.3 shall not apply to the operation by Franchisee of any business under the System which may be franchised by Franchisor to Franchisee under a written Franchise Agreement.

17.4 No Application to Equity Securities. Sections 17.2.3 and 17.3 shall not apply to ownership by Franchisee of a less than five percent (5%) beneficial interest in the outstanding equity securities of any corporation which has securities registered under the Securities Exchange Act of 1934.

17.5 Reduction of Scope of Covenants. Franchisee understands and acknowledges that Franchisor shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in Sections 17.2 and 17.3, or any portion thereof, without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof; and Franchisee agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 23 hereof.

17.6 No Defense. Franchisee expressly agrees that the existence of any claims it may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by Franchisor of the covenants in this Section 17. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) incurred by Franchisor in connection with the enforcement of this Section 17.

18. CORPORATE, PARTNERSHIP OR LIMITED LIABILITY COMPANY FRANCHISEE

18.1 Franchisee Corporation. If Franchisee is a corporation, Franchisee shall comply with the following requirements:

18.1.1 Franchisee shall be newly organized and its charter shall at all times provide that its activities are confined exclusively to operating the Franchised Business.

18.1.2 Copies of Franchisee's Articles of Incorporation, Bylaws and other governing documents, and any amendments thereto, including the resolution of the Board of Directors authorizing entry into this Agreement, shall be promptly furnished to Franchisor.

18.1.3 Franchisee shall maintain stop-transfer instructions against the transfer on its records of any equity securities; and each stock certificate of Franchisee shall have conspicuously endorsed upon its face a statement in a form satisfactory to Franchisor that it is held subject to, and that further assignment or transfer thereof is subject to, all restrictions imposed upon assignments by this Agreement; provided, however, that the requirements of this Section 18.1.3 shall not apply to a publicly-held corporation.

18.1.4 Franchisee shall maintain a current list of all owners of record and all beneficial owners of any class of voting securities or securities convertible into voting securities of Franchisee and shall furnish the list to Franchisor upon request.

18.2 Franchisee Partnership. If Franchisee or any successor to or assignee of Franchisee is a partnership, it shall comply with the following requirements:

18.2.1 Franchisee shall furnish Franchisor with a copy of its partnership agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

18.2.2 The partnership agreement shall at all times note conspicuously that partnership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement.

18.2.3 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all general and limited partners in Franchisee.

18.3 Franchisee Limited Liability Company. If Franchisee or any successor to or assignee of Franchisee is a limited liability company, it shall comply with the following requirements:

18.3.1 Franchisee shall furnish Franchisor with a copy of its articles of organization and operating agreement as well as such other documents as Franchisor may reasonably request, and any amendments thereto.

18.3.2 The articles of organization or operating agreement shall at all times note conspicuously that membership rights are held subject to, and that further assignment or transfer thereof are subject to, all restrictions imposed upon assignments by the Franchise Agreement.

18.3.3 Franchisee shall prepare and furnish to Franchisor, upon request, a list of all members in Franchisee.

18.4 Guaranty and Indemnification. If Franchisee is a corporation, partnership or limited liability company, or if any successor to or assignee of Franchisee is a corporation, partnership or limited liability company, then all of the principals thereof shall execute a

Guarantee, Indemnification, and Acknowledgment in the form attached hereto as Exhibit F.

19. TAXES, PERMITS, AND INDEBTEDNESS

19.1 Payment of Taxes. Franchisee shall promptly pay when due all taxes levied or assessed, including, without limitation, employer's portion of employment-related taxes (FICA, Medicare and unemployment taxes) and sales taxes, and all accounts and other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business. Franchisee shall pay to Franchisor an amount equal to any state or local taxes, including, without limitation, sales, use, service, occupation, employment related, excise, gross receipts, income, property or other taxes, that may be imposed on Franchisor as a result of Franchisor's receipt or accrual of the initial franchise fee, royalty fees, advertising fees, renewal fees, and all other fees that are referenced in this Agreement, whether assessed against Franchisee through withholding or other means or whether paid by Franchisor directly, unless the tax is credited against income tax otherwise payable by Franchisor. In such event, Franchisee shall pay to Franchisor (or to the appropriate governmental authority) such additional amounts as are necessary to provide Franchisor, after taking such taxes into account (including any additional taxes imposed on such additional amounts), with the same amounts that Franchisor would have received or accrued had such withholding or other payment, whether by Franchisee or by Franchisor, not been required.

19.2 Contesting Taxes. In the event of any bona fide dispute as to Franchisee's liability for taxes assessed or other indebtedness, Franchisee may contest the validity or the amount of the tax or indebtedness in accordance with procedures of the taxing authority or applicable law, but in no event shall Franchisee permit a tax sale or seizure by levy or execution or similar writ or warrant, or attachment by a creditor, to occur against the premises of the Franchised Business, or any improvements thereon.

19.3 Permits and Licenses. Franchisee shall comply with all federal, state, and local laws, rules, and regulations (including, without limitation, the applicable provisions of the ADA regarding the construction, design and operation of the Franchised Business and applicable provisions of Section 4205 of the Patient Protection and Affordable Care Act of 2010 regarding disclosure of nutritional information on menus and menu boards), and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper conduct of the Franchised Business, including, without limitation, licenses to serve alcohol, licenses to do business, fictitious name registrations, sales tax permits, health permits, building permits, handicap permits and fire clearances. Franchisee shall comply with all federal and state laws requiring disclosure of nutritional information on menus and menu boards, including, but not limited to, the requirements of Section 4205 of the Patient Protection and Affordable Care Act of 2010.

19.4 Notification of Adverse Action. Franchisee shall immediately notify Franchisor in writing of 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, which may adversely affect the operation or financial condition of the Franchised Business.

20. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

20.1 Independent Contractor. Franchisor and Franchisee agree that this Agreement does not create a fiduciary relationship between them, that Franchisee shall be an independent contractor, and that nothing in this Agreement is intended to constitute either party an agent, legal representative, subsidiary, joint venturer, partner, employee, or servant of the other for any purpose whatsoever. During the term of this Agreement, Franchisee shall hold itself out to the public as an independent contractor operating the Franchised Business pursuant to a franchise agreement from Franchisor. Franchisee agrees to take such action as may be necessary to do so, including, without limitation, exhibiting a notice of that fact in a conspicuous place at the premises of the Franchised Business, the content of which Franchisor reserves the right to specify.

20.2 No Authority to Contract. Nothing in this Agreement authorizes Franchisee to make any contract, agreement, warranty or representation on Franchisor's behalf, or to incur any debt or other obligation in Franchisor's name; and Franchisor shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall Franchisor be liable by reason of any act or omission of Franchisee in its operation of the business franchised hereunder or for any claim or judgment arising therefrom against Franchisee or Franchisor.

20.3 Indemnification. Franchisee shall indemnify and hold harmless Franchisor and its affiliates, and their respective officers, directors and employees against any and all claims, losses, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with Franchisee's operation of the Franchised Business, the business conducted under this Agreement, or Franchisee's breach of this Agreement, including, but not limited to, those alleged to be caused by Franchisor's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Franchisor's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court with competent jurisdiction, as well as the costs, including reasonable attorneys' fees, of defending against them. In the event Franchisor incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Franchisee in which Franchisor is not a party, Franchisee shall reimburse Franchisor for all such costs and expenses promptly upon presentation of invoices. Franchisee acknowledges and agrees that Franchisee's indemnification and hold harmless obligations under this Section shall survive the termination or expiration of this Agreement. Nothing herein shall preclude Franchisor from choosing its own legal counsel to represent it in any lawsuit, arbitration, or other dispute resolution.

20.4 Force Majeure. Neither Franchisor, Franchisor's affiliates, nor Franchisee shall be responsible or liable for any delays in the performance of any duties under this Agreement which are not the fault or within the reasonable control of that party including, but not limited to, fire, flood, natural disasters, acts of God, delays in deliveries by common carriers, governmental acts or orders, late deliveries of products or goods or furnishing of services by third party vendors, civil disorders, acts of terrorism, or strikes and any other labor-related disruption, and in any event said time period for the performance of an obligation hereunder shall be extended for the amount of time of the delay or impossibility. Provided, however, this clause shall not apply to and not result in an extension of: (1) the time for payments to be made by Franchisee as required by Section 4.5 hereof; or (2) the term of this Agreement.

21. APPROVALS AND WAIVERS

21.1 Approvals and Consent. Whenever this Agreement requires the prior approval or consent of Franchisor, Franchisee shall make a timely written request to Franchisor therefor, and such approval or consent must be obtained in writing.

21.2 No Warranties or Guarantees. Franchisor makes no warranties or guarantees upon which Franchisee may rely, and assumes no liability or obligation to Franchisee, by providing any waiver, approval, consent, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay or denial of any request therefor.

