FRANCHISE DISCLOSURE DOCUMENT

coffee beanery

THE COFFEE BEANERY LTD.
a Michigan corporation
World Headquarters
3429 Pierson Place
Flushing, Michigan 48433
(810) 733-1020
KevinS@beanerysupport.com
Internet http://www.CoffeeBeanery.com

The franchisee will offer for retail sale various types of coffee, including espresso based beverages, and other beverages, coffee beans, tea, spices, related products and food items such as salads, sandwiches, baked goods as well as merchandise and coffee accessories, for on or off-site consumption using the Coffee Beanery name and trademarks (each, a "Store"). The different Store models (each, a "Store Model") are disclosed in the Chart below:

Store Model	Store Description	Total Investment and Amounts Paid to Franchisor or its Affiliates
Traditional Store without Food Model	A traditional Store that offers espresso based beverages, and other beverages, coffee beans, tea, spices, related products and limited food items ("Traditional Store without Food Model").	The total investment necessary to begin operation of a Traditional Store without Food Store Model ranges from $260,000 to $454,100, which includes $25,000 to $31,500 that must be paid to the franchisor or its affiliates.
Traditional Store with Food Model	A traditional Store that offers espresso based beverages, and other beverages, coffee beans, tea, spices, related products and a more expansive food menu ("Traditional Store with Food Model").	The total investment necessary to begin operation of a Traditional Store with Food Store Model ranges from $260,000 to $474,100, which includes $25,000 to $31,500 that must be paid to the franchisor or its affiliates.
Kiosk Store Model	A traditional Store that is operated from a Kiosk structure ("Kiosk Store Model").	The total investment necessary to begin operation of a Kiosk Store Model ranges from $185,000 to $369,100, which includes $25,000 to $31,500 that must be paid to the franchisor or its affiliates.
Co-Branded Store Model	A traditional Store that is operated under the Coffee Beanery marks from the same space or premises as another concept that we approve and authorize ("Co-Branded Store Model").	The total investment necessary to begin operation of a Co-Branded Store Model ranges from $140,000 to $317,100, which includes $25,000 to $31,500 that must be paid to the franchisor or its affiliates.
Conversion Store Model	A Store that is converted from a coffee shop to traditional Coffee Beanery Store ("Conversion Store Model").	The total investment necessary to begin operation of a Conversion Store Model ranges from $112,500 to $329,600, which includes $17,500 and $24,000 that must be paid to the franchisor or its affiliates

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact us at the address above.

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

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

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

Issuance Date: October 31, 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 franchise administrator listed in Exhibit F 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 BY MEDIATION AND LITIGATION ONLY IN THE COUNTY WHERE WE MAINTAIN OUR PRIMARY PLACE OF BUSINESS, CURRENTLY IN GENESEE COUNTY, MICHIGAN. OUT OF STATE LITIGATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.

2. THE FRANCHISE AGREEMENT STATES THAT MICHIGAN LAW GOVERNS THE AGREEMENT UNLESS A PROVISION IS NOT ENFORCEABLE UNDER THE LAWS OF MICHIGAN AND YOUR STORE OR TERRITORY IS LOCATED IN A STATE WHERE THE PROVISION IS ENFORCEABLE. THE LAWS OF MICHIGAN MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.

3. YOUR SPOUSE MUST SIGN A DOCUMENT THAT MAKES YOUR SPOUSE LIABLE FOR ALL FINANCIAL OBLIGATIONS UNDER THE FRANCHISE AGREEMENT EVEN THOUGH YOUR SPOUSE HAS NO OWNERSHIP INTEREST IN THE FRANCHISE. THIS GUARANTEE WILL PLACE BOTH YOU AND YOUR SPOUSE’S MARITAL AND PERSONAL ASSETS, PERHAPS INCLUDING YOUR HOUSE, AT RISK IF YOUR FRANCHISE FAILS.

4. YOU MUST MAINTAIN MINIMUM SALES PERFORMANCE LEVELS. YOUR INABILITY TO MAINTAIN THESE LEVELS MAY RESULT IN TERMINATION OF YOUR FRANCHISE AND LOSS OF YOUR INVESTMENT.

5. THERE MAY BE OTHER RISKS CONCERNING THE FRANCHISE.

We 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 is our agent and represents us, not you. We pay this person a fee for selling our franchise or referring you to us. You should be sure to do your own investigation of the franchise.

STATE EFFECTIVE PAGE

The following states require that the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Florida, Hawaii, Kentucky, Illinois, Indiana, Maryland, Michigan, Minnesota, Nebraska, New York, North Dakota, Rhode Island, South Dakota, Texas, Utah, 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 if an effective date is noted below for the state:

State	Effective Date
California	Pending Registration
Florida (exemption)	Pending Registration
Hawaii	Not Registered
Illinois	Pending Registration
Indiana	Pending Registration
Kentucky	Registered
Maryland	Pending Registration
Michigan	Pending Registration
Minnesota	Pending Registration
Nebraska	Not Registered
New York	Pending Registration
North Dakota	Not Registered
Rhode Island	Not Registered
South Dakota	Not Registered
Texas	Registered
Utah (exemption)	Not Registered
Virginia	Pending Registration
Washington	Not Registered
Wisconsin	Pending Registration

(ADDITIONAL COVER PAGE DISCLOSURES FOR MICHIGAN RESIDENTS ONLY)

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchise:

a. A prohibition on the right of a franchisee to join an association of franchisees.

b. A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protection provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.

c. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.

d. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (i) The term of the franchise is less than 5 years and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.

e. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.

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

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

(1) The failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards.

(2) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.

(3) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

(4) The failure of the franchisee or proposed transferee to pay any sums owing to the franchisor or to cure any default in the franchise agreement existing at the time of the proposed transfer.

h. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor a right of first refusal to purchase the assets of a franchise on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subdivision (c).

i. A provision which permits the franchisor to directly or indirectly convey, assign, or otherwise transfer its obligations to fulfill contractual obligations to the franchisee unless provision has been made for providing the required contractual services.

If the franchisor's most recent financial statements are unaudited and show a net worth of less than $100,000.00, the franchisee may request the franchisor to arrange for the escrow of initial investment and other funds paid by the franchisee until the obligations, if any, of the franchisor to provide real estate, improvements, equipment, inventory, training or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENFORCEMENT BY THE ATTORNEY GENERAL.

Any questions regarding this notice should be directed to:

State of Michigan
Department of Attorney General
6520 Mercantile Way
Lansing, Michigan 48913
Telephone Number: (517) 373-3800

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<u>**ITEM 1**</u>

THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES

The Coffee Beanery Ltd. (**"**we", "us" "our" or "CBL") is the franchisor of the franchise program described in this Disclosure Document. Unless otherwise noted, we will refer to a prospective franchisee as "you," whether you are an individual, a partnership, a corporation or other entity, including the owner or owners of those entities.

The Franchisor

We were incorporated in Michigan on March 22, 1976. We began offering franchises on May 18, 1985 for specialty retail coffee stores or businesses in a variety of forms and locations, including kiosks (a small store without a separately defined leased retail space), counters, malls and neighborhood café locations commencing on different dates over our history. We began operating Coffee Beanery stores, including our first corporate store, at our inception in 1976 and have continuously done so since that date. We began offering franchises for Coffee Beanery stores in May, 1985 and have continuously done so since that date. We have not offered franchises for any other type of business.

Our principal business address is 3429 Pierson Place, Flushing, Michigan 48433. We conduct business under the corporate name "Coffee Beanery" and do not conduct business under any other name.

Our agents for service of process in various states, including those requiring franchise registration are listed in <u>Exhibit G</u> to this Disclosure Document.

Parents, Predecessors and Affiliates

We have no predecessors or affiliates that are required to be disclosed in this Item.

Our parent company is the Shaw Coffee Company, which is a Michigan corporation incorporated on June 29, 1983 and that has the same principal place of business as we do. The Shaw Coffee Company is a holding company and has not conducted daily business activities, offered franchises or conducted any other type of business.

The Franchise Offered

We may, if we deem you are qualified, offer you the right to operate one (1) or more of the following Store Models, which all offer and sell espresso based and other specialty beverages, fresh brewed coffee, coffee beans, bakery items, tea, related products such as mugs and coffee makers (collectively, the "Approved Products"):

The "Traditional Store without Food Model" is a retail coffee store that also offers a limited food service menu consisting of prepackaged bakery items such as muffins, cakes, cinnamon rolls, bagels, cheesecake, assorted cakes and, in some cases, other prepackaged food. We began offering franchises for the right to operate a Traditional Store without Food Model in 1985.

The "Traditional Store with Food Model" is a retail coffee store that also offers a more substantial food service menu prepared on site as well as some prepackaged food items. We began offering franchises for the right to operate a Traditional Store with Food Model in 1995.

The "Kiosk Store Model" is a traditional Store that is operated from a Kiosk structure. We began offering franchises for the right to operate a Kiosk Store Model in 1995.

The "Co-Branded Store Model" is a traditional Store that is operated under the Coffee Beanery marks in conjunction with other marks and products. We began offering franchises for the right to operate a Co-Branded Store Model in 2003. Co-branded owners will sign, in addition to a Franchise Agreement (as defined below), an Addendum for co-branded owners ("Co-Branded Owners"), which is Attachment E to the Franchise Agreement.

The "Conversion Store Model" is a Store that is converted from an independent business that provides coffee and coffee related services to the public to a Coffee Beanery Store. We began offering franchises for the right to operate a Conversion Store Model in 2003. To be eligible to convert, you must have operated your coffee store or shop for at least six (6) months at the time of conversion ("Conversion Owners"). Conversion Owners will sign, in addition to a Franchise Agreement (as defined below), an Addendum for Conversion Owners, which is Attachment D to the Franchise Agreement. Conversion Owners must conform their business premises to our prototype plans and specifications, use our Proprietary Marks, and complete our training as described in Item 11 below.

We identify the Stores by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin owned by us, including the trade name "Coffee Beanery" (collectively, "Proprietary Marks").

All of the Store Models are operated using our Proprietary Marks and in accordance with our proprietary operating system, which includes our valuable know how, information, trade secrets, methods, confidential operations manual (the "Operations Manual") and other proprietary manuals we may loan to you (collectively, the "Manuals"), standards and specifications, marketing and sales programs, fixture and furniture selection, a business strategy for getting and keeping customers, a distribution method for products and services, staffing guidelines and other research and development connected with the establishment and operation of a Store (collectively, the "System"), which we may modify from time to time as we deem appropriate in our sole discretion.

The franchise agreement ("Franchise Agreement"), a copy of which is attached to this Disclosure Document as Exhibit A, gives you the right to establish and operate a Store. Most Stores will be located in high traffic areas that provide ample parking, significant foot traffic, and exposure to a public thoroughfare and the location of your Store must be approved by us ("Approved Location"). In order to ensure that you will be able to fully satisfy customer demand, you will be required to maintain a minimum level of inventory—based upon your Store Model—as described more fully in Item 6. You will also be required to purchase certain inventory and supplies from us and/or any of our affiliates (if and when established), as more fully discussed in Item 6 under "warehouse purchases."

Market and Competition

Your Store will offer its products to the general public, and sales are not seasonal, other than any seasonality resulting from the physical and geographical location of your Store. The Store will compete primarily with local, regional, and national restaurants, coffee shops, bakeries, and grocery stores offering specialty coffee, pastries, breakfast items, and related food and beverage items to the public for dine-in, takeout, and catering.

There is a significant amount of competition in the retail specialty coffee business. Examples of the competition you may face include national and regional coffee businesses, mail order, restaurants, grocery stores, bulk food stores and department stores. Your competitive advantage in the marketplace will be based on your adherence to our System standards and specifications, as well as your entrepreneurial and managerial abilities and focus on customer service and marketing efforts in the operation of your Center.

Industry-Specific Laws and Regulations

There are no regulations specific to the operation of a retail specialty coffee store, although you will be required to comply with all local, state and federal laws applicable to businesses in general, including zoning laws, labor laws and the Fair Labor Standards Act, workers' compensation laws, business licensing laws, tax regulations, and the Americans with Disabilities Act. There may be other laws applicable to your business and we urge you to make further inquiries about these laws.

If you have food service, you will have to comply with laws and regulations relating to licensing of a restaurant business. You must comply with regulations for food preparation, food service and minimum sanitary conditions for your Store enforced by state and local health, departments, the U.S. Food and Drug Administration and the U.S. Department of Agriculture, including those relating to nutritional information for menu items. You must obtain all applicable health permits and/or inspections and approvals by municipal, county or state health departments that regulate food service operations. You will also be required to comply with the Telephone Consumer Protection Act and other regulations relating to unsolicited telephone solicitation and text messages as well as PCI Data Security Standards and other laws and regulations relating to customer privacy.

You must consult with your own attorney to ensure that the laws of the state where your Store is located permits you to provide the Approved Products at and from your Store. It is your sole responsibility to investigate any regulations in your area, including those related to the establishment and operation of a Store generally.

Please be advised that you must investigate and comply with all of these applicable laws and regulations. You alone are responsible for complying with all applicable laws and regulations, despite any advice or information that we may give you. We have not researched any of these laws to determine their applicability to your Store.

ITEM 2

BUSINESS EXPERIENCE

CEO and Director: JoAnne Shaw.

JoAnne Shaw has served as an officer and Director of our company since 1976, and as President between 1979 and 2007. She has served as our CEO since 1995. All Ms. Shaw's employment has been in at our primary location in Flushing, Michigan.

Chairman of the Board: Julius L. Shaw.

Julius L. Shaw has served as an officer and Director of CBL since 1976. In 1996, Mr. Shaw was appointed Chairman of the Board and has served in that position since that date. All Mr. Shaw's employment has been at our primary location in Flushing, Michigan.

COO: Laurie Shaw.

Laurie Shaw has been employed by CBL since 2001 and served as Vice President of Marketing, Operations and Training from May 2009 through December 2015. She has served as our COO since January 2016. All Ms. Shaw's employment has been in at our primary location in Flushing, Michigan.

Vice President and Director of Franchise Sales: Kevin Shaw.

Kevin Shaw has been employed by CBL since 1985. He became a director of CBL in 1991, served as Executive Vice President from July 2007 through September 2015 and has served as our Vice President and Director of Franchise Sales since October 2015. All Mr. Shaw's employment has been in at our primary location in Flushing, Michigan.

Controller: Bret O'Brien

Bret O'Brien was hired to be the controller of CBL in July of 2016. Prior to his employment at CBL, he served as an Accounting Manager for Peas and Carrots in Bloomfield Hills, Michigan, a hospitality group that owns private and franchise restaurants, from August 2014 to July 2016. From February 2014 to August 2014, Bret worked as an Accountant at Hoffman Holdings in Flint, MI.

Director of Ecommerce: Britain Butcher.

Britain Butcher has been employed by CBL since September 2009, when she began her career with us as a barista at the Genesee Valley Mall store in Flint, Michigan, a position that she retained until May 2013. In 2013, she was hired as CBL's creative manager at the Corporate Office in Flushing. In 2016, Britain became CBL's Director of Ecommerce and joined the leadership team.

Store Development, R&D and Fundraising: Patti Tushim.

Patti Tushim, has been employed by CBL since 2006 when she began her career with us as a barista at the Coffee Beanery in the Genesee Valley Mall store in Flint, Michigan, a role she continued in until 2008. From 2008 to 2009, she worked at our Corporate Office in Flushing, Michigan as the Operations Assistant. From 2009 to 2014, she served as the Marketing Specialist at our Corporate Office in Flushing, Michigan. From June 2014 to October 2018, she served as our Marketing Manager at our Corporate Office in Flushing, Michigan and also helps to oversee the fundraising and gift set departments. From October 2018 to present, she has served as our Store Development Manager, Social Media Manager and R&D Manager.