21.3 No Waiver. No failure of Franchisor to exercise any power reserved to it by this Agreement, or to insist upon strict compliance by Franchisee with any obligation or condition hereunder, and no custom or practice of the parties at variance with the terms hereof, shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms hereof. Waiver by Franchisor of any particular default of Franchisee shall not affect or impair Franchisor's rights with respect to any subsequent default of the same, similar, or different nature; nor shall any delay, force, or omission of Franchisor to exercise any power or right arising out of any breach of default by Franchisee of any of the terms, provisions, or covenants hereof, affect or impair Franchisor's right to exercise the same, nor shall such constitute a waiver by Franchisor of any right hereunder, or the right to declare any subsequent breach or default and to terminate this Agreement prior to the expiration of its term. Subsequent acceptance by Franchisor of any payments due to it hereunder shall not be deemed to be a waiver by Franchisor of any preceding breach by Franchisee of any terms, covenants, or conditions of this Agreement.

22. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which affords the sender evidence of delivery or rejected delivery (which shall not include electronic communication, such as e-mail), to the respective parties at the following addresses, unless and until a different address has been designated by written notice to the other party:

L. COFFEE INC.
900 Beacon Street
Boston, MA 02215
Attn: Nir Caspi

Notices to Franchisee:

_____

_____

23. ENTIRE AGREEMENT

This Agreement, the attachments hereto, and the documents referred to herein constitute the entire Agreement between Franchisor and Franchisee concerning the subject matter hereof, and

supersede any prior agreements, no other representations having induced Franchisee to execute this Agreement. Except for those permitted to be made unilaterally by Franchisor hereunder, no amendment, change, or variance from this Agreement shall be binding on either party unless mutually agreed to by the parties and executed by their authorized officers or agents in writing. Nothing in this Agreement or in any related agreement between Franchisor and Franchisee is intended to disclaim the representations in Franchisor's Franchise Disclosure Document.

24. SEVERABILITY AND CONSTRUCTION

24.1 Severability. If, for any reason, any section, part, term, provision, and/or covenant herein 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 shall not impair the operation of, or have any other effect upon, such other portions, sections, parts, terms, provisions, and/or covenants of this Agreement as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and said invalid portions, sections, parts, terms, provisions, and/or covenants shall be deemed not to be a part of this Agreement.

24.2 Survival. Any provision or covenant in this Agreement which expressly or by its nature imposes obligations beyond the expiration, termination or assignment of this Agreement (regardless of cause for termination), shall survive such expiration, termination or assignment, including but not limited to Sections 10, 17, and 26.

24.3 No Rights or Remedies Conferred. Except as expressly provided to the contrary herein, nothing in this Agreement is intended, nor shall be deemed, to confer upon any person or legal entity other than Franchisee, Franchisor, Franchisor's officers, directors, shareholders, agents, and employees, and such of Franchisor's successors and assigns as may be contemplated by Section 14 hereof, any rights or remedies under or by reason of this Agreement.

24.4 Promises and Covenants. Franchisee expressly agrees to be bound by any promise or covenant imposing the maximum duty permitted by law which is subsumed within the terms of any provision hereof, as though it were separately articulated in and made a part of this Agreement, that may result from striking from any of the provisions hereof any portion or portions which a court or agency having valid jurisdiction may hold to be unreasonable and unenforceable in an unappealed final decision to which Franchisor is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such a court or agency order.

25. APPLICABLE LAW AND DISPUTE RESOLUTION

25.1 Applicable Law. This Agreement shall be interpreted and construed exclusively under the laws of the state of Delaware. In the event of any conflict of law, the laws of the state of Delaware shall prevail, without regard to the application of conflict-of-law rules. If, however, any provision of this Agreement would not be enforceable under the laws of the state of Delaware and if Franchisee is located outside of the state of Delaware and such provision would be enforceable under the laws of the state in which Franchisee is located, then such provision shall be interpreted and construed under the laws of that state.

25.2 Jurisdiction and Venue. Any action, whether or not arising out of, or relating to, this Agreement, brought by Franchisee (or any principal thereof) against Franchisor shall

be brought in the U.S. District Court for the District of Massachusetts or, if such court lacks subject matter jurisdiction, in a state court located in such district. Franchisor shall have the right to commence an action against Franchisee in any court of competent jurisdiction. Franchisee hereby waives all objections to personal jurisdiction or venue for purposes of this Section 25.2 and agrees that nothing in this Section 25.2 shall be deemed to prevent Franchisor from removing an action from state court to federal court.

25.3 No Exclusivity. No right or remedy conferred upon or reserved to Franchisor or Franchisee by this Agreement is intended to be, nor shall be deemed, exclusive of any other right or remedy herein or by law or equity provided or permitted, but each shall be cumulative of every other right or remedy.

25.4 WAIVER OF RIGHT TO JURY TRIAL AND PUNITIVE DAMAGES. FRANCHISOR AND FRANCHISEE HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY AGREE AS FOLLOWS: (A) FRANCHISOR AND FRANCHISEE HEREBY EXPRESSLY AND IRREVOCABLY WAIVE 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; AND (B) FRANCHISOR AND FRANCHISEE HEREBY WAIVE 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 SUSTAINED BY IT.

25.5 LIMITATION OF CLAIMS. ANY AND ALL CLAIMS AND ACTIONS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE RELATIONSHIP OF FRANCHISEE AND FRANCHISOR, OR FRANCHISEE'S OPERATION OF THE FRANCHISED BUSINESS, BROUGHT BY FRANCHISEE AGAINST FRANCHISOR, SHALL BE COMMENCED WITHIN ONE (1) YEAR FROM THE OCCURRENCE OF THE FACTS GIVING RISE TO SUCH CLAIM OR ACTION, OR SUCH CLAIM OR ACTION SHALL BE BARRED.

25.6 Injunctive Relief. Nothing herein contained (including, without limitation, Section 25.2 above) shall bar Franchisor's right to obtain injunctive relief from a court of competent jurisdiction against threatened conduct that will cause it loss or damage, under the usual equity rules, including the applicable rules for obtaining specific performance, restraining orders, and preliminary injunctions.

25.7 Costs and Expenses. Franchisee shall pay to Franchisor all damages, costs, and expenses, including all court costs, mediation costs, and reasonable attorney's fees, and all other expenses incurred by Franchisor in enforcing any obligation under, or in defending against any claim, demand, action, or proceeding related to, this Agreement, including, but not limited to the obtaining of injunctive relief.

26. FRANCHISEE'S ACKNOWLEDGEMENTS AND REPRESENTATIONS

26.1 Independent Investigation. Franchisee acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Franchisee (or, if Franchisee is a

corporation, partnership or limited liability company, the ability of its principals) as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

26.2 Acknowledgement of Receipt. Franchisee acknowledges that it received Franchisor's current Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed or Franchisee paid any money to Franchisor. Franchisee further acknowledges that it received a complete copy of this Agreement, the attachments hereto, and all related agreements attached to the Franchise Disclosure Document, and that Franchisee waited at least seven (7) calendar days prior to executing them if any changes to such agreements were unilaterally and materially made by Franchisor.

26.3 Acknowledgement of Understanding. Franchisee acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that Franchisor has accorded Franchisee ample time and opportunity to consult with advisors of Franchisee's own choosing about the potential benefits and risks of entering into this Agreement.

26.4 Compliance With Anti-Terrorism Laws. Franchisee acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), Franchisor is prohibited from engaging in any transaction with any Specially Designated National or Blocked Person. "Specially Designated National" or "Blocked Person" shall mean (1) those persons designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national" or "blocked person" or similar status, (2) a person engaged in, or aiding any person engaged in, acts of terrorism, as defined in the Order, or (3) a person otherwise identified by government or legal authority as a person with whom Franchisor is prohibited from transacting business. Currently, a listing of such designations and the text of the Order are published at the Internet website address, *www.ustreas.gov/offices/enforcement/ofac*. Accordingly, Franchisee represents and warrants to Franchisor that as of the date of this Agreement, neither Franchisee nor any person holding any ownership interest in Franchisee, controlled by Franchisee, or under common control with Franchisee is a Specially Designated National or Blocked Person, and that Franchisee (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Franchisee agrees that Franchisee shall immediately provide written notice to Franchisor of the occurrence of any event which renders the representations and warranties in this Section 26.4 incorrect.

26.5 Site Approval. Franchisee hereby acknowledges and agrees that Franchisor's 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. Franchisor's approval of a site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its

purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its 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.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement in duplicate on the date first above written.

L. COFFEE INC.

By: _____

Name: _____

Title: _____

[INSERT FRANCHISEE NAME]

By: _____

Name: _____

Title: _____

EXHIBIT A

APPROVED LOCATION AND FRANCHISEE'S TERRITORY

1. **Approved Location.** The Approved Location under the Franchise Agreement shall be: [_____]. Franchisor and Franchisee acknowledge that the Approved Location may not be determined until after the Franchise Agreement is signed.

2. **Franchisee's Territory.** Franchisee's Territory under this Agreement shall consist of the following geographic area described below and on the map attached to this Exhibit A:

[INSERT]

L. COFFEE INC.

_____

By:

Title:

FRANCHISEE

_____

By:

Title:

EXHIBIT B

SITE SELECTION ADDENDUM

L. COFFEE INC. (hereinafter the "Franchisor") and [_____] (hereinafter "Franchisee"), have as of [_____], entered into a certain Franchise Agreement (the "Franchise Agreement") and desire to supplement its terms, as set forth below. The parties hereto therefore agree as follows:

1. Within one hundred and eighty (180) days after Franchisee's execution of the Franchise Agreement, Franchisee shall obtain a site, at Franchisee's expense, for a Café Landwer ("Franchised Business") franchised under the Franchise Agreement, which premises shall be approved by Franchisor as hereinafter provided. The premises shall be within the following territory ("Site Selection Territory"):

[INSERT]

2. Failure by Franchisee to obtain premises for the Franchised Business within the time required in Paragraph 1 hereof shall constitute a default under the Franchise Agreement and this Site Selection Addendum. Time is of the essence.

3. Franchisor shall not establish, nor franchise another to establish, a Café Landwer within the Site Selection Territory until Franchisor approves a location for the Franchised Business, or until the time set forth in Paragraph 1 hereof expires, whichever event first occurs.

4. Prior to Franchisee's acquisition by lease or purchase of a site for the Franchised Business, Franchisee shall submit to Franchisor, in the form specified by Franchisor, a completed site review form, such other information or materials as Franchisor may reasonably require, and a letter of intent or other evidence satisfactory to Franchisor which confirms Franchisee's favorable prospects for obtaining the proposed site. Recognizing that time is of the essence, Franchisee agrees that Franchisee must submit a proposed site, together with the information and materials required by this Paragraph 4, to Franchisor for its approval within one hundred fifty (150) days after execution of this Site Selection Addendum. Franchisor shall have thirty (30) days after receipt of such information and materials from Franchisee to approve or disapprove, in Franchisor's sole discretion, the site as a location for the Franchised Business. No proposed site shall be deemed approved unless it has been expressly approved in writing by Franchisor.

5. Franchisor shall furnish to Franchisee the following:

a. Such site selection guidelines and consultation as Franchisor deems advisable;

b. Such on-site evaluation as Franchisor deems advisable as part of its evaluation of Franchisee's request for site approval; provided, however, that Franchisor shall not provide on-site evaluation for any proposed site prior to Franchisor's receipt of the information or materials required by Paragraph 4 hereof. If on-site evaluation is deemed necessary and appropriate by Franchisor, Franchisor

shall conduct up to two (2) on-site evaluations at Franchisor's expense. For each additional on-site evaluation (if any), Franchisee shall reimburse Franchisor for Franchisor's reasonable expenses, including, without limitation, the costs of travel, lodging and meals.

6. If Franchisee will occupy the premises of the Franchised Business under a lease, Franchisee shall, prior to the execution thereof, (1) execute the Conditional Assignment of Lease and obtain the Lessor's execution of the Consent and Agreement of Lessor, in the forms attached as Exhibit G to the Franchise Agreement, and (2) submit the lease to Franchisor for its approval. Franchisor's approval of the lease may be conditioned upon the inclusion of the following terms and conditions:

a. That the initial term of the lease, or the initial term together with renewal terms, shall be for not less than ten (10) years;

b. That the lessor consents to Franchisee's use of such Proprietary Marks and initial signage as Franchisor may prescribe for the Franchised Business;

c. That the use of the premises be restricted solely to the operation of the Franchised Business;

d. That Franchisee be prohibited from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the lease without Franchisor's prior written consent;

e. That lessor provide to Franchisor copies of any and all notices of default given to Franchisee under the lease;

f. That Franchisor have the right to enter the premises to make modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Franchise Agreement or under the lease;

g. That Franchisor (or Franchisor's designee) have the option, upon default, expiration or termination of the Franchise Agreement, and upon notice to the lessor, to assume all of Franchisee's rights under the lease terms, including the right to assign or sublease.

7. Franchisee shall furnish Franchisor with a copy of any executed lease within ten (10) days after execution thereof.

8. After a site for the Franchised Business has been approved in writing by Franchisor and obtained by Franchisee pursuant to Paragraph 4 hereof, the site shall constitute the Approved Location referred to in Section 1.2 of the Franchise Agreement.

9. Franchisee hereby acknowledges and agrees that Franchisor's 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. Franchisor's approval of the site indicates only that Franchisor believes the site complies with acceptable minimum criteria established by Franchisor solely for its purposes as of the time of the evaluation. Both Franchisee and Franchisor acknowledge that application of criteria that may have been effective with respect to other sites and premises may not be predictive of potential for all sites and that, subsequent to

Franchisor's approval of a site, demographic and/or economic factors, such as competition from other similar businesses, included in or excluded from Franchisor's criteria could change, thereby altering the potential of a site or lease. Such factors are unpredictable and are beyond Franchisor's control. Franchisor shall not be responsible for the failure of a site approved by Franchisee to meet Franchisee's expectations as to revenue or operational criteria. Franchisee further acknowledges and agrees that its 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.

10. This Site Selection Addendum constitutes an integral part of the Franchise Agreement between the parties hereto, and the terms of this Site Selection Addendum shall be controlling with respect to the subject matter hereof. Except as modified or supplemented by this Site Selection Addendum, the terms of the Franchise Agreement are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement on the date first above written.

L. COFFEE INC.

_____

By:

Title:

FRANCHISEE

_____

By:

Title:

EXHIBIT C

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT

(For execution by Franchisee's managers and other personnel having access to Franchisor's Confidential Information.)

In consideration of my position as _____ of _____ (the "Franchisee"), receipt of which is hereby acknowledged, I hereby acknowledge and agree that:

1. L. COFFEE INC. (the "Franchisor"), as the result of the expenditure of time, skill, effort, and money, has developed, and continues to develop, a distinctive system relating to the establishment, operation, and promotion of food and food products, and all of which may be changed, improved and further developed by Franchisor from time to time (the "System").

2. As an employee of the Franchisee, I will receive valuable confidential information, disclosure of which would be detrimental to the Franchisor and the Franchisee, such as information relating to the Manual, recipes, ingredients, cooking procedures, customer lists, drawings, materials, or equipment of the Franchisor and the System related to the establishment and operation of Café Landwer, which are beyond the present skills and experience possessed by me ("Confidential Information"). This list of confidential matters is illustrative only, and does not include all matters considered confidential by the Franchisor and the Franchisee.

3. I will hold in strict confidence all information designated by the Franchisor or the Franchisee as confidential. Unless the Franchisor otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as an employee of the Franchisee. My undertaking not to disclose Confidential Information is a condition of my position with the Franchisee, and continues even after I cease to be in that position.

4. While in my position with the Franchisee, I will not do anything which may injure the Franchisee or the Franchisor, such as (a) divert or attempt to divert any present or prospective business or customer of any Café Landwer to any competitor, by direct or indirect inducement or otherwise; (b) do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Franchisor's marks and the System; or (c) employ or seek to employ any person who is at that time been employed by the Franchisor or any franchisee of the Franchisor (including the Franchisee), or otherwise directly or indirectly induce such person to leave his or her employment.

5. While in my position with the Franchisee and for two (2) years after I cease to be in my position with the Franchisee, I will not own, maintain, operate, engage in, be employed by, provide any assistance or advise to, or have any interest in (as owner or otherwise) any business that: (a) offers or sells food or food products that are the same as or similar to the products being offered by Café Landwer under the System; and (b) is, or is intended to be, located at or within: (1) the Franchisee's Territory, the boundaries of which I acknowledge have been described to me; (2) a radius of ten (10) miles from the premises of the Franchisee's franchised business; or (4) a radius of ten (10) miles of any business operating under the Franchisor's marks.

6. The Franchisor is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Franchisor and the Franchisee irreparable harm; therefore, I acknowledge and agree that the Franchisor and/or the Franchisee may apply for the issuance of an injunction preventing me from violating this Agreement in addition to any other remedies it may have hereunder, at law or in equity; and I agree to pay the Franchisor and the Franchisee all the costs it/they incur/s, including without limitation attorneys' fees, if this Agreement is enforced against me. Due to the importance of this Agreement to the Franchisor and the Franchisee, any claim I have against the Franchisor or the Franchisee is a separate matter and does not entitle me to violate, or justify any violation of, this Agreement. If any part of this Agreement is held invalid by a court or agency having valid jurisdiction, the rest of the Agreement is still enforceable and the part held invalid is enforceable to the extent found reasonable by the court or agency. I agree that all the words and phrases used in this Agreement will have the same meaning as used in the Franchise Agreement, and that such meaning has been explained to me.

7. The Franchisor may, in its sole discretion, reduce the scope of any covenant set forth in this Agreement, without my consent, effective immediately upon my receipt of written notice thereof; and I agree to comply with any covenant as so modified.

8. This Agreement shall be construed under the laws of the State of Delaware. The only way this Agreement can be changed is in a writing signed by both the Franchisee and me.