ITEM 3

LITIGATION

Administrative Proceeding before the Illinois Attorney General. The State of Illinois initiated an investigation in April 2007 regarding our franchising program in Illinois as a result of the complaint of Oliver Garner (a former Coffee Beanery franchisee) discussed below. The claims made were the participation of an unlicensed broker, failing to disclose required gift card, background music and Pepsi purchase programs. On January 2, 2008, we agreed to pay a fine of $2,500 and send to Mr. Garner a notice of violation of the Illinois Franchise Disclosure Act and to comply with the Uniform Franchise Offering Circular ("UFOC") guidelines in the future to resolve the investigation without the necessity for formal findings by the Attorney General.

Administrative Proceeding before the Securities Commissioner of Maryland v. The Coffee Beanery, Ltd. And Kevin Shaw, Order to Show Cause, Case No. 2005-0244. On or about January 19, 2006, the Securities Commissioner for the state of Maryland filed an Order to Show Cause arising from an investigation of the Coffee Beanery's sale of a franchise to Richard Welshans (a former franchisee), as described below. The Order to Show Cause stated that the Securities Commissioner found grounds to allege that Coffee Beanery and Kevin Shaw have violated the disclosure and antifraud provisions of the Maryland Franchise Registration and Disclosure Law. The Coffee Beanery, Ltd. and Kevin Shaw filed an answer to the Order to Show Cause denying its material allegations and asked for an Administrative Hearing on the allegations of the Order to Show Cause. On September 12, 2006, we entered into a Consent Order with the Securities Commissioner under which we agreed to cease offering franchises in Maryland in violation of Maryland law and to offer rescission to Richard Welshans and one other Maryland Coffee Beanery franchisee on the terms described in the Consent Order.

WW, LLC v. The Coffee Beanery, Ltd., JoAnne Shaw, Julius Shaw, Kevin Shaw, Kurt Shaw, Ken Coxen, Walter Pilon and Owen Stern, Case No. 54 114 E 00124 05, previously pending before the American Arbitration Association; WW, LLC, Williams & Welshans v. Coffee Beanery Ltd. United States District Court for the District of Maryland (Case no. 05-cv-03360); Coffee Beanery, Ltd. et al v. WW, LLC, et al, United Stated District Court, E.D. Michigan (Case no. 06-10408); U.S. Court of Appeals, Sixth Circuit (07-1830); Petition for Writ of Certiorari, United States Supreme Court (08-1396); WW, LLC, Williams & Welshans v. Coffee Beanery Ltd. et al, United States District Court for the District of Maryland (Case no. 1:09-cv-01873-WDQ); WW, LLC, et al v. The Coffee Beanery, Ltd., et al, U.S. Court of Appeals, Fourth Circuit (09-1774).

The owners of WW, LLC, Deborah Williams and Richard Welshans, also made a complaint with the Securities Division of the Office of the Attorney General for the State of Maryland making similar allegations that is described immediately above. On December 15, 2005, WW, LLC, Williams and Welshans filed a lawsuit in the United States District Court in Maryland alleging violations of the Maryland Franchise Act, Detrimental Reliance, Intentional Misrepresentation and Negligent Misrepresentation. The Coffee Beanery Ltd. ("CBL") filed a motion to stay the Maryland litigation. The Plaintiffs claimed that a CBL officer made an improper earnings claim, that equipment they purchased was defective, that the UFOC was deficient in that it did not separately describe Coffee Beanery locations that sold food prepared on site as a separate offering from Coffee Beanery locations serving food prepared off site, for omitting a franchisee from the franchisee listing and failing to include the gift card and background music programs. The court in Maryland granted CBL's motion to stay and administratively closed the case on March 23, 2006. CBL also filed a Petition to compel the arbitration in the United States District Court for the Eastern District of Michigan and WW, LLC filed a motion to stay the arbitration in the same matter. On July 18, 2006, the U.S District Court in the Eastern District of Michigan granted CBL's motion to compel arbitration and denied WW, LLC motion to stay arbitration. On March 28, 2007, the arbitrator found in favor of CBL on all claims made by the claimants and awarded us $144,366.73 in royalties, attorneys' fees and expenses. Subsequently, the parties exhausted all available appeals and subsequent actions. On March 23, 2011, the U.S. Court of Appeals reopened the action and remanded the case to the U.S. District Court for the District of Maryland for trial. The second litigation filed by WW, LLC and others (Case No. 1:09-cv-01873-WDQ) was stayed and administratively closed by the U.S. District Court for the District of Maryland on December 2, 2009. The Plaintiffs in Case No. 3360 filed a Second Amended Complaint on March 1, 2012. Therein, Plaintiffs added a claim of a violation of the Racketeer Influenced and Corrupt Organizations Act, also known as "RICO." Both parties moved for summary judgment on Plaintiff's claims. By orders dated July 17 and August 28, 2013, the United States District Court for the District of Maryland granted summary judgment to CBL on Plaintiff's claims for Detrimental Reliance, Intentional Misrepresentation, Negligent Misrepresentation, and violation of the RICO stature and denied it as to the claims under the Maryland Franchise Act.

Plaintiffs then entered into a Settlement Agreement and Mutual Release with CBL to resolve the claims brought in the Maryland lawsuit. As part of that settlement, CBL agreed to pay Plaintiffs $80,000 and Plaintiffs agreed to release CBL and its current and former employees from any additional claims.

Other than these actions, no litigation is required to be disclosed in this Item.

ITEM 4

BANKRUPTCY

No bankruptcies are required to be disclosed in this Item.

ITEM 5

INITIAL FEES

Initial Franchise Fee

All franchisees pay a lump sum franchise fee at the time of signing their Franchise Agreement, which are summarized in the chart below:

Store Model	Initial Franchise Fee
Traditional Store without Food Model	$15,000
Traditional Store with Food Model	$15,000
Kiosk Store Model	$15,000
Co-Branded Store Model	$15,000
Conversion Store Model	$7,500
Additional Stores	$7,500

There were two (2) non-profit educational institutions for which we waived payment of the initial franchise fee last year, as well as an individual that we awarded a franchise for the right to operate a Co-Branded Store Model for a reduced franchise fee of $4,500. We do not expect or intend to offer similar discounts moving forward, but we reserve the right to do so in the future in our sole discretion.

VetFran Program

Coffee Beanery is a member of the International Franchise Association (IFA) and participates in the IFA's VetFran Program, which provides a fifty (50%) percent discount on initial franchise fees to veterans of U. S. Armed Forces who otherwise meet the requirements of the VetFran Program and have been honorably discharged. This discount is for new development only and is applicable only when the franchisee's initial franchise fee is $15,000. It does not apply to any other type of initial franchise fee or other payment to us.

Opening Inventory

Prior to opening a Store, you are required to purchase your opening coffee inventory from us, including paper goods and drink ingredients, and the uniforms you will need for initial operations (if you choose to buy these uniforms from us and not our approved supplier). The amount you must pay to us for the inventory and uniforms described above ranges between $6,500 and $13,000, and will likely vary depending upon: (i) the type of Store you are awarded the right to operate; (ii) the size and location of your Store; and (iii) the time of year your Store opens. This is the amount of inventory you must purchase from us prior to opening.

Initial Launch Marketing Materials Kit

In addition, we require you to pay us the sum of $3,500 for certain initial launch marketing materials ("Initial Launch Marketing Materials Kit") that you may use in connection with the promotion of the Store prior to and after the opening of the Store.

Uniformity and Other Required Disclosures

Except as provided in this Item, all payments described above are uniformly imposed and non-refundable upon payment.

ITEM 6

OTHER FEES

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
ROYALTY	Four percent (4%) of the Net Sales[3] of the Store.	Payable[1] via electronic funds transfer ("EFT") on or before the 10th of each calendar month.[2]	The royalty due each month (the "Royalty" or "Royalty Fee") is paid based on the Net Sales of the Store over the prior calendar month.
BRAND BUILDING FUND	The greater of: (i) $100 per week; or (ii) up to two percent (2%) of the Net Sales[3] of the Store during the preceding reporting period at issue.	Payable[1] via electronic funds on Net Sales by the 10th of the following month.	See Item 11 for additional information regarding the Brand Building Fund.
TECHNOLOGY FEE	Then-current fee, which is currently $100 per month.	Payable[1] via electronic funds on Net Sales by the 10th of the following month.[2]	The Technology Fee is paid to us and covers the following as of the Issue Date of this Disclosure Document: certain internet-based marketing that we designate, and cloud-based accounting software. We reserve the right to require that you pay third-party suppliers directly for some portion or all of the foregoing services, as we deem appropriate in our discretion. We also reserve the right to modify the services that we provide as part of the Technology Fee.

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
POS SOFTWARE FEE	Then current fee, which is currently $59 per month per terminal.	As agreed	You must pay our designated third-party supplier the required point-of-sale software fee associated with the use of our point-of-sale system.
ADVERTISING COOPERATIVE	Currently, we can require you to pay up to two percent (2%) of your Store's Net Sales into the advertising cooperative.	Upon demand	We reserve the right to increase the advertising cooperative amount up to four percent (4%)
RELOCATION FEE	Reimbursement of the costs and expenses we incur in connection with evaluating your relocation proposal.	Upon relocation	You must pay us our out-of-pocket expenses if you relocate your Store during the term of the Franchise Agreement, which you cannot do without our prior written approval.
BACKGROUND MUSIC FEE	Then current fee, which is currently $29 per month.	As agreed	We recommend but do not currently require that you use our third-party supplier for the background music that will be played at your Store.
WAREHOUSE PURCHASES AND MINIMUM INVENTORY	We currently require the following minimum inventory that varies based upon Store Model: (i) $6,000 for a Kiosk Store Model; (ii) $12,000 for a Traditional Store with Food Model; and (iii) $7,800 for a Traditional Store without Food Model. The minimum amount for a Conversion Store Model or Co-Branded Store Model will be based on the type of Store Model operated by you. You will receive a two percent (2%) discount on invoices for warehouse purchases if you pay within 7 days. If you are 15 days past due on any payments,	As agreed	Warehouse purchases include coffee, paper products, gift cards, uniforms and other types of products that you purchase from us to operate your Store. The only products that you are currently required to purchase from us are coffee products, drink ingredients, branded paper products and other merchandise that carries our Proprietary Marks. If you don't maintain sufficient inventory for your Store, we can provide it and charge you for it. Standard warehouse terms as set forth in the Warehouse Agreement attached as Attachment C to the Franchise Agreement.

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
	you may be charged interest at the lesser of one and one half percent (1.5%) per month or highest contract rate of interest allowed by law. The amount you spend on these ongoing required purchases will vary depending upon a number of factors, including the size and location of your Store and your Net Sales.		
ADDITIONAL TRAINING	For additional training we provide at your request or that we require you to attend as part of remedial training, you must pay us our then-current training fee (the "Training Fee"), which is currently $350 per day plus expenses.	Prior to receiving the training at issue	We may require you and your designated manager (if any) to attend: (i) up to seven (7) days of refresher/additional training in a given year ("Additional Training"); and (ii) up to seven (7) days of remedial training that we have the right to require you to attend and complete if you are not operating your Store in compliance with the Franchise Agreement or our Manuals ("Remedial Training"). We will not charge you our then-current Training Fee in connection with any Additional Training that we require, but we reserve the right to charge our then-current Training Fee in connection with any (1) Additional Training that you request, or (2) Remedial Training. You will be responsible for all costs and expenses that you and your trainees incur in connection with attending any Additional Training or Remedial Training. We may also charge you this Training Fee if we are required to provide on-site assistance at your Store at your request (outside of the On-Site Training Program), in which

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
			case you will also be responsible for the costs and expenses we incur in connection with providing such on-site assistance.
CONVENTION CONTRIBUTION	Our then-current convention contribution (the "Convention Contribution") Currently, a Convention Contribution of $400 covers attendance for first 2 individuals	Payable via electronic funds transfer Currently, payment is made at the rate of $100 per month during the four months preceding the national convention	Paid each year to defray our costs associated with conducting the convention or for regional events for the first two attendees. We can require you to pay the Convention Contribution each year. The fee does not cover all costs to attend. If you wish to send additional attendees, you must pay an additional Convention Contribution per additional attendee.
TRANSFER TO NEW OR EXISTING FRANCHISEE	$7,500	Payable by transferee when you apply for transfer of the Franchise Agreement, the franchise, the store or its assets.	The transfer fee is non-refundable.
RENEWAL	$5,000, or $50 per month if lease operates on a month-to-month basis until lease renewal is finalized.	Payable when we approve renewal of your franchise.	The renewal fee is non-refundable.
MAINTENANCE OF STORE AND INSURANCE	Reasonable charge which will vary depending upon the maintenance required or the cost of insurance where your store is located	When billed	Payable if you do not maintain the condition and appearance of the Store or refurbish in accordance with standards or purchase the required insurance and we do so on your behalf.
COSTS AND ATTORNEYS FEES	Our actual cost for costs and attorneys fee. The amount will vary under circumstances depending upon the dispute.	As incurred.	You must reimburse us for our attorneys' fees and any court costs that we are forced to incur in connection with enforcing or protecting our rights under your Franchise Agreement.
AUDIT[4]	Cost of audit, as well as the amount due as a result of the any underreporting, plus interest.	Payable immediately upon receipt of audit report.	Payable if audit reveals that you have underreported the Net Sales of your Store by three percent (3%) or more for any designated reporting period.

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
INTEREST[5]	Lesser of one and one half percent (1.5%) per month or highest contract rate of interest allowed by law.	When billed.	Payable on all overdue accounts.
INDEMNIFICATION	Will vary under circumstances depending upon the liability we incur because of your operations.	As incurred.	You have to reimburse us if we are held liable for claims, damages or obligations arising from unauthorized agreements or representations, your operation of the Store and your business and certain taxes.
ADVERTISING & PROMOTIONAL MATERIALS	Varies based on materials being provided as part of a designated promotion or other designated promotional campaign.	When billed.	For system-wide marketing programs, you are required to pay for and use these materials. We may offer other materials, the cost of which is payable if you elect to purchase these from us and we elect to charge for them.
LIQUIDATED DAMAGES	An amount equal to the royalties you paid to us in the 60 month period immediately before we terminate the franchise agreement because of your material breach or if you have not operated the Store for 60 months, the average monthly royalties paid multiplied by 60, or the number of months remaining in the term of the franchise agreement if fewer than 60 months	Upon termination.	Payable only if we terminate the franchise agreement because of your material breach.
POST-TERMINATION AND POST-EXPIRATION EXPENSES	Costs and expenses associated with ceasing operations and de-identifying	When incurred	Upon termination of the Franchise Agreement by us, regardless of the cause, and upon expiration and nonrenewal or transfer of the

NAME OF FEE[1]	AMOUNT	DUE DATE	REMARKS
	yourself with the System		Franchise Agreement, you must pay all costs and expenses associated with your ceasing operation of the Store and de-identifying yourself with the System.

Explanatory Notes

Generally. Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item.

1. **Royalty Fee and Other Fees.** Your Royalty Fee, as well as any other fees payable to us or our affiliates (if and when established) under the Franchise Agreement, will be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your "EFT Account"). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to our current form of Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account. Franchisees that have entered into a previous form of Franchise Agreement with us were required to pay a Royalty Fee of six percent (6%) of the Net Sales of the Store and those franchisees continue to pay such Royalty Fee.

2. **Collection Interval.** We reserve the right to change the interval at which we collect your Royalty Fee, Fund Contribution and other recurring fees payable to us or our affiliates (if and when established) under the Franchise Agreement upon written notice to you. We will collect your Net Sales report detailing your Net Sales from the immediately preceding calendar month, along with your calculated Royalty Fee, Fund Contribution (if appropriate) and other information that we reasonably require (the "Net Sales Report") by the 5th day of the following calendar month. We also reserve the right to change the interval at which we collect your Net Sales Report. We may also require you to use a Computer System and/or related software that provide us with automatic access to such Net Sales Reports.

3. **Definition of Net Sales.** "Net Sales" means the total revenue generated by your Franchised Business, including all revenue generated from the sale and provision of any and all gift cards and other Approved Products and Services, catering and any other sales generated at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Store, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange. "Net Sales" does not include (a) sales tax and equivalent taxes that are collected by the Store for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products or Services.

4. **Right to Inspect/Audit.** We have the right to inspect your books and other financial information associated with your Store during the term of the Franchise Agreement. If we conduct an audit

and it reveals that you have underreported your Net Sales by three percent (3%) or more, than we may require you to (a) pay the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and/or (b) provide us with annual audited financial statements regarding the operation of your Franchised Business.

5. **Interest on Late Payments.** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

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ITEM 7

ESTIMATED INITIAL INVESTMENT

A. Traditional Store without Food Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE[1]	$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES[2]	$6,500 - $13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT[3]	$200,000 - $300,000	As arranged between you, us and outside suppliers prior to opening		Us or outside Suppliers
INITIAL LAUNCH MARKETING MATERIALS[4]	$3,500	Cashier's check or money order upon signing lease		Us or outside Suppliers
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT[5]	$9,000 - $45,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	$3,000 - $5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS[6]	$3,000 - $5,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS- THREE MONTHS[7]	$20,000 - $60,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM[8]	$0 - $7,600	As arranged	As arranged	Third parties or outside suppliers
DRIVE THRU[9]	$0 - $22,000	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[10,11]	$260,000 - $476,100			

B. Traditional Store with Food Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE[1]	$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES[2]	$6,500 - $13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT[3]	$200,000 - $300,000	As arranged between you, us and outside suppliers prior to opening		Us or outside Suppliers
INITIAL LAUNCH MARKETING MATERIALS[4]	$3,500	Cashier’s check or money order upon signing lease		Us or outside Suppliers
FIRST THREE MONTHS’ RENT & SECURITY DEPOSIT[5]	$9,000 - $45,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	$3,000 - $5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS[6]	$3,000 - $5,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS-THREE MONTHS[7]	$20,000 - $80,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM[8]	$0 - $7,600	As arranged	As arranged	Third parties or outside suppliers
DRIVE THROUGH[9]	$0 - $22,000	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[10,11]	$260,000 - $496,100			

C. Kiosk Store Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE[1]	$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES[2]	$6,500 - $13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT[3]	$125,000 - $250,000	As arranged between you, us and outside suppliers prior to opening		Us or outside Suppliers
INITIAL LAUNCH MARKETING MATERIALS[4]	$3,500	Cashier's check or money order upon signing lease		Us or outside Suppliers
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT[5]	$9,000 - $30,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	$3,000 - $5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS[6]	$3,000 - $5,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS-THREE MONTHS[7]	$20,000 - $40,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM[8]	$0 - $7,600	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[10,11]	$185,000 - $369,100			

D. Conversion Store Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE[1]	$7,500	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES[2]	$6,500 - $13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT[3]	$60,000 - $200,000	As arranged between you, us and outside suppliers prior to opening		Us or outside Suppliers
INITIAL LAUNCH MARKETING MATERIALS[4]	$3,500	Cashier's check or money order upon signing lease		Us or outside Suppliers
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT[5]	$9,000 - $30,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	$3,000 - $5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS[6]	$3,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS-THREE MONTHS[7]	$20,000 - $60,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM[8]	$0 - $7,600	As arranged	As arranged	Third parties or outside suppliers
DRIVE THROUGH[9]	$0 - $22,000	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[10,11]	$112,500 - $351,600			

E. Co-Branded Store Model

YOUR ESTIMATED INITIAL INVESTMENT

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE[1]	$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES[2]	$6,500 - $13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT[3]	$80,000 - $200,000	As arranged between you, us and outside suppliers prior to opening		Us or outside Suppliers
INITIAL LAUNCH MARKETING MATERIALS[4]	$3,500	Cashier's check or money order upon signing lease		Us or outside Suppliers
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT[5]	$9,000 - $30,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	$3,000 - $5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS[6]	$3,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS-THREE MONTHS[7]	$20,000 - $40,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM[8]	$0 - $7,600	As arranged	As arranged	Third parties or outside suppliers
DRIVE THRU[9]	$0 - $22,000	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[10,11]	$140,000 - $339,100			

YOUR INVESTMENT SUMMARY BY STORE TYPE

TYPE OF EXPENDITURE	TRADITIONAL STORE WITHOUT FOOD MODEL	TRADITIONAL STORE WITH FOOD MODEL	KIOSK STORE MODEL	CONVERSION STORE MODEL	CO-BRANDED STORE MODEL	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS MADE
INITIAL FRANCHISE FEE[1]	$15,000	$15,000	$15,000	$7,500	$15,000	As agreed	Upon signing of Franchise Agreement	Us
OPENING INVENTORY AND SUPPLIES[2]	$6,500 - $13,000	$6,500 - $13,000	$6,500 - $13,000	$6,500 - $13,000	$6,500 - $13,000	As arranged between you, us and outside suppliers prior to opening		Us
EQUIPMENT FIXTURES, SIGNAGE & LEASEHOLD IMPROVEMENT[3]	$200,000 - $300,000	$200,000 - $300,000	$125,000 - $250,000	$60,000 - $200,000	$80,000 - $200,000	As arranged between you, us and outside suppliers prior to opening		Us or outside Suppliers
INITIAL LAUNCH MARKETING MATERIALS[4]	$3,500	$3,500	$3,500	$3,500	$3,500	Cashier's check or money order upon signing lease		Us or outside Suppliers
FIRST THREE MONTHS' RENT & SECURITY DEPOSIT[5]	$9,000 - $45,000	$9,000 - $45,000	$9,000 - $30,000	$9,000 - $30,000	$9,000 - $30,000	As specified in lease or sublease		Landlord
TRAINING EXPENSES	$3,000 - $5,000	$3,000 - $5,000	$3,000 - $5,000	$3,000 - $5,000	$3,000 - $5,000	Cash or equivalent	As incurred	Outside suppliers
MISCELLANEOUS OPENING COSTS[6]	$3,000 - $5,000	$3,000 - $5,000	$3,000 - $5,000	$3,000	$3,000	Cash or equivalent	As incurred	Third parties
ADDITIONAL FUNDS-THREE MONTHS[7]	$20,000 - $60,000	$20,000 - $80,000	$20,000 - $40,000	$20,000 - $60,000	$20,000 - $40,000	Cash or equivalent	As incurred	Third parties
COMPUTER AND POS SYSTEM[8]	$0 - $7,600	$0 - $7,600	$0 - $7,600	$0 - $7,600	$0 - $7,600	As arranged	As arranged	Third parties or outside suppliers
DRIVE THRU[9]	$0 - $22,000	$0 - $22,000	N/A	$0 - $22,000	$0 - $22,000	As arranged	As arranged	Third parties or outside suppliers
TOTAL ESTIMATED INITIAL INVESTMENT[10,11]	$260,000 - $476,100	$260,000 - $496,100	$185,000 - $369,100	$112,500 - $351,600	$140,000 - $339,100			

EXPLANTORY NOTES TO ITEM 7 CHARTS:

1. **Initial Franchise Fee.** Your franchise fee of $15,000 is paid in one lump sum when you sign the Franchise Agreement. The franchise fee is identical regardless of the characteristics of your Store or its location. For example, your initial franchisee fee is the same whether or not you decide to offer an expanded food service at your location. There are two exceptions to the requirement that you pay the full initial franchise fee described more fully in Item 5 of this Franchise Disclosure Document, namely: (i) the fifty percent (50%) discount off the $15,000 franchise fee for VetFran candidates; and (ii) the $7,500 franchise fee payable in connection with the Conversion Store Model.

2. **Opening Inventory and Uniforms.** This figure represents the amount of coffee products, drink ingredients and other inventory you will need to purchase in order to operate your Store for the initial three (3) months of operation, as well as the costs associated with acquiring the initial set of uniforms your personnel will wear in connection with Store operations. Please note that this range assumes that the opening of your Store does not coincide with the beginning of the Christmas season or other holiday season where additional "gift-related" inventory such as gift baskets may need to be purchased to handle customer demand.

3. **Equipment, Fixtures, Signage and Leasehold Improvements.** This range includes our estimated costs to obtain the typical equipment, fixtures, signage, and leasehold improvements associated with a Store in accordance with our System standards and specifications. The total amount expended on these types of items will likely vary considerably depending upon (a) the type of Store model awarded, (b) the size and location of the Store, (c) the physical characteristics and layout of the Store, and (d) the costs of labor in, and other demographics of, the surrounding area where the Store is located. This range does not account for any type of tenant improvement credit or allowance.

   If you choose to operate a Traditional Store with Food Model, you will need to purchase the equipment necessary to offer this food service and the costs associated with this equipment will vary considerably depending upon the type of food service you offer. For example, offering expanded food service will require refrigeration facilities and food preparation equipment that is not required for a store that sells only prepackaged food products. We may be an approved supplier for certain equipment and signs on a limited basis. As of the Issue Date of this Disclosure Document, however, you do not need to purchase equipment and signs from us.

4. **Initial Launch Marketing Materials.** You are required to pay us the sum of $3,500 for the Initial Launch Marketing Materials Kit, which may include certain (a) opening materials, (b) PR release proposals, (c) third-party direct mailing materials and/or other materials we designate, in our discretion, for use in connection with the promotion of the Store prior to and after the opening of the Store. Please note that the majority of the Initial Launch Marketing Materials are prepared by third-party suppliers with which we have already established a business relationship.

5. **First Three Months' Rent and Security Deposit.** The amount of the first month's rent and security deposit will depend on the size, condition and locations of the premises, and the demand for the premises among prospective lessees. Locations that offer extended food service typically require approximately 100 additional square feet, but this is not always true. Depending on the site and its location, a store that does not offer extended food service may be larger than a store that offers such service. The size of the location may have an effect on the cost of leasehold improvements with a larger location requiring higher expenditures for leasehold improvements. However, this may not always be the case since the cost of leasehold improvements may be

incorporated into the rental rate for the location depending upon the lease you negotiate. The lease may impose other charges for percentage rent, real estate taxes, utilities, maintenance, advertising and promotion or other expenses. This range does not assume any free rent.

6. **Miscellaneous Opening Items.** This item covers miscellaneous opening costs and expenses such as installation of telephones, deposits for and temporary utilities, business licenses, legal and accounting expenses, insurance premiums, register cash, initial bank deposits for checking account.

7. **Additional Funds – Three Months.** This range is designed to cover the estimated amount you will expend on other start-up expenses to open and operate your Store for a period of three (3) months. This range does not include any salary, draw or other compensation for you as the "Franchisee" and Store Owner. This range does not include any other payroll because the amount expended on personnel wages will vary greatly depending on: (i) whether you are an owner-operator; (ii) what Store model you are awarded the right to operate; (iii) the size and location of your Store; and (iv) the hours your Store is open and operating. With that said, we estimate that your payroll could be anywhere from $20,000 to $30,000, but we are not able to make any representation or guaranty as to this expenditure.

   These figures are estimates and we cannot guarantee that you will not have additional expenses starting the business. The costs associated with opening and operating your Store for a period of three (3) months is likely to vary substantially from location to location. You should carefully review these figures and compare them with information you obtain from local sources, and then discuss your findings with a business or legal advisor before you make a decision to purchase a Store. Your costs will depend on factors such as: (i) the type of Store model you are opening; (ii) the location and size of your Store; (iii) the demographics of the area surrounding your Store; (iv) how much you follow our methods and procedures; (v) your management skill, experience and business acumen; (vi) local economic conditions; (vii) the local market for our product; (viii) the prevailing wage rate; (ix) competition; (x) the time of year you open the Store; and (xi) the sales revenue generated by the Store during its initial three (3) months of operation. Like any new business, it should be expected that your Store will not generate positive cash flow for a significant period after your opening. This period may be as long as three (3) years. You should be prepared, therefore, to invest additional sums to support operations during this initial phase.

8. **Computer and POS System.** You must procure and install the POS system from approved suppliers or vendors which we may designate. This cost estimate includes a back office computer and four (4) Terminal Kits. For most stores, a single Terminal Kit will be sufficient. For drive thru concepts, you may need to purchase additional registers (not to exceed 4 in total). Additionally, you may not need to purchase a back office computer if you already have a computer that meets our System standards and that you can dedicate to your Store operations.

9. **Drive Thru.** You will have the option to add a Drive Thru window for your Franchised Business. This estimate consists of the costs for (i) outdoor menu board, (ii) group loop, (iii) communication system, (iv) clearance bars, (v) directional signs, and (vi) speaker post.

10. **Total Estimated Initial Investment.** We relied on our over forty (40) years of experience in the retail coffee business to compile these estimates, including over fifteen (15) years in operating locations with extended food service but they are not exact. Conversion Owners will incur lower costs since they will have already made the investment associated with commencing business.

In addition, Co-Branded Store operators may incur additional costs relating to the other products or services sold which we are unable to estimate. If you are considering operating a Co-Branded Store, please note that the estimates detailed in Chart 7(E) above are the estimated costs and expenses associated with operating the COFFEE BEANERY franchise operations at your location.
In any event, you should carefully review these figures with a business advisor to determine if they are reasonable before making any decision to purchase the franchise.

11. **No Financing.** We do not offer direct or indirect financing to franchisees for any of the expenditures listed in the Item 7 charts. The expenses disclosed in Item 7 do not include debt service because we do not know whether, and to what extent, you will obtain financing for any part of your investment.

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

You must operate all aspects of your Store in strict conformance with the methods, standards and specifications of our System. Our methods, standards, and specifications will be communicated to you in writing through our confidential Manuals and other proprietary guidelines and writings that we prepare for your use in connection with the Store and System. We may periodically change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products

You may only market, offer, sell and provide the Approved Products at your Store in a manner that meets our System standards and specifications. We will provide you with a list of our then-current Approved Products, along with their standards and specifications, as part of the Manuals or otherwise in writing prior to the opening of your Store. We may update or modify this list in writing at any time.

If you wish to offer any product or service in your Store other than our Approved Products or use any item in connection with your Store that does not meet our System standards and specifications, then you must obtain our prior written approval as described more fully in this Item.

Approved Suppliers; Alternate Supplier Approval Process

We have the right to require you to purchase any products, services and other items necessary to operate your Store from a supplier that we approve or designate (each, an "Approved Supplier"), which may include us or our affiliate(s) (if and when established). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate. We may develop proprietary products for use in your Store, including private-label products that bear our Proprietary Marks, and require you to purchase these items from us or our affiliate(s) (if and when established).

You must at all times maintain sufficient levels of inventory to adequately meet consumer demand. Specifically, we currently require the following minimum inventory that varies based upon Store Model: (i) $6,000 for a Kiosk Store Model; (ii) $12,000 for a Traditional Store with Food Model; and (iii) $7,800 for a Traditional Store without Food Model. The minimum amount for a Conversion Store Model or Co-Branded Store Model will be based on the type of Store Model operated by you. You must purchase all food and beverage items and other inventory, branded paper goods, equipment, loyalty program, certain furniture and fixtures, signage, smallwares, merchandise and the gift card program from us or designated or approved suppliers. Currently, you must purchase your initial and ongoing inventory of coffee products and paper goods from us. If you don't maintain sufficient inventory for your Store, we can provide it and charge you for it. We reserve the right to designate us or any of our affiliates (if and when established) as an Approved Supplier with respect to any item you must purchase in connection with your Store in the future.

As of the Issue Date of this Disclosure Document, please be advised that we are currently the only Approved Supplier from which you must purchase: (i) the Initial Launch Marketing Materials Kit; (ii) your opening inventory, including uniforms, as described more fully in Item 5 of this Disclosure Document; (iii) ongoing purchases of certain inventory and supplies, including all coffee products, drink ingredients and branded paper goods, for use in connection with your Store; and (iv) certain of the services that are covered by the Technology Fee. Please note that while we are an Approved Supplier for uniforms and certain other branded items, we are not currently the only designated supplier for these items as of the Issue Date of this Disclosure Document.