ACKNOWLEDGED BY FRANCHISEE:

By: _____

Signature: _____

Name: _____

Title: _____

Address: _____

Date: _____

EXHIBIT D

DISCLOSURE OF PRINCIPALS

To be completed if Franchisee is a Corporation, Partnership, or Limited Liability Company only

1. Date: _____

2. Franchisee Contact. The following individual is a shareholder, member, or partner of Franchisee and is the principal person to be contacted on all matters relating to the Franchised Business:

Name: _____

Address: _____

_____

Daytime Telephone No: _____

Evening Telephone No:_____

Facsimile No: _____

E-mail Address: _____

3. Franchisee Owners. The undersigned agree and acknowledge that the following is a complete list of all of the shareholders, partners, or members ("Owners") of Franchisee and the percentage interest of each individual:

Name	Position	Interest (%)
_____	_____	____
_____	_____	____
_____	_____	____
_____	_____	____

4. Change in Owners. Franchisee acknowledges and agrees that any proposed change in the Owners listed in Paragraph 3, above, shall require Franchisor's prior written consent in accordance with the terms of Section 14 of the Franchise Agreement.

IN WITNESS WHEREOF, the undersigned has duly executed this Disclosure of Principals on the date first above written.

FRANCHISEE

_____

By:

Title:

EXHIBIT E

_____("Franchisee" or "You") operates a Café Landwer at_____ (the "Franchised Business"). In consideration of the granting of a franchise to You and other valuable consideration paid by L. Coffee Inc., ("We" or "Us"), You hereby assign to Us all telephone numbers and listings You use in the operation of the Franchised Business. We assume the performance of all the terms, covenants and conditions of your agreement with the telephone company listed below concerning the telephone numbers and telephone listings with the full force and effect as if We had been originally issued the telephone numbers and telephone listings. We will hold this assignment and will deliver it to the telephone company or other interested third parties only upon termination of the Franchise Agreement between Us and You dated [DATE].

Dated this [_____] day of [_____].

FRANCHISEE

_____

By:

Title:

Telephone Company:

[Name of Telephone Company]

[Address]

[City, State, Zip]

TRANSFER OF TELEPHONE SERVICE AGREEMENT

In the event the Café Landwer is discontinued for any reason, I hereby release to L. Coffee Inc. or its designee the use of the following telephone number or numbers which were used in conjunction with the Café Landwer located at [_____]:

(_____)_____-_____

(_____)_____-_____

Date: [_____]

FRANCHISEE

_____

By:

Title:

Sworn and Subscribed to before me, a Notary Public, by _____ (Franchisee) on the _____ day of _____.

[Name]

Notary Public, State of _____

My Commission Expires: [Date]

EXHIBIT F

GUARANTEE, INDEMNIFICATION, AND ACKNOWLEDGEMENT

As an inducement to L. Coffee Inc. ("Franchisor") to execute the Franchise Agreement between Franchisor and _____ ("Franchisee") dated [DATE] (the "Franchise Agreement"), the undersigned, jointly and severally, hereby unconditionally guarantee to Franchisor and its successors and assigns that all of Franchisee's obligations under the Franchise Agreement will be punctually paid and performed.

Upon demand by Franchisor, the undersigned will immediately make each payment to Franchisor required of Franchisee under the Franchise Agreement. The undersigned hereby waive any right to require Franchisor to: (a) proceed against Franchisee for any payment required under the Franchise Agreement; (b) proceed against or exhaust any security from Franchisee; or (c) pursue or exhaust any remedy, including any legal or equitable relief, against Franchisee. Without affecting the obligations of the undersigned 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. The undersigned waive notice of amendment of the Franchise Agreement and notice of demand for payment by Franchisee, and agree to be bound by any and all such amendments and changes to the Franchise Agreement.

The undersigned hereby agree to defend, indemnify, and hold Franchisor harmless against any and all losses, damages, liabilities, costs, and expenses (including, but not limited to, reasonable attorneys' fees, reasonable costs of investigation, court costs, and arbitration fees and 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 Franchise Agreement, any amendment thereto, or any other agreement executed by Franchisee referred to therein.

The undersigned hereby acknowledge and agree to be individually bound by all of the confidentiality provisions and non-competition covenants contained in Sections 10 and 17 of the Franchise Agreement.

This Guarantee shall terminate upon the termination or expiration of the Franchise Agreement, except that all obligations and liabilities of the undersigned which arose from events which occurred on or before the effective date of such termination shall remain in full force and effect until satisfied or discharged by the undersigned, and all covenants which by their terms continue in force after the expiration or termination of the Franchise Agreement shall remain in force according to their terms. Upon the death of an individual guarantor, the estate of such guarantor shall be bound by this Guarantee, but only for defaults and obligations hereunder existing at the time of death; and the obligations of the other guarantors will continue in full force and effect.

Unless specifically stated otherwise, the terms used in this Guarantee shall have the same meaning as in the Franchise Agreement, and shall be interpreted and construed in accordance with Section 25 of the Franchise Agreement. This Guarantee shall be interpreted and construed under the laws of the State of Delaware. In the event of any conflict of law, the laws of Delaware shall prevail, without regard to, and without giving effect to, the application of the State of Delaware conflict of law rules.

The Guarantors agree that the dispute resolution and attorney fee provisions in Section 25 of the Franchise Agreement are hereby incorporated into this Guarantee by reference, and references to "Franchisee" and the "Franchise Agreement" therein shall be deemed to apply to "Guarantors" and this "Guarantee," respectively, herein.

Any and all notices required or permitted under this Guarantee shall be in writing and shall be personally delivered, sent by registered mail, or sent by other means which afford the sender evidence of delivery or rejected delivery, to the respective parties at the address set forth in Section 22 of the Franchise Agreement, unless and until a different address has been designated by written notice to the other party.

Any notice by a method which affords the sender evidence of delivery or rejected delivery shall be deemed to have been given at the date and time of receipt or rejected delivery.

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

GUARANTORS

Owners:

_____

EXHIBIT G

CONDITIONAL ASSIGNMENT OF LEASE

FOR VALUE RECEIVED, the undersigned ("Assignor") hereby assigns and transfers to L. Coffee Inc., a Delaware corporation ("Assignee"), all of Assignor's right, title and interest as tenant in, to and under that certain lease, a copy of which is attached hereto as Exhibit 1 (the "Lease") regarding the premises commonly known as _____.

This Assignment is for collateral purposes only and except as specified herein, Assignee shall have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Assignee takes possession of the premises demised by the Lease pursuant to the terms hereof and assumes the obligations of Assignor thereunder.

Assignor represents and warrants to Assignee that it has full power and authority to so assign the Lease and its interest therein and that Assignor has not previously assigned or transferred, and is not obligated to assign or transfer, any of its interest in the Lease or the premises demised thereby.

Upon a default by Assignor under the Lease or under the franchise agreement for a Café Landwer between Assignee and Assignor (the "Franchise Agreement"), or in the event of a default by Assignor under any document or instrument securing the Franchise Agreement, Assignee shall have the right and is hereby empowered to take possession of the premises demised by the Lease, expel Assignor therefrom, and, in such event, Assignor shall have no further right, title or interest in the Lease.

Assignor agrees that it will not suffer or permit any surrender, termination, amendment or modification of the Lease without the prior written consent of Assignee. Throughout the term of the Franchise Agreement and any renewals thereto, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than thirty (30) days prior to the last day that the option must be exercised, unless Assignee otherwise agrees in writing. If Assignee does not otherwise agree in writing, and upon failure of Assignor to so elect to extend or renew the Lease as aforesaid, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal options in the name, place and stead of Assignor for the purpose of effecting such extension or renewal.

ASSIGNOR:

By:

_____

[Print Name]

WITNESS:

_____

CONSENT AND AGREEMENT OF LESSOR

The undersigned Lessor under the aforementioned described Lease hereby:

Agrees to notify Assignee in writing of and upon the failure of Assignor to cure any default by Assignor under the Lease;

Agrees that Assignee shall have the right, but shall not be obligated, to cure any default by Assignor under the Lease within 30 days after delivery by Lessor of notice thereof in accordance with paragraph (a) above;

Consents to the foregoing Conditional Assignment and agrees that if Assignee takes possession of the premises demised by the Lease and confirms to Lessor the assumption of the Lease by Assignee as tenant thereunder, Lessor shall recognize Assignee as tenant under the Lease, provided that Assignee cures within the 30-day period the defaults, if any, of Assignor under the Lease;

Agrees that Assignee may further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is reasonably acceptable to Lessor and upon such assignment Assignee shall have no further liability or obligation under the Lease as assignee, tenant or otherwise.

DATED: [insert date]

LESSOR:

By: _____

EXHIBIT D: STATE ADMINISTRATORS

California
Department of Business Oversight
320 West 4th Street
Suite 750
Los Angeles, California 90013

Connecticut
The Department of Banking
Securities and Business Investment Division
260 Constitution Plaza
Hartford, CT 06103–1800
(860) 240-8299

Florida
Florida Department of Agriculture & Consumer Services
Division of Consumer Affairs
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800

Hawaii
Business Registration Division
Securities Compliance Branch
Department of Commerce and Consumer Affairs
335 Merchant Street
Honolulu, Hawaii 96813

Illinois
Office of Attorney General
Franchise Division
500 South Second Street
Springfield, Illinois 62706

Indiana
Secretary of State
Franchise Section
Indiana Securities Division
302 West Washington, Room E-111
Indianapolis, Indiana 46204

Kentucky
Commonwealth of Kentucky Office of the Attorney General
Consumer Protection Division
1024 Capital Center Drive

P.O. Box 2000
Frankfort, Kentucky 40602

Maryland
Office of the Attorney General
Division of Securities
200 St. Paul Place
Baltimore, Maryland 21202–2020

Michigan
Consumer Protection Division
Antitrust and Franchise Unit
Michigan Department of Attorney General
670 Law Building
Lansing, Michigan 48913

Minnesota
Department of Commerce
85 7th Place East
Suite 500
St. Paul, Minnesota, 55101–2198

Nebraska
Department of Banking and Finance
1200 N Street
Suite 311
P.O. Box 95006
Lincoln, NE 68509

New York
Bureau of Investor Protection and Securities
New York State Department of Law
23rd Floor
120 Broadway
New York, New York 10271

North Dakota
Office of Securities Commissioner
Fifth Floor
600 East Boulevard
Bismarck, North Dakota 58505

Rhode Island
Department of Business Regulation
Securities Division
1511 Pontiac Avenue
Cranston, Rhode Island 02920-4407

South Dakota
Division of Securities

c/o 445 E. Capitol Avenue
Pierre, South Dakota 57501

Texas
Statutory Document Section
Secretary of State
P.O. Box 12887
Austin, Texas 78711

Virginia
State Corporation Commission
Division of Securities and Retail Franchising
Ninth Floor
1300 East Main Street
Richmond, Virginia 23219

Washington
Department of Financial Institutions
Securities Division
150 Israel Rd., SW
Tumwater, Washington 98501

Wisconsin
Franchise Registration Division
Office of the Wisconsin Commissioner of Securities
101 East Wilson Street
Madison, Wisconsin 53702

EXHIBIT E: AGENTS FOR SERVICE OF PROCESS

California Commissioner of the Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 1-866-275-2677
Connecticut The Banking Commissioner The Department of Banking Securities and Business Investment Division 260 Constitution Plaza Hartford, CT 06103–1800 (860) 240-8299
Hawaii Commissioner of Securities of the State of Hawaii Department of Commerce and Consumer Affairs Business Registration Division Securities Compliance Branch 335 Merchant Street, Room 203 Honolulu, Hawaii 96813
Illinois Attorney General of the State of Illinois 500 South Second Street Springfield, Illinois 62706
Indiana Secretary of State 201 State House Indianapolis, Indiana 46204
Kentucky Commonwealth of Kentucky Office of the Attorney General Consumer Protection Division 1024 Capital Center Drive P.O. Box 2000 Frankfort, Kentucky 40602
Maryland Maryland Securities Commissioner 200 St. Paul Place Baltimore, Maryland 21202–2020
Michigan

Department of Consumer and Industry Services Corporation, Securities, and Land Dev't Bureau 6546 Mercantile Way Lansing, Michigan 48910
Minnesota Department of Commerce 85 7th Place East, Suite 500 St. Paul, Minnesota, 55101–2198
Nebraska Department of Banking and Finance 1200 N Street, Suite 311 P.O. Box 95006 Lincoln, NE 68509
New York Secretary of State 162 Washington Avenue Albany, New York 12231
North Dakota Office of Securities Commissioner Fifth Floor 600 East Boulevard Bismarck, North Dakota 58505
Rhode Island Department of Business Regulation Securities Division 1511 Pontiac Avenue Cranston, Rhode Island 02920-4407
South Dakota Division of Securities c/o 445 E. Capitol Avenue Pierre, South Dakota 57501
Texas Statutory Document Section Secretary of State P.O. Box 12887 Austin, Texas 78711
Virginia Clerk of the State Corporation Commission First Floor 1300 East Main Street Richmond, Virginia 23219

Washington Department of Financial Institutions Securities Division 150 Israel Rd., SW Tumwater, Washington 98501
Wisconsin Department of Financial Institutions Division of Securities P.O. Box 1768 Madison, Wisconsin 53701

EXHIBIT F: EXISTING FRANCHISEES

None.

EXHIBIT G: FORMER FRANCHISEES

None.

EXHIBIT H: STATE ADDENDUM

ADDENDUM TO THE FRANCHISE DISCLOSURE DOCUMENT

FOR THE STATE OF CALIFORNIA

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

The California Business and Professions Code Section 20000 through 20043 provide rights to the Franchisee concerning termination, transfer or non-renewal for a Franchise. If the Franchise Agreement contains a provision that is inconsistent with the law, the law will control.

The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A. Sec. 101 et seq.).

The Franchise Agreement and Development Agreement contain a covenant not to compete which extends beyond the termination of the Franchised Business. This provision may not be enforceable under California law.

The Franchise Agreement requires that litigation will occur in the municipality where our principal offices in the United States are located. 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) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

The Franchise Agreement requires application of the laws of Delaware. This provision may not be enforceable under California law.

EXHIBIT I: DEVELOPMENT AGREEMENT

Area Development Agreement

This **AREA DEVELOPMENT AGREEMENT** (this "**Agreement**") is made and entered into by L. Coffee Inc., a Delaware corporation, with its principal place of business at 900 Beacon Street, Boston, MA 02215 (the "**Company**"), and _____, an individual resident of the state of _____ (the "**Developer**"). This agreement is effective as of the _____ of _____, _____ (the "**Effective Date**").

WHEREAS, Company has developed and owns a unique and distinctive system (the "**System**") for the development and operation of Café Landwer restaurants ("**Café Landwer Restaurants**") featuring proprietary menu items and food products, including specialty coffees, lunch, dinner and desserts (all proprietary menu items hereunder shall be referred to as "**Café Landwer Products**") developed and owned by Company; and

WHEREAS, the distinguishing characteristics of the System include, without limitation, the name "Café Landwer"; distinctive interior design and layouts, decor, color schemes, and furnishings; confidential food formulae and recipes used in the preparation of food products; standards and specifications for operating procedures, and training programs, all of which may be changed, improved, and further developed by Company from time to time; and

WHEREAS, Company desires to expand and develop the System, and seeks sophisticated and experienced multi-unit franchisees that will develop and operate numerous Café Landwer Restaurants that use the System within certain designated areas; and

WHEREAS, Developer desires to develop and operate Café Landwer Restaurants and Company desires to grant to Developer the right to develop and operate Café Landwer Restaurants in accordance with the terms and upon the conditions contained in this Agreement.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, and intending to be legally bound, the parties agree as follows:

1. GRANT OF AREA DEVELOPMENT FRANCHISE

1.1. Company grants to Developer, and Developer accepts, the right, during the term of this Agreement, to develop Café Landwer Restaurants at certain premises located within the Development Area, defined herein to mean and refer to the geographical area set forth in Exhibit A.

1.2. This Agreement is not a franchise agreement, and does not grant Developer any right to use the System, or to sell Café Landwer Products. Each Café Landwer Restaurant franchise contemplated under this Agreement shall be awarded pursuant to the execution by both parties of a franchise agreement. Attached hereto as Exhibit C is the Company's standard franchise agreement in effect as of the Effective Date (the "**Franchise Agreement**"). The Developer shall execute a Franchise Agreement and shall pay a franchise fee equal to _____ dollars (_____) for the first Café Landwer Restaurant developed by Developer under this Agreement and shall pay a franchisee fee equal to _____ dollars (_____) for each subsequent Café Landwer Restaurant developed by Developer under this Agreement (the **Franchise Fee**"). The form of the Franchise Agreement shall be the standard form utilized by Company at the time each such Franchise Agreement is executed, with such variations as negotiated by the parties. As a condition to the Company's execution of each Franchise Agreement, the Company may require Developer, or Developer's principals, or parent company, if any, to execute, in a form acceptable to the Company in its sole judgment, a guaranty to secure payment of royalties and other fees required to be paid and

performance of all obligations under the Franchise Agreement. The Company shall be under no obligation to execute and issue a Franchise Agreement if Developer is in breach or default of any other Franchise Agreement between the Company and Developer (or one of its affiliates). In addition, the Company shall be under no obligation to execute and issue a Franchise Agreement unless Developer has complied in a timely manner with all terms and conditions of this Agreement and has satisfied all requirements set forth herein (including construction and training requirements) with respect to the pertinent site. If and when a Franchise Agreement is executed by the Company, it shall govern the relations between the parties with respect to the pertinent Café Landwer Restaurant.

2. PAYMENTS BY DEVELOPER

2.1. Development Area Fees. Developer shall pay a fee in the amount of _____ dollars (_____) (the "**Development Fee**") upon execution of this Agreement. The Development Fee shall be deemed fully earned by the Company upon the payment thereof and shall be non-refundable under any circumstances.

2.2. Credit Against Initial Fee. For the first Café Landwer Restaurant developed by Developer in accordance with this Agreement, Developer shall receive a credit of five thousand dollars (_____) against such restaurant's Franchise Fee.