As of the Issue Date, we also have an Approved Supplier from which you must: (i) purchase the point-of-sale system (the "POS System") that must be used in connection with your Store; and (ii) pay an ongoing licensing fee associated with that POS System. We also have an Approved Supplier for the millwork you will be required to use in the build-out of your Store. We also have a recommended Approved Supplier for the background music at your Store (and related licensing rights), but we do not require that you use this Approved Supplier so long as the music you play at your Store otherwise complies with applicable laws.

Other than us, none of our officers own an interest in any of our Approved Suppliers.

If you wish to purchase a product or service that we require you to purchase from an Approved Supplier from an alternate source, then you must obtain our prior written approval as outlined more fully below in this Item. We may provide our standards and specifications for our Approved Products directly to our Approved Suppliers, and may provide these standards and specifications to an alternative supplier you propose if: (i) we approve the supplier in writing as outlined more fully in this Item; and (ii) the alternative supplier agrees to sign our prescribed form of non-disclosure agreement with respect to any confidential information we disclose.

You must offer products and services in the manner we prescribe, provide quality customer service, and otherwise operate your Store in a manner which will enhance the image intended by us for the System. We reserve the right to formulate and modify our standards and specifications for operating a Store based upon the collective experience of our principals. Our standards and specifications are described in the Franchise Agreement, the Manuals, and other written documents. We have the right, under the Franchise Agreement, to change the standards and specifications applicable to operation of the Store by written notice to you or through changes in the Manuals. You may incur an increased cost to comply with these changes at your own expense; however, no change will materially alter your fundamental rights under the Franchise Agreement.

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately seventy-five percent to ninety percent (75% to 90%) of your total costs incurred in establishing your Store, and approximately fifty-five percent to seventy percent (55% to 70%) of your ongoing costs to operate the

Store after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

According to our consolidated audited financial statements for the fiscal year ending June 30, 2019, we derived $1,767,494 (or 19%) of our total revenue of $9,187,202 from franchisees' Required Purchases. Our affiliates (if and when established) reserve the right to derive revenue from franchisee Required Purchases in the future.

Non-Approved Product/Service and Alternate Supplier Approval

We may, but are not obligated to, grant your request to: (i) offer any products or services in connection with your Store that are not Approved Products; or (ii) purchase any item or service we require you to purchase from an Approved Supplier from an alternative supplier.

If you wish to undertake either of these actions, you must request and obtain our approval in writing before: (i) using or offering the non-approved product or service in connection with your Store; or (ii) purchasing from a non-approved supplier. You must reimburse us for the costs we incur in processing the request and testing the item. We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within thirty (30) days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the stores in our System. If we do establish those types of alliances or programs, we may: (i) limit the number of approved suppliers with whom you may deal; (ii) designate sources that you must use for some or all products, equipment and services; and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) (if and when established) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Stores in the System, such as rebates, commissions or other forms of compensation. We may use any

amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates (if and when established) may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees.
We reserve the right to create purchasing cooperatives in the future.

Franchisee Compliance

When determining whether to grant new or additional franchises, we consider many factors, including your compliance with the requirements described in this Item 8. You do not receive any further benefit as a result of your compliance with these requirements.

If you commit any of the defaults listed below, we have the right to refuse to sell products to you. The defaults giving rise to this remedy include: (1) a payment due to us from you is more than 30 days past due; (2) Sales Report submission 30 days past due and or eliminating CB access to retrieve sales report, (3) Any other default under the Franchise Agreement that has not been cured within 30 days of written Notice. In addition, if you fail to satisfy all the conditions of renewal but continue to operate your Franchised Business after the end of the term of the Franchise Agreement, we have the right to refuse to sell products to you and to cause approved and designated vendors to refuse to sell products to you.

Advertising

You must participate in all advertising and sales promotions we design to promote and enhance the collective success of all COFFEE BEANERY Stores operating under the System. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by us will be final and binding upon you. We may also request that you purchase and/or make copies of (at your expense) and subsequently use certain other advertising or promotional materials that we designate for use in connection with the Store.

You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Store if we have not prepared or approved them during the twelve (12) months prior to the date of your proposed use. We may revoke our approval of any previously-approved advertising materials upon notice to you. We reserve the right to require you to include certain language on all advertising to be used locally by you or to be used by any cooperative, including the phrase “Franchises Available” and references to our telephone number and/or website.

Approved Location and Lease

You must obtain our approval of the proposed location for your Approved Location, as well as the corresponding lease, before you secure such location. You must also obtain our approval of any contract of sale or lease for the Approved Location before you execute the contract or lease, and we may condition our approval of any such lease on you and your landlord’s execution of our prescribed form of Collateral Assignment of Lease and lease addendum. You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Store at the premises. Our approval only means that the site meets our minimum requirements for a Store and does not guarantee any type of success at the Approved Location. We strongly recommend that you employ outside brokers to assist in the site selection process.

You will be responsible for all fees, costs and expenses that are incurred in connection with obtaining an Approved Location. We may designate an Approved Suppliers for site selection assistance and require that you use these suppliers.

Insurance

We currently do not have one or more Approved Suppliers for insurance, but we reserve the right to appoint one or more in the future. You agree to purchase/procure and maintain such insurance covering the operation and location of the Store as we may designate from time to time in the Manual or otherwise in writing. Our present insurance requirements are as follows: (i) general liability insurance in the minimum amount of one million dollars ($1,000,000) per occurrence (including personal and advertising injury and employee benefits liability insurance of $1,000,000), two million dollar ($2,000,000) umbrella general liability insurance in the aggregate, and two million dollars ($2,000,000) of products/completed operations liability insurance; (ii) property insurance as required by Franchisee's landlord; (iii) auto insurance for all vehicles used in connection with operating the Store (for delivery or other purposes), which will include liability coverage in the minimum amount of one million dollars ($1,000,000) per year, or the minimum required by state regulations, whichever is greater; (iv) business income interruption and extra expense insurance covering actual loss for not less than one (1) year of operations; (v) worker's compensation as required under applicable laws and regulations and any other insurance required by your lenders or landlord; and (vi) any other coverage that we periodically require to satisfy insurance-related obligations. Our standard franchise offering does not involve the sale of alcoholic beverages and, as such, we have not included the insurance that me be required to offer and sell such beverages at a given Store in this Disclosure Document. Please note that these are only minimum requirements and you should discuss with your attorney and insurance broker whether you should obtain policies with a higher policy amount.

Computer Hardware and Software

You must lease or purchase the computer hardware and software necessary to operate the POS System you must purchase from our Approved Supplier and use in connection with your Store, which is currently the POS System, back-office computer or laptop (collectively, the "Computer System").

You must pay the monthly and initial fees associated with the POS System and will be responsible for the costs of maintaining the Computer System used in connection with your Store.

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. We may require you to purchase any of these items from one of our Approved Suppliers. Your Computer System must have network access through a wireless provider. We may require you to purchase any of these items from one of our Approved Suppliers.

ITEM 9

FRANCHISEE'S OBLIGATIONS

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

Obligation	Section in Agreement	Item in Disclosure Document

Obligation	Section in Agreement	Item in Disclosure Document
a. Site selection and acquisition/lease	Franchise Agreement §§ 1, 5, and Attachment B	Items 7 and 11
b. Pre-opening purchase/leases	Franchise Agreement § 5 and Attachment C	Items 5, 7, and 8
c. Site development and other pre-opening requirements	Franchise Agreement § 6	Items 6, 7, and 11
d. Initial and ongoing training	Franchise Agreement § 5	Item 11
e. Opening	Franchise Agreement §§ 4, 5 6, and 9	Item 11
f. Fees	Franchise Agreement §§ 2, 3	Items 5 and 6
g. Compliance with standards and policies/operating manual	Franchise Agreement §§ 5, 6, 7, and 8	Items 11 and 14
h. Trademarks and proprietary information	Franchise Agreement §§ 7, 8	Items 13 and 14
i. Restrictions on products/services offered	Franchise Agreement §§ 5, 8	Item 16
j. Warranty and customer service requirements	N/A	N/A
k. Territorial development and sales quotas	N/A	Item 11
l. Ongoing product/services purchases	Franchise Agreement § 5 and Attachment C	Item 8
m. Maintenance, appearance and remodeling requirements	Franchise Agreement §§ 5, 11	Item 11
n. Insurance	Franchise Agreement §§ 5, 6, 10	Item 7
o. Advertising	Franchise Agreement §§ 3, 5, and 9	Items 6 and 11
p. Indemnification	Franchise Agreement § 18	Item 6
q. Owner's participation/ management/staffing	Franchise Agreement § 5 and Attachments A and B	Items 11 and 15
r. Records/reports	Franchise Agreement § 11	Item 6
s. Inspections/audits	Franchise Agreement §§ 5, 11	Items 6 and 11
t. Transfer	Franchise Agreement § 12	Items 6 and 17
u. Renewal	Franchise Agreement § 2	Item 17

Obligation	Section in Agreement	Item in Disclosure Document
v. Post-termination obligations	Franchise Agreement §§ 13, 14	Item 17
w. Non-competition covenants	Franchise Agreement § 15 and Attachment A; Confidentiality and Noncompetition Covenant (Exhibit E)	Item 17
x. Dispute resolution	Franchise Agreement § 23	Item 17
y. Guarantee of obligations	Guarantee Agreement (Attachment A)	Item 15
z. Other / Promotion of Coffee Beanery Franchise	Franchise Agreement § 5	Item 11
aa. Liquidated damages	Franchise Agreement §14	N/A

Note: If an Agreement section is not listed for the obligation, then the Agreement does not contain a specific provision related to the obligation.

ITEM 10

FINANCING

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

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTERS SYSTEMS AND TRAINING

Except as listed below, we need not provide any assistance to you.

A. Pre-Opening Obligations to Franchisees

Before you open your Store, we or our designee will provide the following assistance and services to you:

1. Except for Conversion Owners, assist you, as we deem reasonable and necessary, provide certain site selection assistance for the Approved Location, as further discussed below. (Franchise Agreement, Section 4.1)

2. Loan to you, or provide you with online access to, one (1) copy of our Manual for the duration of the Agreement, and any other manuals that we may develop and issue. At our option, we may provide you with either a paper or electronic version of the Manual and other manuals. The Table of Contents of the Manual is attached as Exhibit D to this Disclosure Document and the Manual is between 312 and 518 pages as of the Issue Date of this Disclosure Document (depending on the Store Model you are awarded the right to operate). (Franchise Agreement, Section 4.2)

3. Assist you or your architect, contractor or designer, as we deem reasonable and necessary, in the specifications for the construction of the interior design and layout of your Store. (Franchise Agreement, Section 4.3)

4. Offer a classroom training program to you covering basic Store operations and management. (Franchise Agreement, Section 4.4.)

5. Offer, at your Store's premises, an initial training program to you and those employees you select who will be involved in the daily operation of the Store. (Franchise Agreement, Section 4.5)

6. Provide you with the Initial Launch Marketing Materials Kit and opening stock of inventory, provided you timely pay for such items as required under your Franchise Agreement (Franchise Agreement, Sections 4.6 and 9.5)

7. Provide initial advice and assistance to you in operating and promoting the Store, as we deem appropriate. (Franchise Agreement, Section 4.8)

8. Furnish to you our authorized vendor guide for ordering Coffee Beanery apparel and approved merchandise. (Franchise Agreement, Section 4.7)

B. <u>Initial Training Program and Details; Other Training and Annual Convention</u>

1. Prior to the opening of your Store, you (or, if a corporation or partnership, a principal of the business acceptable to us) and/or your designated store manager, shall attend and complete to our satisfaction, our franchise operations training program ("Operations Training"), and our initial on-site training program ("On Site Training"). (Franchise Agreement, Section 5.7)

2. Your Operations Training program will last anywhere from seven (7) to fifteen (15) calendar days (at our discretion) depending upon the location and physical characteristics of Store you will be operating and whether you have decided to offer extended food service. For those locations that do not offer an extended food service menu, training generally lasts up to twelve (12) calendar days. If you decide to offer an extended food service menu, training will generally last up to fifteen (15) calendar days. The number of these training days may be reduced in our discretion if it appears that additional training is unnecessary. This training normally occurs thirty (30) to sixty (60) days prior to the Store opening and must be attended by you (or, if a corporation or partnership, a principal of the business acceptable to us) and/or your designated store manager. Operations Training will be held in Flushing, Michigan and will consist of both classroom and in store training, covering business basics, customer service and Store operations. Operations Training is held in Flushing, Michigan periodically as needed. We will provide training instructors, a training manual, and other materials without charge. You will be responsible for all other expenses incurred during the Operations Training program, such as travel, lodging, and meal costs for both you and your store manager (if applicable). We may adjust or abbreviate the Operations Training program for certain franchisees or Conversion Owners based upon their past business experience. Some training may be held online.

3. The On Site Training program will be held at your Store at the time it is scheduled to open. The program is provided to you and those employees selected by you who will be involved in the daily operation of the Store. You are required to be fully staffed, personally present and participate at your Store during all On Site Training. Such training will cover, among other things: equipment set up, merchandising set up, daily operational procedures, preventive maintenance of equipment, service fulfillment and local marketing. On Site Training, depending on concept, will last up to seven (7) calendar days, beginning two (2) to three (3) calendar days prior to the Store opening and lasting up to

four (4) days after Store opening date (at our discretion). We will provide the trainer, a training manual, and other materials without charge. In the event that you need additional training or you are not prepared for the On Site Training program, after that time you will be required to pay us $350 per day as well as our travel costs incurred for each day we spend in our attempt to provide On Site Training.

4. We modify the On Site Training program for Conversion Owners and existing COFFEE BEANERY franchisees to reflect their prior experience and knowledge of our System. The modified program will last approximately one (1) to three (3) calendar days, at our discretion.

5. Within one hundred and eighty (180) days following the opening of your Store, we may provide, at our discretion, one on-site follow-up training visit. Such training may consist of between one and one and a half (1.5) calendar days. We will provide, without charge, the trainer and other training materials for the follow-up training visit and you must be present during all such training.

6. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program via the internet, webinar, or other learning management system that allows us to track, test, and monitor your progress.

7. Our training, including the approximate duration and the location of training are detailed on the following chart and, except as provided in this Item, this training applies to all Store Models:

TRAINING PROGRAM

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
Coffee & Product Knowledge	10 hours	5 hours	Training Center (in Flushing, Michigan); Training Store (typically in Flint and/or Grand Blanc, MI)
Equipment	2 hours	4 hours	Training Center
Product Preparation	2 hours	20 hours	Training Center, Training Store
Admin.	None	4 hours	Training Store
Food Sanitation	6 hours	1 hour	Training Center
Marketing	5 hours	2 hours	Training Center
Point of sale system	2 hours	5 hours	Training Center, Store
Retailing basics	1 hour	3 hours	Training Store
Guest Service	1 hour	9 hours	Training Center, Training Store
Ordering	1 hour	2 hours	Training Center, Training Store
Accounting and compliance	2 hours	1 hour	Training Center
Shift Management	None	3 hours	Training Store
Human Resources	3 hours	1 hour	Training Center

SUBJECT	HOURS OF CLASSROOM TRAINING	HOURS OF ON THE JOB TRAINING	LOCATION
TOTAL	35	60	

8. We use our operations and other manuals and other materials to conduct our training. All training is conducted and/or supervised by Laurie Shaw, our COO, who has assisted us in all aspects of marketing, and operations since her employment for us began in 2001 and has eleven (11) years of experience in the subjects she is teaching. We do not currently have a set training schedule, but our Operations Training program will be made available on an as-needed basis subject to the availability of our personnel. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Operations Training program. The Operations Training program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. (Franchise Agreement, Section 5.7)

9. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one (1) year in the subject matters that they teach. We will loan you (or otherwise provide you with access to) a copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop.

10. You, or another person that successfully completes our Initial Training Program, will be required to train all other personnel that works at your Store. (Franchise Agreement, Section 5.7). If, during the term of the Franchise Agreement, you want us to train additional employees at your Store, you must pay us our then-current Training Fee (currently, $350 per day) plus reasonable reimbursement for the trainer's cost of transportation, meals, and lodging. (Franchise Agreement, Section 5.7)

11. If you or other trainee you designate fails to complete the Operations Training program to our satisfaction, you will be in default of the Franchise Agreement and as part of the remedial training, that person may re-attend or you may send a replacement to our next available Operations Training program session, provided there is availability. We may charge our then-current training tuition rate for these individuals to re-attend the Operations Training program as well. In any event, you are solely responsible for all expenses incurred related to your and your employee's attendance at our Operations Training program, including transportation to and from the training site, lodging, meals and employee wages. (Franchise Agreement, Section 5.7).

12. We may, as we deem appropriate in our discretion, provide (and, in certain circumstances) require you to attend Additional Training and/or Remedial Training, as described more fully in Item 6 of this Disclosure Document. We reserve the right to charge our then-current Training Fee in connection with: (i) any Additional Training you request we provide; and (ii) any Remedial Training. (Franchise Agreement, Section 4.11)

13. You, and other employees designated, are also required to attend our Coffee Beanery national convention and or regional training events for franchisees as well as additional training programs that we may reasonably require. You will be required to pay us our then-current Convention Contribution, currently amounting to $400, for the national convention and or regional events (paid to us via scheduled EFT prior to the convention), to cover your attendance and that of one additional person.

14. You will be responsible for your expenses incurred in attending the annual national convention as well as additional training programs, including the costs of transportation, lodging, and meals. The convention and all training will be at the time(s) and location(s) we select. (Franchise Agreement, Section 5.9)

C. <u>Site Selection</u>

You must assume all costs, liabilities, expenses and responsibility for: (i) locating, obtaining and developing the Approved Location for your Store; and (ii) constructing, equipping, remodeling and/or building out the Store, all in accordance with our System standards and specifications. We may provide you with our current written site selection guidelines, to the extent such guidelines are in place, and any other site selection counseling and assistance we believe is advisable. Our guidelines for site selection may require that you conduct, at your expense, an evaluation of the demographics of the market area for the location. We may then use these factors in determining the suitability of your proposed site for the Store. (Franchise Agreement, Section 5.10).

In deciding whether to approve a site, we may also consider, among other things: (i) general location and neighborhood; (ii) proximity of the proposed location to current CBL locations and those of competitors, (iii) traffic patterns; (iv) competition from other businesses selling similar coffee products within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the proposed site; (v) zoning restrictions, soil and environmental issues, and other commercial characteristics; and (vi) the quality of the location proposed, physical characteristics of the buildings.

We must also have the opportunity to review and approve/reject any lease or purchase agreement for a proposed Approved Location before you enter into such an agreement. We may condition our approval on a number of conditions, including: (i) an agreement by you and the landlord to enter into our prescribed form of Collateral Assignment of Lease; and (ii) receiving a written representation from the landlord of that you will have the right to operate the Store, including offering and selling the Approved Products, throughout the term of your Franchise Agreement. Under the Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the lease for the Approved Location (the "Lease") for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default. (Franchise Agreement, Section 5.10.7; Attachment F to Franchise Agreement).

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within sixty (60) days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must: (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site; and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 60-day period, the proposed location will be deemed rejected. You acknowledge and agree that you are responsible for location of a site for your Store and any consequences that arise from that selection. We strongly recommend that you employ outside brokers to assist in the site selection process. (Franchise Agreement, Section 4.1).

You must secure the Approved Location within six (6) months of executing your Franchise Agreement for that Store or we may terminate that Franchise Agreement. (Franchise Agreement, Section 6.10).

The typical time between the execution of a Franchise Agreement and the opening of a Store is one hundred eighty (180) to three hundred sixty (360) days. Factors such as the ability to obtain a lease, construction of required improvements to the site, meeting building code requirements, approvals from building – health – and other local agencies, and obtaining financing affect the time it takes to open a Store. You must open your Store for business no later than one hundred twenty (120) days after you obtain the Approved Location. (Franchise Agreement, Section 6.10).

D. Continuing Obligations to Franchisees

After you have opened your Store, we or our designee will provide the following assistance and services to you:

1. Offer a follow-up on-site training visit to you. (Franchise Agreement Section 4.9)

2. Offer, as we deem necessary, Additional Training, required and optional training programs, seminars, and workshops, at the times and locations selected by us. (Franchise Agreement Section 4.9)

3. Provide continuing advice and assistance to you, as we deem appropriate, in operating and promoting Stores. (Franchise Agreement Section 4.8)

4. When and as frequently as we deem advisable, inspect your business premises and evaluate your Store's management and operations, in order to assist you and to maintain the System's standards of quality, appearance, and service. (Franchise Agreement Section 4.10)

5. If and as we deem appropriate, administer the Brand Building Fund. (Franchise Agreement, Section 9.2)

E. Advertising and Marketing

Initial Launch Marketing Materials Kit

In addition, you are required to pay us the sum of $3,500 for the Initial Launch Marketing Materials Kit that you may use in connection with the promotion of the Store prior to and after the opening of the Store. We expect that these activities will include programs such as newspaper inserts, direct mail, web based marketing and other similar promotional programs. These will either be conducted by us or third parties as we determine appropriate for your Store. (Franchise Agreement Section 4.6 and 9.5).

Local Advertising

You must actively and continuously engage in local promotional activities that are designed to increase business for the Store. We will specify in the Manual or otherwise in writing the types of promotional activities needed, as well as the minimum monthly time commitment that must be made to local promotional activities. (Franchise Agreement Section 5.13)

We do not currently have, and have not had in the past, any advertising cooperatives. Although we are not obligated to do so, we may create a cooperative advertising program for the benefit of all Stores located within a particular local or regional area. We have the right to (a) allocate any portion of the Fund to a cooperative advertising program; and (b) collect and designate all or a portion of the local advertising for a cooperative advertising program, in each case, in such amounts as we determine in our sole discretion. We will determine the geographic territory and market areas for each cooperative advertising program. (Franchise Agreement Section 9.3)

You must participate in any cooperative advertising program established in your local or regional area. In addition to the Brand Building Contribution, we, and the cooperative, may require you to pay into the cooperative. If a local or regional cooperative exists, and sixty-five percent (65%) or more of the applicable Stores agree to pay into, or are contractually obligated to pay into, a specified percentage of Net Sales to the cooperative, then we can require the Store Owners to pay the same amount into the cooperative, although we can require Store Owners to pay the same amount into no less than two percent (2%) of their Store's Net Sales to the cooperative, notwithstanding the amount specified by the cooperative. If there is no advertising cooperative or if the local Stores have not agreed upon a percentage of Net Sales to be paid into the cooperative, Store Owner must expend or contribute to the cooperative an amount we specify, which may be up to and including two percent (2%) of Net Sales. We will not require you to contribute more than four percent (4%) of your Store's Net Sales. (Franchise Agreement Section 9.3)

All local advertising and promotion by you must be conducted in a dignified manner, and conform to the standards set forth in the Manual or otherwise in writing. You may not use any advertising or promotional plans or materials until we have approved it, following the procedure described in the following paragraph. (Franchise Agreement Section 9.4)

You must submit samples of all advertising and promotional plans and materials to us before their use. You may begin to use the plans or materials seven (7) days after we receive them, unless, before then, we prohibit their use in a written notice furnished to you. We also can prohibit their continued use, effective when you receive our written notice that you must stop using the plans and materials.

We maintain an internet website that lists all of our stores, including all franchise stores, to aid in promotion of the brand. To assure consistency in product offerings and image, you may not operate an independent website.

You will be required to have a Facebook page, Twitter account or any other social media account for your Store which will be set up for you in training and must be formatted to follow our standards An account representing a Coffee Beanery store must be used only for business purposes and is subject to our standards and requirements relating to use, including our requirement that Coffee Beanery must have access to your social media accounts as an administrator. If you close your Store or your Franchise Agreement is otherwise terminated or expires, you must also close down any Facebook, Twitter, or other social media accounts that are associated with the store.

The Brand Building Fund

Your Brand Building (Advertising) Contribution is the greater of $100 per week or an amount to be specified by us up to two percent (2%) of the Store's Net Sales each month. The Brand Building Contribution must be paid to the Brand Building Fund ("Brand Building Fund" or "Fund") once per month by the 10th day of the following month. (Franchise Agreement Section 9.1)

Each Store that we or an affiliate (if and when established) operate with an initial opening date after October 1, 2002, will contribute two percent (2%) of its weekly Net Sales to the Brand Building Fund. Those that opened prior to that date make no contributions to the Fund. Multi-concept, locations that have limited or restricted access (such as airports, stadiums or locations sited within other businesses) and certain corporate entities that contract for multiple units may contribute a different amount to the Brand Building Fund.

We previously established the Brand Building Fund, and have the right, in our discretion, to maintain and administer the Fund.

The Brand Building Fund, all contributions to the Fund (including amounts that we may receive as a result of rebate or incentive programs with our suppliers except as may be otherwise described in this franchise disclosure document), and any earnings on amounts in the Brand Building Fund, must be used exclusively to meet all costs of maintaining, administering, directing, conducting, and preparing advertising, marketing, public relations research & development, and/or promotional programs and materials, product placement and any other activities which we believe will benefit the System, including, the costs of preparing and conducting Brand Building campaigns in various media; preparing direct mail advertising; market research; employing advertising and/or public relations agencies to assist in our Brand Building efforts; purchasing promotional items; conducting and administering training for Store promotions; supporting and administering the gift card program, providing promotional and other marketing materials and services to the businesses operating under the System, and point-of-purchase materials. The Brand Building Fund is not a trust fund, and we do not have any fiduciary duty to you with respect to the Fund's administration, activities, or expenditures. (Franchise Agreement Section 9.2)

We typically disseminate advertising in print and on the internet. We direct all Brand Building and promotional programs. We do not currently have any advertising council of franchisees to advise us in the conduct of our advertising program. All creative concepts, materials, and media used in these programs and their placement and allocation are the sole creation of our in-house department or outside advertising agency. We are not obligated to make expenditures from the Brand Building Fund that are equivalent or proportionate to your contribution, or to ensure that you or any other particular franchisee benefits directly or *pro rata* from the advertising or promotion that we conduct under the Fund. (Franchise Agreement Section 9.2)

Of the monies expended in our Fiscal Year ended June 30, 2019, approximately one percent (1%) was expended on printing, twenty percent (20%) on creative development, thirteen percent (13%) on administrative expense, thirty percent (30%) on operational expenses, twenty nine percent (29%) on media placement, two percent (2%) on travel for our personnel, nineteen percent (19%) for local advertising reimbursement and one percent (1%) on miscellaneous expenses.

One of the Brand Building Fund programs provides for reimbursement of a portion of local advertising expenses incurred by certain franchisees based upon that franchisee's contribution to the Brand Building Fund. For franchisees that demonstrate a consistent local marketing program and presence and have remained fully compliant with their obligations under their franchise agreements, we may provide a thirty percent (30%) reimbursement of preapproved expenditures for local advertising from the Brand Building Fund up to fifty percent (50%) of the contributed funds budgeted for that year for that location, which in no event shall exceed the amount that franchisee contributes to the Brand Building Fund. The funds will be issued in the form of a warehouse credit. We reserve the right to terminate the reimbursement of funds program at any time. This reimbursement is not valid for the first ninety (90) days of a Store opening.

You must make your Brand Building contribution by electronic funds transfer to the Brand Building Fund. We separately account for sums paid for the Fund in separate bookkeeping accounts. We will not use the Brand Building contribution to defray any of our expenses, except for our reasonable costs and overhead, if any, incurred in activities reasonably related to the administration of the Fund, including, costs of personnel and/or agency for creating and implementing advertising, promotional, and marketing programs. If we do not use all of the fees in the Brand Building Fund in the year in which they received, they will be the first monies expended in the next year. The Brand Building Fund and earnings on the Fund will not otherwise benefit us. (Franchise Agreement Section 9.2.3) We do not use any money from the Brand Building Fund for advertising that is principally a solicitation for the sale of franchises.

We do not (and are not obligated to) obtain an audit of the Brand Building Fund, but we will annually prepare a summary of the operations of the Brand Building Fund as shown on the books of the Fund and if you request it, furnish the statement to you. You are not entitled to audit or review the financial statements of the Fund without our approval. (Franchise Agreement Section 9.2.4)

F. Computer System, including POS System (applicable to all Store Models)

You must, at your expense, purchase or lease, and thereafter maintain, point of sale equipment, computer hardware (including laptops), software, and firmware, required dedicated telephone and power lines, modem(s), printer(s), and other computer-related accessories or peripheral equipment as we specify in the Manual or otherwise in writing. Your computer systems must electronically exchange information, messages, and other data with our computer systems, by such means (including but not limited to the Internet), and using such protocols (e.g., TCP/IP), and do so as we designate or as we may reasonably prescribe in the Manual or otherwise in writing. The data stored includes transactions, items sold, price, cost (if recorded) tender type, tax collected, refunds given, inventory levels of items with stock levels, customer names and transaction history, employee hours and cash drawer usage and other data. We have the unlimited right to retrieve data and information from your computer system (including both POS systems and the back office computer) and use it for any purpose both during and after the term of this Agreement. You must keep your point of sale equipment and computer system in good maintenance and repair and, at your expense, promptly install such additions, changes, modifications, substitutions, and/or replacements to the computer hardware, software, firmware, telephone and power lines, and other computer-related facilities, as we direct. You must not update, modify, enhance, or upgrade any computer hardware or software without our prior written consent. You also may not establish any computer web site including Internet and World Wide Web home pages. We may require you to participate in our website, www.coffeebeanery.com. (Franchise Agreement, Section 11)

In addition, from time to time we may modify the component specifications for the point of sale system and computer system. As part of such point of sale system and computer system, we may require you to obtain specified computer hardware and/or software, including, without limitation, a license to use proprietary software developed by us or others. Modification of such specifications for the components of the point of sale system may require you to incur costs to purchase, lease and/or license new or modified point of sale or computer hardware and/or software to obtain service and support for the point of sale and computer system during the term of the Franchise Agreement. There are no contractual limits on our right to require you to upgrade or update the cash register and computer system during the term of the Franchise Agreement. (Franchise Agreement, Section 11)

As of the Issue Date, we require the following computer and point of sale equipment:

POS/Computer Hardware	Software
Server, POS Terminal, EMV Chip Terminal, Thermal Receipt Printer, and Cash Drawer (collectively, a "Terminal Kit"); and Computer or laptop that can run the designated accounting software and otherwise take care of	Emagine POS Software; Central Interface, License Data Store Server and Menu Development; and Current Windows or Apple OS Software, as applicable.

"back office" functions (if not already owned)	

The cost of a single Terminal Kit is approximately $1,900, and our Approved Supplier for the POS System currently charges a monthly licensing fee of $59/month per Terminal Kit to use the POS System at your Store ($708 annually). The register must be registered and stay connected to the COFFEE BEANERY email address that you are provided with prior to opening.

For most Stores, a single Terminal Kit – as described above – will be sufficient. For drive thru concepts, you may need to purchase additional registers (not to exceed 4 in total), printers and kitchen printers which will add to this expense. Your POS System should need a maximum of four (4) Terminal Kits, which would mean the maximum price for the POS System will be around $7,600.

Additionally, while we do not set specifications for this equipment and any equipment may be used, a store needs a back-office PC or laptop and this system requires dedicated wireless internet connectivity that is password protected with adequate firewalls to ensure credit card information is secure for PCI compliance. Such computers are generally available from multiple sources and vary in price from $400 to $1,500 depending upon the system you select. If you already have a computer that meets our System standards and that you can dedicate to your Store operations, then we may permit you to use that existing hardware rather than purchasing a new back-office computer.