3. DEVELOPER'S DEVELOPMENT OBLIGATION

3.1. Minimum Development Obligation. Developer shall be responsible for constructing, equipping, opening and thereafter continue to operate at agreed upon locations within the Development Area, not less than the cumulative number of Café Landwer Restaurants, within the Development Schedule specified in Exhibit B; provided, however, that Developer shall, subject to the Company's approval as further described in this Section 3, enter into a lease or acquire the location for Developer's first Café Landwer Restaurant within one hundred and eighty days (180) from the Effective Date. Developer's failure to lease or acquire a location for Developer's first Café Landwer Restaurant within the aforementioned time period shall constitute a material breach of this Agreement.

3.2. Locations**.** Developer is responsible for locating proposed sites for each of the Café Landwer Restaurants contemplated under this Agreement; during the term of this Agreement, Developer shall use its best efforts to locate suitable sites. The Company may, in its judgment, offer counseling and advice in site selection. In no event, however, shall the Company be obligated to loan money, guarantee leases, provide financing or otherwise become directly involved and/or obligated to Developer or to any third party in respect of such site selection or development; these activities and undertakings shall be the exclusive responsibility of Developer, financially and otherwise.

3.3. Site Acceptance. Upon selection by Developer of a proposed site for a Café Landwer Restaurant, Developer shall promptly submit to the Company such specific site data and demographic and other information concerning the site as may be reasonably required by the Company, utilizing such forms as may be required by the Company. The Company shall either accept or reject such site in accordance, at its sole discretion. To be effective, any acceptance must be in writing. Developer understands and acknowledges that the Company may reject any proposed site, in which event, Developer will not proceed at the rejected site but will seek to locate an acceptable site. The acquisition in any manner of any proposed site or the expenditure of any amount associated with any proposed site prior to written acceptance by the Company shall be at the sole risk and responsibility of Developer and shall not obligate the Company, in any way, to accept the same.

3.4. Disclaimer. By executing this Agreement, accepting a proposed site, giving approvals or advice, or providing services or assistance in connection with this Agreement, the Company does not guarantee the suitability of an accepted site or the success of any Café Landwer Restaurant established at such site. The Company expressly disclaims any warranties, express or implied, with respect to the suitability of any site or the success of any Café Landwer Restaurant. Developer understands and acknowledges that the suitability of a site and the success of any Café Landwer Restaurant depends on many factors outside the control of either the Company or Developer (such as interest rates, unemployment rates, demographic trends, and the general economic climate), but principally depends on Developer's efforts in the operation of the Café Landwer Restaurant.

3.5. Location Requirements. As a condition for accepting a proposed site, the Company may require Developer to negotiate a lease or sales contract that includes certain terms regarding duration or other specified matters. Developer understands and acknowledges that a site acceptance may be conditioned on such matters, and if Developer does not wish to or cannot satisfy the pertinent conditions within a reasonable time, the site will be deemed rejected. If Developer will be leasing the site for its Café Landwer Restaurant, then promptly following the Company's written approval of the site and prior to Developer becoming a lessee of the premises, the Developer will provide the Company with a true, correct and complete copy of any such lease, which lease is subject to the Company's acceptance, which acceptance will not be unreasonably withheld, delayed or conditioned. Additionally, Developer will use best efforts to include the following terms in its lease for the premises: (i) a provision reserving to the Company the right to receive an assignment of the lease upon termination (prior to expiration) of the Franchise Agreement; (ii) a provision requiring the lessor concurrently to send the Company a copy of any written notice of a lease default sent to Developer and granting the Company the right (but not the obligation) to cure any lease default within fifteen (15) business days after the expiration of Developer's cure period; (iii) a provision evidencing the right to display signage according to the specifications in the Company's Operating Manual, subject only to applicable law; and (iv) provisions, in form satisfactory to the Company, expressly providing both Developer and the Company the ability to take all actions necessary in order to comply with the Company's option to cure a default under any Franchise Agreement, including but not limited to, requiring the lessor thereunder to give the Company reasonable notice of any contemplated termination. Neither the Company's acceptance of the location nor the Company's review and acceptance of the lease shall constitute a guarantee or warranty, express or implied, of the successful operation or profitability of a Café Landwer Restaurant at the such location.

3.6. Construction. Upon receiving acceptance for a proposed site, Developer shall proceed promptly to secure control of the accepted site and to obtain necessary zoning and building approvals and permits. The Company, an affiliate of the Company, or vendor designated by the Company shall provide, at the expense of the Developer, (a) standard architectural plans, including exterior and interior design and layout, and (b) specifications for fixtures, furnishings and signs. Developer acknowledges that such plans shall not contain the requirements of any federal, state or local law, code or regulation (including, without limitation, those concerning the Americans with Disabilities Act (the "**ADA**") or similar rules governing public accommodations or commercial facilities for persons with disabilities). Developer must hire an architect and general contractor to adapt these standard plans to the accepted site and must submit final working plans to the Company for approval within the time limits set by the Company. Developer shall not proceed with construction or remodeling until Developer has received the Company's written approval of the final working plans. Developer shall ensure that the building is constructed or remodeled in accordance with the final working plans and specifications designated and approved by the Company in writing.

Developer will allow the Company to make periodic inspections and will provide such periodic progress reports as may be requested by the Company.

1.1. Force Majeure. Should Developer be unable to meet the obligations set forth in Exhibit B solely as the result of a Force Majeure event (as defined below), Developer may request that Company extend the affected Development Schedule by the amount of time during which such Force Majeure shall exist. As used in this paragraph, a "Force Majeure" event includes, but is not limited to, any act of God; war; riot; civil strife; act of terrorism, domestic or foreign; embargo; governmental rule, regulation or decree; flood, fire, hurricane, tornado, or other casualty; earthquake; which result in the inability of Developer to develop Café Landwer Restaurants as required by this Agreement, and which Developer could not by the exercise of due diligence have avoided. The Company will not unreasonably decline to extend the applicable development period(s) in such event, provided that Developer shall have promptly (in any event not more than thirty (30) days after commencement of the Force Majeure event) submitted its request therefor in writing and promptly furnished Company such information concerning the circumstances as Company may reasonably require.

2. EXCLUSIVITY

2.1. Exclusivity.

2.1.1. Subject to Section 4.1.2, during the Term (as defined below) of this Agreement, the Company shall not operate or grant a license or franchise to any other person except Developer to operate a Café Landwer Restaurant at any site within the Development Area, except as expressly permitted under this Agreement.

2.1.2. The Company expressly reserves the exclusive, unrestricted right, in its sole discretion, directly and indirectly, through its employees, affiliates, representatives, licensees, assigns, agents and others (i) to establish, own or operate and to franchise or license others (which may include its affiliates and joint ventures in which it or its affiliates are participants) to establish, own or operate shops, restaurants and other businesses which operate under names other than "Café Landwer" at any location, and of any type or category whatsoever, and whether within or outside the Development Area, and regardless of its proximity to any Café Landwer Restaurant developed or under development or consideration by Developer; and (ii) to produce, promote, license, sell, distribute and market Café Landwer Products, and products bearing any other marks, at or through any location or outlet, including grocery stores and convenience stores, and including those which may be located within the Development Area, and through any distribution channel, at wholesale or retail, including by means of mail order catalogs, direct mail advertising, the Internet, and other distribution methods.

3. TERM OF AREA DEVELOPMENT AGREEMENT

3.1. Term. The term of this Agreement shall commence on the Effective Date and, unless earlier terminated pursuant to Section 7, shall be in effect for a period of ten (10) years from the Effective Date (the "**Term**").

3.2. Option to Extend**.** Provided that Developer shall not be in default under this Agreement, or any other agreement between Company and Developer, and further provided that Developer has opened and is operating at least _____ (__) Café Landwer Restaurants in the Development Area, Developer may elect to extend the term of this Agreement for an additional ten (10) year period (the "**Option**"). Developer shall exercise the Option by written notice to Company no more than

twelve (12) months prior to the commencement of the Option, and no less than ninety (90) days prior to the commencement of the Option.

4. TRAINING AND SUPPORT

4.1. Developer may not open any Café Landwer Restaurant until Developer, or a representative of Developer approved by the Company, and one (1) manager (per Café Landwer Restaurant), and such other persons as the Company may reasonably require, have successfully completed all appropriate training, as further described by the Franchise Agreement.

4.2. For the first franchised location of Developer, Company shall provide up to three (3) representatives for up to one (1) month, to provide on-site, pre-opening and opening assistance to Developer. The Company shall be responsible for paying the wages of such representatives and the Developer shall be responsible for paying for all other expenses of such representatives, including transportation, lodging and meals.

5. ASSIGNMENT

5.1. Assignment by Company. This Agreement is fully transferable by Company, in whole or in part, without the consent of Developer; provided, however, that such transferee and successor shall expressly agree to assume Company's obligations under this Agreement.