We have no obligation to provide ongoing maintenance, repairs, upgrades, or updates for the computer you select and purchase and we do not impose any obligations upon you to upgrade or update this computer. We do not require you to purchase any maintenance, updated, upgrading or support contracts and accordingly, there is no cost associated with these items. You will, however, have the costs associated with operation and maintenance of any personal computer. If you offer Wi-Fi for your guests you will also need to maintain a separate Wi-Fi account to ensure insulation from customer and other private information.

You must keep your Computer System in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or any required software as we direct from time to time in writing. We estimate that you will spend approximately $1,500 to $3,000 annually on maintenance and support contracts for your Computer System (including your $59/month POS fee).

We may require that your Computer System be programmed to automatically transmit data and reports about the operation of the Store to us. We have the right to independently access, monitor, and retrieve any data you input or collect electronically, including access to your Computer System or for any other purpose we deem necessary. (Franchise Agreement, Section 11.8).

Gift Card Program and Fee

Please note that we will also require you to participate in a gift card program, under which customers can purchase gift cards from you and purchases are charged against the card as made.

Internet Connectivity

You are required to have a high speed internet connection in your location and to pay any costs associated with this utility. Please refer to the subsection entitled "Local Advertising" in this Item 11 with respect to a website for your Store.

G. Manuals

We provide our Manuals in electronic version, although we reserve the right to provide them in a paper version. We provide you, on loan, one copy of the manual that contain our mandatory specifications, standards and operating procedures. All manuals are confidential and remain our property and must be returned to us upon expiration or termination of the Agreement. We may modify the manuals. The Table of Contents for our Operating Manual is part of this Disclosure Document as Exhibit D. We may, in the future, substitute a paper version of our Manuals for our current electronic versions.

ITEM 12

TERRITORY

The Franchise Agreement designates the Approved Location for the Store. If no Approved Location has been selected when you sign the Franchise Agreement, we will describe the Approved Location in a site approval letter sent to you after you locate the Approved Location.

You may not relocate your Store without our written consent, which we will not unreasonably withhold provided: (i) your proposed relocation site meets our then-current criteria for an Approved Location; and (ii) you pay our then-current relocation fee (if any). When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate.

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, outlets or from competitive channels of distribution or competitive brands that we control. We may establish other franchised or company-owned Stores that may compete with your Store in any area without restriction. We retain all rights other than your right to operate a Store at your Approved Location, including without limitation:

1. to own, acquire, establish and/or operate, and license others to establish and operate, Stores, regardless of their proximity to the Approved Location or their impact on your Store;

2. to own, acquire, establish and/or operate, and license others to establish and operate, businesses using other proprietary marks or other systems, including (i) businesses which provide products and/or services similar to those provided by a Store; and/or (ii) Stores at any location, regardless, in either circumstance, of its proximity to the Approved Location or their impact on your Store;

3. to sell or distribute, at retail or wholesale, directly or indirectly, including internet sales, fund raising sales or mail order sales, or license others to sell or distribute, any products which bear any proprietary marks, including the Proprietary Marks, regardless of their proximity to the Approved Location or their impact on Store Owner's Store; and

4. to manufacture, sell and distribute coffee and related products in any manner.

Your Franchise Agreement and any other agreements with us do not grant you the right to (a) conduct any of the activities above, or (b) share in the proceeds generated by these activities. We will not be required to pay you any compensation for soliciting or accepting order inside your territory. We also reserve the right to market products using the Proprietary Marks through alternative distribution formats, including direct sales and multi-level marketing distributorships and we have done so. For some Approved Products using the Proprietary Marks, these sales formats likely will compete with your Store. Except as described in this paragraph, we have not established or presently intend to establish other franchises or company-owned outlets selling similar products or services under a different trade name or trademark. However, we retain the right to do so and currently monitor and explore opportunities that arise from time to time on this subject.

You may not sell products through the Internet, including any third-party delivery platform, or using any channel of distribution other than your Store without first obtaining our written consent.

Additional Disclosures

The Franchise Agreement does not provide you with any right or option to open and operate additional Stores. Regardless, each Store you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement.

We have not established other franchises or company-owned outlets or another distribution channel offering or selling similar products or services under a different trademark. Neither we nor any affiliate (if and when established) have established, or presently intend to establish, other franchised or company-owned businesses that sell our Approved Products under a different trade name or trademark, but we reserve the right to do so in the future without your consent.

ITEM 13

TRADEMARKS

We grant you a limited, non-exclusive license to use our primary mark COFFEE BEANERY and certain other Proprietary Marks in connection with the operation of your Store only at your Approved Location, provided you use these Proprietary Marks as outlined in your Franchise Agreement and our Manuals.

We own the following service mark registrations on the principal register of the United States Patent and Trademark Office:

MARKS	REGISTRATION NUMBER	REGISTRATION DATE
"COFFEE BEANERY"	**3,182,143**	**December 12, 2006**
"THE COFFEE BEANERY, LTD." words and design trademark	**1,610,706**	**August 21, 1990**
"BEANERY BLEND" all words, text, drawings and art	**1,512,924**	**November 15, 1988**
"HOT SPICED VIENNESE" all words, text, drawings and art	**1,553,085**	**August 22, 1989**
"CAFE CARMEL" all words and text	**2,042,790**	**March 11, 1997**
"ICED FUDGE RIPPLE" all words, text, drawings and art	**1,616,932**	**March 12, 1990**

MARKS	REGISTRATION NUMBER	REGISTRATION DATE
"THE RIGHT ROAST" **all words, text, drawings and art**	**2,024,672**	**December 17, 1996**
"THE RIGHT ROAST AND DESIGN" **all words, text, drawings and art**	**2,083,549**	**July 29, 1997**
"ESPRESSO PERFECTO"	**2,669,628**	**December 31, 2002**
"CB CUP DESIGN"	**2,806,359**	**January 20, 2004**
"SINGLICIOUS"	**4,426,742**	**October 29, 2013**
"FRAPPALATTE"	**4,895,505**	**February 2, 2016**
The trademark in 1982 consisted of a picture of a coffee mill and tree, with the words "THE COFFEE BEANERY". The trademark registered in 1985 consists of a coffee cup formed by using the letters "C" and "B", with or without the words "The Coffee Beanery Ltd." printed below the coffee cup. The trademark registered in August 1990 consists of the words "The Coffee Beanery, Ltd." standing alone.		

All required affidavits have been filed and when appropriate, the registrations noted above have been renewed.

You must strictly comply with our standards, specifications, rules, requirements, and instructions regarding the use of the Proprietary Marks. The goodwill associated with our Proprietary Marks will remain our exclusive property, and you will receive no tangible benefit from our goodwill, except from the operation or possible sale of the Store during the term of the Franchise Agreement. Any increase in the goodwill associated with our Proprietary Marks during the term of the Franchise Agreement will benefit us. All rights to use our Proprietary Marks will automatically revert to us without cost and without the execution or delivery of any documents, upon the expiration or termination of your Franchise Agreement.

There are no currently effective material determinations of the Patent and Trademark Office, Trademark Trial and Appeal Board, the trademark administrator of any state, or any court; no pending infringement, opposition, or cancellation proceedings; nor any pending material litigation involving the Proprietary Marks. There are no agreements currently in effect that significantly limit our rights to use, or license the use of, any of the Proprietary Marks in a manner material to the Store, and we are not aware of any superior prior rights or infringing rights that could materially affect your right to use our Marks.

There are no infringing uses either actually known to us or of which we are aware that could materially affect your use of the Proprietary Marks in this state or in the state in which the Store is located. We are not obligated by the Franchise Agreement or otherwise to protect any rights granted to you to use any Proprietary Marks.

You may not use all or any portion of our Proprietary Marks as part of your company name and, without our prior written consent, as part of your trade name or "d/b/a". You may not modify the Proprietary Marks with words, designs or symbols, except those that we license to you. You may not use our Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly, contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Proprietary Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Proprietary Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the phrase "Coffee Beanery" or any similar phrase.

You must promptly notify us of any suspected unauthorized use of or challenge to the validity of the Proprietary Marks. We have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement of the action. 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 expressly authorized use of the Proprietary Marks. We have the right to control any administrative proceeding or litigation involving a trademark licensed by us to you. If we, in our discretion, determine that you have used the Proprietary Marks in accordance with the Franchise Agreement, we will bear the cost of defending you, including the cost of any judgment or settlement. If we, in our discretion, determine that you have not used the Proprietary Marks in accordance with the Franchise Agreement, you must bear the cost of the defense, including the cost of any judgment or settlement. If there is litigation concerning your use of the Proprietary Marks, you must execute all documents and do any acts that we believe are necessary to carry out the defense or prosecution, including becoming a nominal party to any legal action.

We reserve the right to substitute different proprietary marks for use in identifying the System and the businesses operating under the System if the Proprietary Marks no longer can be used, or if we, in our discretion, determine that substitution of different proprietary marks will be beneficial to the System. The Franchise Agreement will govern the use of the substituted proprietary marks. We will not compensate you for the substitution and will bear only the costs of modifying your signs and advertising materials to conform to our new proprietary marks.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

We do not own any registered patents or pending patent applications that are material to the franchise. We do, however, claim common law copyright and trade secret protection for several aspects of the franchise System including our Manuals, training materials, recipes, recipe books, advertising, and business materials.

There are no current determinations, proceedings or litigation involving any of our copyrighted materials. Should you become aware that any unauthorized third party is using any of our copyrighted materials, we request that you notify us of such unauthorized use. We may revise our System and any of our copyrighted materials in our discretion, and may require that you cease using any outdated copyrighted material. You will be responsible for printing any revised or new advertising, marketing or other business materials.

Confidential Operating Manual

You must operate the Store in accordance with the standards, methods, policies, and procedures specified in the Manuals/online training portals, as we may revise it. You must treat the Manuals/online training portals, and the information contained in it, as confidential, and use all reasonable efforts to maintain the information as secret and confidential. You must not at any time copy, duplicate, record, or otherwise reproduce any materials in the Manual, or otherwise make the material available to any unauthorized person. The Manuals/online training portals will at all times remain our sole property, and you must ensure that access to the Manuals/online training portals is restricted to authorized persons.

Confidential Information

You must not, during or after the term of the Franchise Agreement, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation, any confidential information, knowledge, proprietary recipes associated with the Approved Products or other know-how concerning the methods of operation of the Store which we may communicate to you or which you may be apprised by virtue of your operation under the Franchise Agreement. You may divulge confidential information only to those employees who must have access to it in order to perform their employment responsibilities. All matters, information, knowledge, know-how, and techniques which we designate as confidential will be deemed confidential for purposes of the Franchise Agreement unless and until you demonstrate that the information has become public knowledge.

Certain individuals associated with you, such as shareholders, officers and directors, and all employees who may have access to our confidential information must, at our request, execute covenants that they will maintain the confidentiality of information they receive during their association with you. The current form of covenant is attached to this Franchise Disclosure Document at Exhibit E. We may require that certain individuals execute these covenants at the time you sign the Franchise Agreement.

The Franchise Agreement provide that if you, your employees, or principals develop any new concept, process or improvement in the operation or promotion of any Store, you will promptly notify us and provide us with all necessary related information, without compensation. Any new concept, process or improvement will become our sole property and we will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. You and your principals will assign to us any rights you may have or acquire in new concepts you or your employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts you or your employees develop. You and your principals agree to assist us in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide us with all necessary documentation for obtaining and enforcing such rights. You and your principals will irrevocably designate and appoint us as your agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that these provisions in the Franchise Agreement are found to be invalid or otherwise unenforceable, you and your principals will grant to us a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent the Franchise Agreement, directly or indirectly infringe on your rights to the new concepts.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE STORE

Unless we otherwise approve in writing, you or your designated Store manager, must devote full-time and best efforts to the management and operation of the Store. You or your Store manager and other employees you may designate are required to attend and satisfactorily complete our training programs applicable to pre-opening training before opening the Store for business unless authorized by us otherwise in writing. You or your Store manager and other employees you may designate, also must attend and satisfactorily complete refresher training courses at our reasonable request. You are not obligated to grant an equity interest to any employee. You must inform us of the identity of the Store manager, but we do not have the right to disapprove the manager. Your store manager must possess the ability to operate your Store professionally and in compliance with the System and Manuals. If you change store managers, you must inform us immediately and you must train or send the new manager to the Coffee Beanery headquarters for training prior to or immediately following their engagement as a store manager. We require each equity holder and each equity holder's spouse in any limited liability business entity to personally guarantee the obligations of the entity. Please see Attachment A to Franchise Agreement (Exhibit A). Additionally, we require you to obtain signed covenants of confidentiality and non-competition from certain persons associated with you. For a description of the covenants and the persons from whom the covenants are required, see Items 14 and 17.

It is important to note that we are not your employer and that you will have the right to control all decisions related to recruiting, hiring or firing any personnel, including any managers. Please note that nothing in this Disclosure Document or any agreement you will enter into with us will create any type of employer or joint employer relationship between (a) you and/or your personnel, and (b) us.

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer the Approved Products that we expressly authorize through your Store, and may only offer these products and services at the Approved Location and in the manner prescribed in your Franchise Agreement and our Manuals. We may supplement, revise and/or modify our Approved Products as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

If we discontinue any Approved Product offered by the Store, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us). You may not use the Approved Location of your Store for any other business purpose other than the operation of your Store.

You may not use the Coffee Beanery name or the Proprietary Marks for any other business. You may not conduct any business other than the Store contemplated by the Franchise Agreement at the Approved Location without first obtaining our written consent.

You may sell only Coffee Beanery products and services (or other approved products) at retail from your Store, and you may not engage in the wholesale sale or distribution of any Coffee Beanery product, services, equipment or other component, or any related product or service, without first obtaining our written consent. You may not sell products through the internet or using any channel of distribution other than your Store without first obtaining our written consent.

You may not sell, barter, or exchange any Proprietary Products or other proprietary items at wholesale or retail under any condition. If you engage in any wholesale or retail sale, barter or exchange any quantity of Proprietary Products or other proprietary items to another Coffee Beanery franchisee or to any other person or entity, we can terminate the Franchise Agreement immediately on notice to you.

In preparing, dispensing and selling Coffee Beanery products, you may use only product components, ingredients, flavoring and garnishes that meet our then current requirements and specifications. You must prepare all Coffee Beanery products in strict accordance with our standards, specifications, techniques and procedures. In dispensing the Coffee Beanery products, you may use only containers, cups, cartons, bags, boxes, napkins and other paper goods and packaging bearing our then-currently approved text, designs and identity standards, and that otherwise meet our then-current requirements, specifications and quality standards.

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

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.

The Franchise Relationship

Provision	Section in Franchise Agreement	Summary
a. Length of the Franchise Term	§ 2	Ten (10) years.
b. Renewal or extension	§ 2	If you satisfy requirements and complete a renewal application, you may renew for a consecutive term of five (5) years.
c. Requirements for franchisee to renew or extend	§ 2	Store Owner may submit a request to renew (which means renewing your franchise relationship with us) the Franchise Agreement subject to the following conditions: (i) give timely written notice to renew now less than nine (9) months and no more than twelve (12) months prior to the end of the current term; (ii) Store Owner must not have any uncured material defaults under this Agreement; (iii) Store owner must execute our then-current form of Franchise Agreement (which may contain materially different terms and conditions than your original franchise agreement); (iv) Store owner must pay a renewal fee of $12,500 at least ninety (90) days prior to the expiration of the then-current term or five hundred dollars ($500) per month if we permit Store Owner to operate on a month-to-month basis as a "holder" franchisee; (v) Store owner and/or the Store Manager must attend any training refresher course prescribed by us at least thirty (30) days before the expiration of the then-current term; (vi) Store Owner executes a general release under seal; (vii) Store Owner must have participated in the training procedures, purchasing, marketing, advertising, promotional, and other operational training programs recommended or provided by us to our satisfaction; and (viii) Store Owner agrees at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Franchised Business.

Provision	Section in Franchise Agreement	Summary
d. Termination by franchisee	§ 13.4	By written notice to us, you may terminate if there is no Approved Location one (1) year after executing Franchise Agreement.
e. Termination by franchisor without cause	None	
f. Termination by franchisor with cause	§ 13	Bankruptcy, failure to open Store, abandonment of Store, certain breaches of the Franchise Agreement, material misrepresentations, repeated defaults after cure, trademark misuse, unapproved transfers, nonpayment of fees and debts, failure to execute covenants, non-renewal of lease, criminal conviction, false books and records, no insurance, five percent (5%) understatement of payments or two (2) understatements in two (2) years, failure to find Approved Location by one (1) year after executing Franchise Agreement or breach of any other agreement between franchisee and franchisor. Termination of the Franchise Agreement as a result of bankruptcy may not be enforceable under applicable federal bankruptcy law (11 U.S.C. §101 *et seq.*). We have the right to refuse to sell products to you and otherwise suspend performance of our obligations if you commit any of the following defaults: (i) a payment due to us from you that is more than thirty (30) days past due; (ii) Sales Report submission is thirty (30) days past due and/or eliminating CBL access to retrieve Sales Report; (iii) any other default under the Franchise Agreement that has not been cured within thirty (30) days of written notice. If you fail to satisfy all of the conditions of renewal but continue to operate your Franchised Business after the end of the term of the Franchise Agreement, we have the right to refuse to sell products to you and to cause approved and designated vendors to refuse to sell products to you.
g. "Cause" defined – curable defaults	§ 13.4	All defaults not specified in Sections 13.1 and 13.2; curable within thirty (30) days of written notice from us.
h. "Cause" defined - non-curable defaults	§ 13.1 and 13.2	Bankruptcy, failure to open Store, abandonment of Store, certain breaches of the Franchise Agreement, material misrepresentations, repeated defaults after cure, trademark misuse, unapproved transfers, nonpayment of fees and debts, failure to execute covenants, non-renewal of lease, criminal conviction, false books and records, no insurance, five percent (5%) understatement of payments or two (2) understatements in two (2) years, unless we determine otherwise, breach of any other agreement between franchisor and franchisee.

Provision	Section in Franchise Agreement	Summary
i. Franchisee's obligations on termination/non-renewal	§ 14	Cease operation of Store and use of Proprietary Marks and Manual, de-identification of Store, payment of amounts due, return Manual, covenant not to compete and other covenants described in Section 15.
j. Assignment of contract by franchisor	§ 12.1	No restriction on our right to assign.
k. "Transfer" by franchisee – defined	§ 12.2	Includes transfer of your rights under Franchise Agreement, transfers that change your ownership, transfers of assets of Store.
l. Franchisor approval of transfer by franchisee	§ 12.2.1	We have the right to approve all transfers and will not unreasonably withhold consent if you satisfy Section 12.2.1 requirements.
m. Conditions for franchisor approval of transfer	§ 12.2.1	You are not in default under agreements with us; all monetary obligations are satisfied; mutual general release is executed (Exhibit E-2); transferee signs our then-current form of franchise agreement for a fifteen (15) year initial term; transferee pays a transfer fee of $7,500 and satisfies our conditions for franchisee; transferee completes training and upgrades Store; and you reimburse us for our costs in reviewing and approving transfer and providing training.
n. Franchisor's right of first refusal to acquire 100% of franchisee's business	§ 12.5	We have the right only in the context of an assignment under the United States Bankruptcy Code.
o. Franchisor's option to purchase franchisee's business	None	We have the right to purchase certain assets as described in Section 14.9 of the Franchise Agreement. We also have the right to purchase or lease any real property associated with the Store operations as described in Section 14.10 of the Franchise Agreement. We have these rights only upon termination or nonrenewal of the franchise.
p. Death or disability of franchisee	§ 12.3	Your interest must be transferred within six (6) months to a third party approved by us. If your heir or beneficiary cannot satisfy our conditions, executor or administrator has reasonable time to transfer.
q. Non-competition covenants during the term of the franchise	§ 15.2; Confidentiality and Non-Competition Covenant (Exhibit G-1)	Prohibition against owning, operating, advising, working in, being associated with, and making loans to a Competing Business (as defined in the Franchise Agreement) or any business that offers/grants licenses or franchises for, or establishes joint ventures for the operation of, any type of Competing Business. Certain individuals also must sign the Confidentiality and Non-Competition Covenant (Exhibit E-1) at the time you sign the Franchise Agreement.

Provision	Section in Franchise Agreement	Summary
r. Non-competition covenants after the franchise is terminated or expires	§§ 15.3 and 15.4; Confidentiality and Non-Competition Covenant (Exhibit G-1)	Prohibition for one (1) year with respect to any involvement with a Competing Business at the Approved Location or within a 10-mile radius of (a) your Approved Location, and (b) any other COFFEE BEANERY Store that is open, under lease or otherwise under development as of the expiration or termination of the Franchise Agreement. Also, prohibition for one (1) year with respect to any involvement with a business that offers/grants licenses or franchises for, or establishes joint ventures for the operation of, any Competing Business. Exception if you are less than a five percent (5%) owner of certain companies registered with the Securities and Exchange Commission. Certain individuals also must sign the Confidentiality and Non-Competition Covenant (Exhibit E-1) at the time you sign the Franchise Agreement.
s. Liquidated damages	§14.7	You must pay us liquidated damages equal to 60 months (or the number of months in the remaining term of the Franchise Agreement if less) of royalty fees if the Franchise Agreement is terminated due to your breach.
t. Modification of the agreement	§ 21	Must be in writing signed by both parties.
u. Integration/merger clause	§ 21	Only the terms of the Franchise Agreement and other related agreements are binding (subject to state law). Any representations or promises outside the disclosure document and Franchise Agreement and other related agreements may not be enforceable. Nothing in agreement is intended to disclaim any representations made in franchise disclosure document, its attachments or addenda.
u. Dispute resolution by arbitration or mediation	§ 23	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally. At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.

Provision	Section in Franchise Agreement	Summary
v. Choice of forum	§ 23	Subject to Sections 23.2, 23.3 and 23.4 of the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to our then-current headquarters (which is currently Flushing, Michigan) or, if appropriate, the United States District Court for the Eastern District of Michigan. (subject to state law).
w. Choice of law	§ 23	Michigan law applies except for provisions relating to the offering of franchises unless conditions met independently (subject to state law). At present, our principal place of business is Flushing, Michigan.

ITEM 18

PUBLIC FIGURES

We do not currently use any public figures to promote Coffee Beanery franchises, but we reserve the right to do so in the future.

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet you are considering buying; or (2) a franchisor supplements the information provided in this Item 19, for example, by providing information about possible performance at a particular location or under particular circumstances.

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting the President, Coffee Beanery, Ltd., 3429 Pierson Place, Flushing, Michigan 48433, (810) 733-1020, the Federal Trade Commission and the appropriate state regulatory agencies.

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

Table No. 1
Systemwide Outlet Summary
for years 2017 to 2019

A. All Store without Food Models
(including Traditional Store without Food Model, Kiosk Store Model, Conversion Store Model, and Co-Branded Store Model)
(collectively, "Traditional Outlets")

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2017	32	33	+1
	2018	33	30	-3
	2019	30	22	-8
Company owned	2017	0	0	0
	2018	0	0	0
	2019	0	0	0
Total outlets	2017	32	33	+1
	2018	33	30	-3
	2019	30	22	-8

B. Traditional Stores with Food Model

Column 1 Outlet Type	Column 2 Year	Column 3 Outlets at the Start of the Year	Column 4 Outlets at the End of the Year	Column 5 Net Change
Franchised	2017	10	10	0
	2018	10	10	0
	2019	10	12	+2
Company owned	2017	1	1	0
	2018	1	1	0
	2019	1	2	+1
Total outlets	2017	11	11	0
	2018	11	11	0
	2019	11	14	+4

Table No. 2
Outlets from Franchisees to New Owners (other than Franchisor)
For years 2017 to 2019

Traditional Outlets and Traditional Store with Food Model

Column 1 State	Column 2 Year	Column 3 Number of Transfers
MD	2017	0
	2018	0
	2019	1
NJ	2017	0
	2018	1
	2019	0
Total	2017	0
	2018	1
	2019	1

Table No. 3
Status of Franchised Outlets
For Years 2017 to 2019

Traditional Outlets and Traditional Store with Food Model

Col. 1 State	Col. 2 Year	Col. 3 Outlets at start of year	Col. 4 Outlets opened	Col. 5 Terminations	Col. 6 Non-renewals	Col. 7 Reacquired by Franchisor	Col. 8 Ceased operations other reasons	Col. 9 Outlets at End of year
DE	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
FL	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1
GA	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	0	1
HI	2017	1	0	0	0	0	1	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0
IL	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1

IN	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
KY	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
MD	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	1	0	0	0	0	2
MI	2017	13	4	0	2	0	0	15
	2018	15	3	0	0	0	5	13
	2019	13	2	0	0	1	5	9
NJ	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
	2019	4	0	0	0	0	1	3
NY	2017	3	0	0	0	0	0	3
	2018	3	0	0	0	0	1	2
	2019	2	0	0	0	0	0	2
PA	2017	4	0	0	0	0	0	4
	2018	4	1	0	0	0	1	4
	2019	4	0	0	1	0	0	3
TX	2017	3	0	0	0	0	0	3
	2018	3	1	0	0	0	0	4
	2019	4	0	0	0	0	1	3
VA	2017	2	0	0	0	0	0	2
	2018	2	0	0	0	0	1	1
	2019	1	0	0	0	0	0	1
WY	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Guam	2017	5	0	0	0	0	0	5
	2018	5	0	0	0	0	0	5
	2019	5	0	0	0	0	0	5
TOTALS	2017	42	4	0	2	0	1	43
	2018	43	6	0	0	0	9	40
	2019	40	4	0	1	1	7	35

Table No. 4
Status of Company Owned Outlets
for years 2017 to 2019

A. Traditional Outlets

Col. 1 State	Col. 2 Year	Col. 3 Outlets at start of year	Col. 4 Outlets opened	Col. 5 Terminations	Col. 6 Non-renewals	Col. 7 Reacquired by Franchisor (Franchisee)	Col. 8 Ceased operations other reasons	Col. 9 Outlets at End of year
Totals	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	0	0	0	0	0	0

B. Traditional Store with Food Model

Col. 1 State	Col. 2 Year	Col. 3 Outlets at start of year	Col. 4 Outlets opened	Col. 5 Terminations	Col. 6 Non-renewals	Col. 7 Reacquired by Franchisor (Franchisee)	Col. 8 Ceased operations other reasons	Col. 9 Outlets at End of year
MI	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	1	0	2
Totals	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	1	0	2

Table No. 5
Projected Openings as of June 30, 2019
(All Store Models)

Column 1 State	Column 2 Franchise Agreements Signed but Outlet not Opened	Column 3 Projected New Franchised Outlets in the Next Fiscal Year	Column 4 Projected New Company Owned Outlets in the Current Fiscal Year
MI	**1**	**0**	**0**
TX	**0**	**2**	**0**
Totals	**1**	**2**	**0**

During the last three fiscal years, we have not signed any confidentiality clauses with franchisees or former franchisees that restrict their ability to talk to you.

Exhibit B lists the name, city and state and current business telephone number of every current franchisee, as well as a list of the names and last known home addresses and telephone numbers of every franchisee who has had an outlet terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the period July 1, 2018 through June 30, 2019, or has not communicated with us within ten (10) weeks of the disclosure document issuance date.

If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

We are not aware of any trademark-specific franchisee organizations associated with the Coffee Beanery franchise system and no such organization has requested to be included.

ITEM 21

FINANCIAL STATEMENTS

The audited financial statement for the Shaw Coffee Company for our fiscal years ending June 30, 2019, June 30, 2018, and June 30, 2017. These statements include The Coffee Beanery, Ltd. The Shaw Coffee Company has guaranteed performance of our obligations. A copy of this Guarantee is attached as Exhibit E-3.

ITEM 22

CONTRACTS

The following agreements are attached as exhibits to this Disclosure Document, as indicated:

1. Franchise Agreement and Attachments (Exhibit A to the FDD)
2. Exhibit E-1 Confidentiality and Non-competition Covenant
3. Exhibit E-2 Template Form of Mutual Release
4. Exhibit H-1 Compliance Certification

ITEM 23

RECEIPTS

The last page of this Disclosure Document is a detachable document, in duplicate. Please detach, sign, date and return one (1) copy of the Receipt to us, acknowledging that you received this Disclosure Document. Please keep the second copy for your records.

EXHIBIT A
TO FRANCHISE
DISCLOSURE DOCUMENT

THE COFFEE BEANERY, LTD.
FRANCHISE AGREEMENT

THE COFFEE BEANERY, LTD.
FRANCHISE AGREEMENT
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THE COFFEE BEANERY, LTD.

FRANCHISE AGREEMENT

THIS FRANCHISE AGREEMENT (**"Agreement"**) made and entered into on ______________________, 20____, ("**Effective Date"**) by and between The Coffee Beanery, Ltd., a Michigan corporation, with its principal place of business at 3429 Pierson Place, Flushing, Michigan 48433 (**"CBL"**), and ____, a ____________________________, with its principal place of business at ____ (**"Store Owner"**).

RECITALS

A. CBL, as the result of the expenditure of time, skill, effort, and money, has developed and owns a unique and distinctive system relating to the selling of coffee, coffee beans, tea, spices and related products and food items, including prepared coffee for on or off site consumption ("**Products**") and has developed and owns a unique system relating to the establishment, development and operation of specialty coffee Stores devoted exclusively to the sale, at retail, of the Products ("**System**");

B. The distinguishing characteristics of the System include, without limitation, a distinctive design and layout, and training, management, and promotional assistance, in connection with the establishment and ongoing operation of specialty coffee businesses, all of which may be changed, improved, and further developed by CBL from time to time;

C. CBL identifies the System by means of certain trade names, service marks, trademarks, logos, emblems, and indicia of origin, including the mark THE COFFEE BEANERY and such other trade names, service marks, and trademarks as are now designated, or may hereafter be designated by CBL in writing, for use in connection with the System (**"Proprietary Marks"**);

D. Store Owner wishes to obtain a franchise to operate a specialty coffee business using the System and Proprietary Marks (the **"Store"**), as well as to receive the training and other assistance provided by CBL in connection therewith; and

E. Store Owner understands and acknowledges the importance of CBL's high standards of quality, appearance, and service, and the necessity of operating the Store in conformity with CBL's standards and specifications.

NOW, THEREFORE, the parties agree as follows:

1. GRANT

1.1 CBL grants to Store Owner the right, and Store Owner accepts the obligation, to use the Proprietary Marks and System, solely in connection with the operation of the Store at the location indicated below in Section 1.2.

1.2 The Store shall be located at____________________________________
____
(the "Approved Location"). Store Owner shall not relocate the Store without the prior written approval of CBL which shall not be unreasonably withheld. If, on the Effective Date, a location for the Store has not been approved by CBL, CBL shall assist Store Owner in selecting a location, as set forth in Section 4 of this Agreement. Store Owner shall not lease or otherwise acquire a location without CBL's prior

approval, which approval shall be furnished by CBL to Store Owner in a site approval letter. Store Owner shall pay CBL's out-of-pocket expenses if it relocates the Store during the term of this Agreement, which Store Owner cannot do without CBL's prior written approval.