5.2. Assignment by Developer. This Agreement has been entered into by Company in reliance upon and in consideration of the character, reputation, skill, attitude, business ability, and financial capacity of Developer or, if applicable, its owners, partners, shareholders, or members. Accordingly, neither Developer nor any of Developer's owners, partners, shareholders, or members shall directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any ownership interest in Developer, any direct or indirect interest in this Agreement, or all or substantially all of Developer's assets, voluntarily or involuntarily, in whole or in part, by operation of law or otherwise (an "**Assignment**") without Company's prior, express written consent, which consent may be withheld for any reason whatsoever in Company's sole discretion.

6. NON-COMPETITION, NON-SOLICITATION, TRADE SECRETS

6.1. During the Term of the Agreement. During the term of this Agreement, and notwithstanding whether or not Developer has entered into any Franchise Agreement with the Company, neither Developer, nor any officer, director, or direct or indirect owner of a Developer, shall in any capacity, either directly or indirectly, personally or through one or more business entities, engage in any Competitive Activities, as defined below, at any location, whether within or outside the Development Area, without the Company's prior written consent. As used in this paragraph, "Competitive Activities" shall mean owning (either directly or indirectly), operating, consulting for, lending to, advising, being employed by, or having any financial interest in any business that engages in the retail or wholesale dissemination of retail or food products featured by Café Landwer or any Café Landwer Restaurant.

6.2. After the Term of the Agreement. Upon the expiration, cancellation, or termination of this Agreement, or if Developer shall make any assignment to any person or business entity, or if any owner, officer or director of Developer shall terminate his or her relationship with Developer, then for a period of twelve (12) months after any such event, Developer, or such owner, or indirect owner, officer or director, shall not in any capacity, either directly or indirectly, through one or more subsidiaries or affiliated companies, own (either directly or indirectly), operate, consult for,

lend to, advise, be employed by, or have any financial interest in any business that engages in the retail or wholesale dissemination of any retail or food products featured by Café Landwer Restaurants (i) within the Development Area, (ii) within the County in which any Café Landwer Restaurant operated by Developer is located, or (iii) within an area within ten (10) miles from the location of any then-existing Café Landwer Restaurant, without the Company's prior, express, written consent.

6.3. Modification. The parties have limited the Developer's right to compete, pursuant to Sections 6.1 and 6.2 only to the extent necessary to protect the Company from unfair competition. The parties hereby expressly agree that if any part of Sections 6.1 and 6.2 is held to be illegal or unenforceable in any respect, the offending provision shall be modified to the extent, and only to the extent necessary to make such provision legal or enforceable to the fullest extent of applicable law.

6.4. Trade Secrets.

6.4.1. Company possesses and continues to develop, and during the course of the relationship established hereunder, Developer shall have access to, proprietary and confidential information, including recipes, ingredients, specifications, processes, procedures, concepts, methods and techniques of developing, marketing and operating shops, restaurants and other retail outlets featuring food and beverage products (the "**Trade Secrets**"). Certain of the Trade Secrets may be disclosed to Developer in operating manuals, memoranda, bulletins, supplements, correspondence, or other confidential communications, and through the Company's training program and other guidance and management assistance, and in performing Company's other obligations and exercising Company's rights under this Agreement or the franchise agreements executed pursuant hereto. "Trade Secrets" shall not include information which: (a) has entered the public domain or was known to Developer prior to Company's disclosure of such information to Developer, other than by the breach of an obligation of confidentiality owed by anyone to Company; (b) becomes known to Developer from a source other than Company and other than by the breach of an obligation of confidentiality owed by anyone to Company; or (c) was independently developed by Developer without the use or benefit of Company's Trade Secrets. The burden of proving the applicability of the foregoing will reside with Developer.

6.4.2. Developer shall acquire no interest in the Trade Secrets other than the right to use them in developing and operating Café Landwer Restaurants pursuant to the franchise agreements executed pursuant to this Agreement. Developer's use of the Trade Secrets in any other endeavor or business shall constitute an unfair method of competition. Developer shall not, and shall not permit its owners, employees, agents or representatives to: (i) not use the Trade Secrets in any business or other endeavor other than in connection with such Café Landwer Restaurants; (ii) maintain absolute confidentiality of the Trade Secrets during and after the Term of this Agreement; (iii) make no unauthorized copy of any portion of the Trade Secrets, including without limitation, all or any part of the manuals, bulletins, supplements, memoranda, confidential correspondence, or other confidential communications, whether written or oral; and (iv) operate and implement all reasonable procedures prescribed from time to time by Company to prevent unauthorized use and disclosure of the Trade Secrets, including without limitation, restrictions limiting disclosure to certain employees and use of non-disclosure and non-competition provisions as Company prescribes in employment agreements with employees who may have access to the Trade Secrets.

7. TERMINATION, EXPIRATION, AND CANCELLATION

7.1. Termination Pursuant to a Material Breach of This Agreement. This Agreement may be terminated by Company in the event of any material breach by Developer of this Agreement, unless such breach is cured by Developer within ten (10) days following written notice of the default; provided that the following defaults shall be deemed incurable: (i) any attempt by Developer to make any Assignment in violation of the terms of this Agreement, or without the written consents required, pursuant to this Agreement; (ii) failure of Developer to meet any of the development obligations of this Agreement including the development obligations contained in Exhibit A or Exhibit B; and (iii) any violation by Developer of Section 6 of this Agreement.

7.2. Termination by Reason of a Material Breach of Other Agreement. This Agreement may be terminated, at the election of Company, in the event of the termination of any individual franchise agreement between Company and Developer or the material breach by Developer of any individual franchise agreement or other agreement between Company and Developer.

7.3. Effect of Termination, Expiration, or Cancellation. Upon the termination, expiration, or cancellation of this Agreement, Developer shall promptly return to Company, in accordance with Company's directions, all materials containing or constituting Trade Secrets as referenced in Section 8.4 of this Agreement. Upon the expiration or termination of this Agreement, the Developer's entitlement to any exclusivity granted pursuant to this Agreement shall terminate and the Company may license others to operate, or itself operate, new or additional Café Landwer Restaurants at any location within the Development Area, subject to the terms of any then-existing Franchise Agreements. In addition, upon the expiration or termination of this Agreement, the rights granted to the Developer pursuant to this Agreement shall be extinguished immediately and, further, Developer shall have no right to receive any refund or repayment of the Development Fee.

8. DEVELOPER ACKNOWLEDGEMENTS AND REPRESENTATIONS

8.1. Independent Investigation. Developer acknowledges that it has conducted an independent investigation of the business franchised hereunder, and recognizes that the business venture contemplated by this Agreement involves business risks and that its success will be largely dependent upon the ability of Developer (or, if Developer is a corporation, partnership or limited liability company, the ability of its principals) as an independent businessperson. The Company expressly disclaims the making of, and the Developer acknowledges that it has not received, any warranty or guarantee, express or implied, as to the potential volume, profits, or success of the business venture contemplated by this Agreement.

8.2. Acknowledgement of Receipt. Developer acknowledges that it received the Company's current Franchise Disclosure Document at least fourteen (14) calendar days prior to the date on which this Agreement was executed or the Developer paid any money to the Company.

8.3. Acknowledgement of Understanding. Developer acknowledges that it has read and understood this Agreement, the attachments hereto, and agreements relating thereto, if any, and that the Company has accorded Developer ample time and opportunity to consult with advisors of Developer's own choosing about the potential benefits and risks of entering into this Agreement.

8.4. Compliance With Anti-Terrorism Laws. Developer acknowledges that under applicable U.S. law, including, without limitation, Executive Order 13224, signed on September 23, 2001 (the "Order"), the Company is prohibited from engaging in any transaction with any Specially Designated National or Blocked Person. "Specially Designated National" or "Blocked Person" shall mean (1) those persons designated by the U.S. Department of Treasury's Office of Foreign Assets Control from time to time as a "specially designated national" or "blocked person" or similar status, (2) a

person engaged in, or aiding any person engaged in, acts of terrorism, as defined in the Order, or (3) a person otherwise identified by government or legal authority as a person with whom the Company is prohibited from transacting business. Currently, a listing of such designations and the text of the Order are published at the Internet website address, *www.ustreas.gov/offices/enforcement/ofac*. Accordingly, Developer represents and warrants to the Company that as of the date of this Agreement, neither the Developer nor any person holding any ownership interest in the Developer, controlled by the Developer, or under common control with the Developer is a Specially Designated National or Blocked Person, and that Developer (1) does not, and hereafter shall not, engage in any terrorist activity; (2) is not affiliated with and does not support any individual or entity engaged in, contemplating, or supporting terrorist activity; and (3) is not acquiring the rights granted under this Agreement with the intent to generate funds to channel to any individual or entity engaged in, contemplating, or supporting terrorist activity, or to otherwise support or further any terrorist activity. Developer agrees that the Developer shall immediately provide written notice to the Company of the occurrence of any event which renders the representations and warranties in this Section inaccurate.

8.5. No Company Representations. Developer understands and acknowledges that there are significant risks in any business venture and that the primary factor in Developer's success or failure under this Development Agreement will be Developer's own efforts. In addition, Developer acknowledges that the Company and its representatives have made no representations to Developer other than or inconsistent with the matters set forth in the Franchise Disclosure Document provided to Developer and that Developer has undertaken this venture solely in reliance upon the matters set forth in the Franchise Disclosure Document and Developer's own independent investigation of the merits of this venture.

8.6. General. The execution, delivery and performance by the Developer of this Agreement are within the powers of the Developer, have been duly authorized and will not constitute or result in a breach or default under, or conflict with, any order, ruling or regulation of any court or other tribunal or of any governmental commission or agency, or any agreement or other undertaking, to which the Developer is a party or by which the Developer is bound; and, if the Developer is not an individual, will not violate any provision of the charter documents, bylaws, indenture of trust, operating agreement or partnership agreement, as applicable, of the Developer. The signatures on this Agreement are genuine; and the signatory, if the Developer is an individual, has legal competence and capacity to execute the same, or, if the Developer is not an individual, the signatory has been duly authorized to execute the same; and this Agreement constitutes the legal, valid and binding obligations of the Developer, enforceable in accordance with the terms herein.

9. GENERAL CONDITIONS AND PROVISIONS

9.1. No License. Except as expressly provided herein, Developer acknowledges that until a Franchise Agreement has been issued for a specified site, Developer shall not have or be entitled to exercise any of the rights, powers and privileges granted by the Franchise Agreement, including without limitation the right to use the System or any of the trademarks of Café Landwer; that the execution of this Agreement shall not be deemed to grant any such rights, powers or privileges to Developer; and that Developer may not under any circumstances commence operation of any Café Landwer Restaurant prior to execution by the Company of a Franchise Agreement for the pertinent location.

9.2. Relationship of Developer to Company. It is expressly agreed that the parties intend by this Agreement to establish between Company and Developer the relationship of franchisor and franchisee. It is further agreed that Developer has no authority to create or assume in Company's

name or on behalf of Company, any obligation, express or implied, or to act or purport to act as agent or representative on behalf of Company for any purpose whatsoever. Neither Company nor Developer is the employer, employee, agent, partner or co-venturer of or with the other. Developer agrees that he will not hold himself out as the agent, employee, partner or co-venturer of Company. All employees hired by or working for Developer shall be the employees of Developer and shall not, for any purpose, be deemed employees of the Company or subject to Company control. Each of the parties agrees to file its own tax, regulatory and payroll reports with respect to its respective employees and operations, saving and indemnifying the other party hereto of and from any liability of any nature whatsoever by virtue thereof.

9.3. Indemnification. Developer shall indemnify and hold harmless Company and its affiliates, and their respective owners, officers, directors, agents, advisors, representatives and employees against any and all claims, losses, costs, expenses, liabilities and damages arising directly or indirectly from, as a result of, or in connection with Developer's operation of any Café Landwer Restaurant, the business and transactions conducted under this Agreement, or Developer's breach of this Agreement, including, but not limited to, those alleged to be caused by Company's negligence, unless (and then only to the extent that) the claims, obligations, and damages are determined to be caused solely by Company's gross negligence or willful misconduct according to a final, unappealable ruling issued by a court with competent jurisdiction, as well as the costs, including reasonable attorneys' fees, of defending against them. In the event Company incurs any costs or expenses, including, without limitation, legal fees, travel expenses, and other charges, in connection with any proceeding involving Developer, Developer shall reimburse Company for all such costs and expenses promptly upon presentation of invoices. The Developer acknowledges and agrees that Developer's indemnification and hold harmless obligations under this Section shall survive the termination or expiration of this Agreement. Nothing herein shall preclude the Company from choosing its own legal counsel to represent it in any lawsuit, arbitration, or other dispute resolution.

9.4. No Liability. Developer agrees that no past, present or future director, officer, employee, incorporator, member, partner, stockholder, subsidiary, affiliate, controlling party, entity under common control, ownership or management, vendor, service provider, agent, attorney or representative of the Company will have any liability for (i) any of the Company's obligations or liabilities relating to or arising from this Agreement, (ii) any claim against the Company based on, in respect of, or by reason of, the relationship between Developer and the Company, or (iii) any claim against the Company based on any alleged unlawful act or omission.

9.5. Waiver and Delay. No waiver by Company of any breach or series of breaches or defaults in performance by Developer, and no failure, refusal or neglect of Company to exercise any right, power, or option given to it hereunder or under any franchise agreement between Company and Developer, shall constitute a waiver of the provisions of this Agreement with respect to any subsequent breach thereof or a waiver by Company of its right at any time thereafter to require exact and strict compliance with the provisions thereof.

9.6. Survival of Covenants. The covenants contained in this Agreement which, by their terms, require performance by the parties after the expiration or termination of this Agreement, shall be enforceable notwithstanding said expiration or other termination of this Agreement for any reason whatsoever.

9.7. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and assigns of Company and shall be binding upon and inure to the benefit of Developer and his or their respective heirs, executors, administrators, successors and assigns, subject to the prohibitions against assignment contained herein.

9.8. Governing Law. Any and all matters of dispute between the parties to this Agreement, whether arising from the agreement itself or arising from alleged extra-contractual facts prior to, during, or subsequent to the Agreement, including, without limitation, fraud, misrepresentation, negligence, or any other alleged tort or violation of the contract, shall be governed by, construed, and enforced in accordance with the laws of the Commonwealth of Massachusetts, not including its conflicts of laws rules but including its statutes of limitations, regardless of the legal theory upon which such matter or dispute is asserted. The parties hereby agree that the United Nations Convention on Contracts for the International Sale of Goods will not apply to this contract.

9.9. Venue, Jurisdiction**.** Any action, whether or not arising out of, or relating to, this Agreement, brought by Developer (or any principal thereof) against the Company, or any owner, officer, director, agent, advisor, representative or employee of the Company, shall be brought in the U.S. District Court for the District of Massachusetts or, if such court lacks subject matter jurisdiction, in a state court located in such district. The Company shall have the right to commence an action against Developer in any court of competent jurisdiction. The Developer hereby waives all objections to personal jurisdiction or venue for purposes of this Section and agrees that nothing in this Section shall be deemed to prevent the Company from removing an action from state court to federal court.

9.10. Entire Agreement. The parties intend this Agreement to constitute the complete, exclusive and fully integrated statement of their agreement. As such, it is the sole repository of their agreement and they are not bound by any other agreements, promises, representations, or writings of whatsoever kind or nature. The parties also intend that this complete, exclusive and fully integrated statement of their agreement may not be supplemented or explained or interpreted by any evidence of trade usage or course of dealing.

9.11. Notices. All notices required under this Agreement shall be in writing. Any notice given or made in accordance with this Agreement shall be given or made and received on the date of hand-delivery or facsimile or on the day received by a nationally recognized courier, as the case may be. Notice shall be delivered:

If to the Company:

L. Coffee Inc.
Attn: Nir Caspi
900 Beacon Street
Boston, MA 02215

If to the Developer:

_____
_____
_____

Either party may, from time to time, by notice in writing pursuant to the terms hereof, change its address or its designated representative for the administration of this Agreement, and for this purpose the notice shall be furnished by an authorized representative of that party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed:

COMPANY:

L COFFEE INC.

_____
Nir Caspi, CEO

DEVELOPER:

[_____]

_____
[_____]

EXHIBIT A

Territory

[INSERT]

EXHIBIT B

Development Schedule

[INSERT]

EXHIBIT C

Franchise Agreement

EXHIBIT J: RECEIPTS

ACKNOWLEDGEMENT OF RECEIPT

This disclosure document summarizes certain provisions of the franchise agreement and other information in plain language. Read this disclosure document and all agreements carefully.

If L. Coffee Inc. offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

If L. Coffee Inc. 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 the state agency listed on Exhibit D.

The agents listed in Exhibit E are authorized to receive service of process for L. Coffee Inc.

The following is the name, principal business address and telephone number of each franchise seller offering this franchise:

Name:	L. Coffee Inc.
Address:	900 Beacon Street
	Boston MA 02215
Telephone Number:	(857) 752-4035

Issuance Date: May 1, 2019 (See State Cover Page for state effective dates.)

Please sign below to acknowledge the following:

I have received a disclosure document dated May 1, 2019 that included the following Exhibits:

Exhibit A — Financial Statements
Exhibit B — Table of Contents of Manuals
Exhibit C — Franchise Agreement
Exhibit D — State Administrators
Exhibit E — Agents for Service of Process
Exhibit F — Existing Franchisees
Exhibit G — Former Franchisees
Exhibit H — State Addendum
Exhibit I — Development Agreement
Exhibit J — Receipts

Dated as of the _____ day of _____, 2019:

PROSPECTIVE FRANCHISEE

_____

By:

Title:

RETAIN THIS COPY FOR YOUR FILES

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Exhibit G — Former Franchisees
Exhibit H — State Addendum
Exhibit I — Development Agreement
Exhibit J — Receipts

Dated as of the _____ day of _____, 2019:

PROSPECTIVE FRANCHISEE

_____

By:

Title:

RETURN THIS COPY TO US