1.3 Store Owner expressly acknowledges and agrees that the franchise is non-exclusive. CBL and its affiliates/principals hereby retain all rights with respect to the System, Proprietary Marks and Products other than the right granted to Store Owner to operate the Store in accordance with the terms of this Agreement at the Approved Location. These reserved rights include, without limitation, the right to:

(a) to own, acquire, establish, and/or operate, and license others to establish and operate, Stores regardless of their proximity to the Approved Location or their impact on the Store Owner's Store;

(b) to own, acquire, establish and/or operate, and license others to establish and operate, businesses under other proprietary marks or other systems, including (i) businesses which provide products and/or services similar to those provided by a Store; and/or (ii) Stores, at any location regardless, in either circumstance, of their proximity to the Approved Location or their impact on the Store Owner's Store;

(c) to sell or distribute, at retail or wholesale, directly or indirectly including internet sales, fund raising sales or mail order sales, or license others to sell or distribute, any products which bear any proprietary marks, including the Proprietary Marks, regardless of their proximity to the Approved Location or their impact on the Store Owner's Store;

(d) to purchase, roast, manufacture and distribute/sell coffee and other of the Products in any other manner.

2. TERM AND RENEWAL

2.1 Term. Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date.

2.2 Renewal. Store Owner may submit a request to renew this Agreement for an additional term of five (5) years, and must provide the request to renew no less than nine (9) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to CBL will be deemed an indication that Store Owner does not wish to renew the franchise relationship. CBL shall not unreasonably withhold its approval of such requests for renewal, provided Store Owner complies with the following conditions:

(a) Store Owner must not have: (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Store Owner and CBL or the landlord of the Premises, either at time of Store Owner's renewal request or at the time of renewal; and (ii) received three (3) or more separate, written notices of material default from CBL with respect to this Agreement in the 24-month period preceding the renewal request date or renewal date, or two (2) or more such notices in the 12-month period preceding the renewal request date or renewal date.

(b) Store Owner must execute CBL's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Store Owner is provided with CBL's then-current form of franchise agreement.

(c) Store Owner pays CBL a renewal fee equal to Twelve Thousand Five Hundred Dollars ($12,500), at least ninety (90) days prior to the expiration of the then-current term. Store Owner shall pay a renewal fee equal to Five Hundred Dollars ($500) per month if CBL permits Store Owner to operate on a month-to-month basis as a "holdover" franchisee.

(d) Store Owner and/or the Store Manager (as defined in this Agreement and as applicable) attends any training refresher course prescribed by CBL at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays CBL's then-current refresher training tuition fee for each attending trainee. Store Owner will also be responsible for all expenses incurred in connection with attending this refresher training.

(e) Store Owner executes a general release under seal, in a form satisfactory to CBL, of any and all claims it may have against CBL and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising out of or related to (a) this Agreement, or (b) any federal, state, or local law, rule, or ordinance.

(f) Store Owner must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by CBL to the satisfaction of CBL.

(g) Store Owner or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Franchised Business within the time frame required by CBL, including the design, equipment, signs, interior and exterior décor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet CBL's then-current System standards, specifications, and design criteria for a newly opened Restaurant.

3. FEES

3.1 Store Owner shall pay to CBL an initial franchise fee of Fifteen Thousand Dollars ($15,000.00) for each Store with or without food, including Kiosk and co-branded stores licensed under this Agreement. Store Owner shall pay to CBL an initial franchise fee of Seven Thousand Five Hundred Dollars ($7,500.00) for converting an existing retail coffee location to a CBL Store.

3.1.1 Upon execution of this Agreement, the full initial franchise fee will be made, receipt of which is hereby acknowledged by CBL.

3.1.2 Upon execution of this Agreement in conjunction with a Conversion Addendum or a Co-Branded Addendum, the full initial franchise fee provided by the Conversion Addendum or Co-Branded Addendum, as the case may be, will be made, receipt of which is hereby acknowledged by CBL.

3.1.3 Each payment shall be fully earned and non-refundable when paid, in consideration of the administrative and other expenses incurred by CBL in entering into this Agreement, and for CBL's lost or deferred opportunity to enter into this Agreement with others.

3.2 During the term of this Agreement, Store Owner shall pay to CBL a continuing monthly royalty fee in an amount equal to four percent (4%) of the Net Sales for the Store. "Net Sales" shall mean revenue from the sale of all products and services, and all other income or consideration of every kind and nature, received by the Store, whether for cash or credit, and regardless of collection in the case of credit, less: (i) any sales taxes or other taxes collected by Store Owner from its customers and thereafter paid directly to the appropriate taxing authority; and (ii) any customer refunds. The royalty payment is not refundable. If Store Owner fails to maintain proper sales records or report Net Sales to CBL, CBL has the right to estimate Net Sales and invoice Store Owner for such amounts.

3.3 Store Owner shall make monthly contributions to brand building, advertising and promotion as specified in Section 9.1 hereof.

3.4 All payments made pursuant to Sections 3.2 and 3.3 shall be made on or before the 10th day of the month based on the previous month's Net Sales. If the 10th day falls on a Saturday or Sunday the fees will be due the Monday immediately following. Any royalty payment or brand building contributions not made on or before the due date shall be deemed to be overdue; in such event, Store Owner shall pay CBL, in addition to the overdue amount, interest on such amount from the date it was due until paid, at eighteen percent (18%) per annum or the maximum rate permitted by law, whichever is less, calculated on a daily basis. Entitlement to such interest shall be in addition to any other remedies CBL may have. You are required to make any payments required in this Section 3 directly to CBL or to a bank account specified by CBL, by electronic fund transfer ("EFT"), pre-authorized auto-draft arrangement, or other such means as CBL may specify from time to time in writing. Store Owner shall furnish CBL, CBL's bank, and any other recipients of payment with such information and authorizations as may be necessary to permit such persons to make withdrawals by electronic fund transfer ("EFT") or auto-draft arrangement. Store Owner shall bear all expenses, if any, associated with such authorizations and payments.

4. DUTIES OF CBL

4.1 CBL shall offer such assistance to Store Owner, as CBL deems reasonable and necessary, in selecting a site for the Approved Location, and in assisting the Store Owner and their counsel in negotiating an acceptable lease agreement for the Store premises to the extent CBL deems appropriate, provided however, that Store Owner shall remain solely responsible for selection of the site for the Approved Location, the negotiation of the lease and all development relating to the Store. Store Owner acknowledges and agrees that CBL's approval of a site for Store Owner's Store or any assistance relating to the lease for the Store is not a representation by CBL, and shall not be construed as, a guarantee or assurance that the Store will be profitable or successful or that the terms of the lease are beneficial or appropriate. Unless otherwise more specifically described elsewhere herein, we will approve or disapprove your site for an Approved Location, you lease or matter relating to site development within sixty (60) days of its submission to us in writing.

4.2 CBL shall loan (or provide online access) to Store Owner a single copy of CBL's Operating Manual (which, at CBL's sole discretion, may be in a written or electronic format or a combination thereof) for the duration of this Agreement, as well as such other manuals as CBL may develop and issue, all of which are collectively referred to as the **"Manual."**

4.3 CBL shall offer such guidance to Store Owner and/or Store Owner's architect, contractor, and/or designer, as CBL deems reasonable and necessary, relating to the design and/or construction of Store Owner's Store. CBL will make available, at no charge to Store Owner, a design development set of drawings with the basic specifications, equipment and architectural layout and partial elevations for the development of the construction drawings for the Store. Store owner agrees to provide CBL with an accurate lease outline drawing for review.

4.4 CBL shall offer "Operations Training", which shall consist of both classroom and in store training to Store Owner covering basic Store operations and management. Such training, depending on concept, shall consist of a maximum of twenty (20) calendar days, at CBL's discretion.

4.5 CBL shall offer an "On Site Training" ("OST") program to Store Owner and to those employees selected by Store Owner who will be involved in the daily operation of the Store. Such training, depending upon concept, shall consist of a maximum of seven (7) calendar days, at CBL's discretion, of on-site assistance at the Store Owner's Store immediately prior and subsequent to the commencement of business. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program or other programs via the internet, webinar, or other learning management system that allows us to track, test, and monitor your progress.

4.6 CBL shall provide with an initial kit of advertising and marketing materials the Store Owner can use in connection with the grand opening of the Store (the "Initial Launch Marketing Materials Kit"), subject to Store Owner's payment for such kit at the time a lease is signed in connection with the Store as described more fully in this Agreement. CBL may otherwise provide assistance to Store Owner in connection with promoting the opening of the Store, as CBL deems appropriate in its discretion.

4.7 CBL shall furnish to Store Owner, prior to the opening of the Store, our specifications for personalized forms, business cards, marketing materials and CBL logo apparel, which CBL may require Store Owner to purchase from a designated or approved supplier.

4.8 CBL shall provide such initial and continuing advice and assistance to Store Owner in the operation and promotion of the Store as CBL deems appropriate in its discretion.

4.9 CBL shall offer, at its discretion, a follow-up training visit by a CBL representative within the first year of operation following the opening of the Store. Such training shall consist of a minimum of one to one half (1-1/2) calendar days and a maximum of two (2) calendar days and shall be on-site at the Store Owner's Store.

4.10 CBL shall conduct, when and as frequently as it deems advisable, inspections of Store Owner's business premises and evaluations of the Store's management and operations, either by our operations team or secret shopper visits, in order to assist Store Owner and to maintain the System's standards of quality, appearance, and service.

4.11 During the term of this Agreement, CBL may require Store Owner and its manager (if any) to attend: (i) up to seven (7) days of refresher/additional training in a given year ("Additional Training"); and (ii) up to seven (7) days of remedial training that CBL has the right to require Store Owner to attend and complete if Store Owner is not operating the Store in compliance with this Agreement or the Manual as part of Store Owner's cure of said default ("Remedial Training"). CBL will not charge Store Owner its then-current training fee (the "Training Fee") in connection with any Additional Training that CBL requires, but CBL reserves the right to charge the Training Fee in connection with any (1) Additional Training that Store Owner requests, or (2) Remedial Training. Store

Owner will be responsible for all costs and expenses that it and its trainees incur in connection with attending any Additional Training or Remedial Training.

4.12 Store Owner acknowledges and agrees that any duty or obligation imposed on CBL by this Agreement may be performed by any designee of CBL, as CBL may direct.

5. DUTIES OF STORE OWNER

5.1 Store Owner understands and acknowledges that every detail of the System and the Store is essential to Store Owner, CBL, and other System franchisees in order to: (i) develop and maintain quality operating standards; (ii) increase the demand for the products and services sold by all franchisees operating under the System; and (iii) protect CBL's reputation and goodwill. Store Owner shall maintain CBL's high standards with respect to facilities, services, products, and operations, and Store Owner shall use only those suppliers designated by CBL.

5.2 Store Owner shall use and occupy the Store premises solely for the operation of the business franchised hereunder and unless otherwise approved in writing by CBL, shall refrain from using or permitting the use of the premises for any other purpose or activity, and shall keep the Store open and in normal operation for at least such minimum hours and days as CBL may specify in the Manual or otherwise in writing, and as may be required by the lease for the Store premises.

5.3 To ensure that the highest degree of quality and service is maintained, Store Owner shall operate the Store in strict conformity with such methods, standards, and specifications as CBL may from time to time prescribe in the Manual or otherwise in writing. Store Owner shall refrain from: (a) deviating from such standards, specifications, and procedures without CBL's prior written consent; and (b) otherwise operating in any manner which reflects adversely on CBL's Proprietary Marks or the System. From time to time CBL may change: the Coffee Beanery system and the Marks: the composition, nature and content of Coffee Beanery programs: and, add or delete Coffee Beanery Programs: and when we do, you must promptly conform the Business to the revised requirements, at your cost. You will accept, use and effectuate any such modifications to, or substitution of, the Coffee Beanery System as if they were part of the Coffee Beanery system at the time that this Agreement was executed.

5.3.1 Store Owner shall purchase and install, at Store Owner's expense, and shall maintain in sufficient supply and use at all times, only such fixtures, furnishings, equipment, signs, and supplies which conform to CBL's standards and specifications and only from such approved suppliers as set forth in the Manual or otherwise in writing and shall refrain from using non-conforming items. Store Owner acknowledges and agrees that the fixtures, furnishings, equipment, signs and supplies may vary depending upon whether Store Owner decides to offer food service and, if so, the menu items in such food service.

5.3.2 Store Owner shall sell or offer for sale only such products as have been expressly approved for sale by CBL in the Manual or otherwise in writing, shall discontinue selling any products which CBL may, in its sole discretion, determine may adversely affect the System; and shall refrain from offering any unapproved products. Store Owner shall comply with System standards relating to the offering of bakery and similar food items. Store Owner shall have the right to determine whether to offer extended food service at the Store however Store Owner will be limited to items on CBL's standard menus. Store Owner agrees that if Store Owner decides to offer extended food service, CBL may condition its approval of Store Owner's food service upon Store Owner meeting all the then current requirements for food service format, including the requirement to obtain certain equipment and to comply with CBL's then current standards and specifications for the menu selected.

5.3.3 Store Owner acknowledges and agrees that CBL may, from time to time in its sole discretion, revise the Manual to incorporate System changes. Store Owner shall implement any System changes upon receipt of notice thereof from CBL, and shall complete their implementation within such time as CBL may reasonably specify.

5.3.4 The System may include standards relating to safety, maintenance, cleanliness, sanitation, function, hours and days of operation, appearance, CBL's logo, uniforms, employee appearance and cleanliness, Product shelf life and portion control, customer relations procedures, marketing and promotion (including gift card, loyalty program and similar promotions), forms, use of the Marks, signage, lighting, internet connections, background music and other site amenities, displays, complaint handling, and many other matters.

5.4 Store Owner must purchase: (i) all furniture, fixtures, equipment (including all computer/POS hardware and software), signage, inventory, supplies and certain services (including music licensing, accounting software, gift loyalty programs and technology services) that CBL designated for use or sale in connection with the Store solely; and (ii) if applicable, purchase such items from suppliers (a) designated by CBL, or (b) subject to Section 5.4.3 below, manufacturers, wholesalers and distributors) who demonstrate, to CBL's continuing reasonable and written satisfaction, the ability to meet CBL's reasonable standards and specifications for such items; who possess adequate quality controls and capacity to supply Store Owner's needs promptly and reliably; whose approval would enable the System, in CBL's sole opinion, to take advantage of marketplace efficiencies; and who have been approved by CBL in the Manual or otherwise in writing and not thereafter disapproved. CBL may, when appropriate, negotiate purchase arrangements or purchasing cooperatives, including price terms, with designated and approved suppliers on behalf of the System, which Store Owner must comply with.

5.4.1 Store Owner shall maintain a balanced inventory of approved products specified by CBL in its Stores in quantities sufficient to satisfy customer needs. The inventory shall at all times be equal to or greater than the minimum inventory level set forth in the Manual or otherwise in writing. CBL may also require that Stores stock new and additional products in such minimum quantities as CBL may determine to be desirable.

5.4.2 In order to maintain consistency of product, quality, taste and identity of Products, CBL will be the only approved source for coffee, coffee related products and certain CBL logo Products, except for such Products specifically designated in writing by CBL. CBL will use its best efforts to provide quality Products at competitive prices. The inventory of Stores shall always contain a representative number of each of the Products, which shall be given prominent display.

5.4.3 If Store Owner desires to make purchases from a supplier other than an approved supplier, Store Owner shall submit to CBL a written request to approve the proposed supplier, together with such evidence of conformity with CBL's specifications as CBL may reasonably require. CBL does not charge a fee for its review of a proposed supplier, however, Store Owner must reimburse CBL for the costs it incurs in processing the request and testing the item. CBL will notify Store Owner in writing within thirty (30) days after it receives all necessary information and/or completes CBL's inspection or testing to advise Store Owner if CBL approves or disapproves the proposed item and/or supplier. CBL may revoke its approval at any time if CBL determines, in its sole discretion, that the supplier no longer meets CBL's standards. Upon receipt of written notice of such revocation, Store Owner shall cease purchasing from any disapproved supplier and selling such supplier's disapproved products or services. CBL has the right to designate one approved supplier for any number of items Store Owner must purchase in connection with the Store.

5.5 Store Owner shall maintain the Store premises (including adjacent public areas) in a clean, orderly condition and in excellent repair; and, at its expense, perform any required maintenance or repairs, as CBL may reasonably direct by written notice to Store Owner, in a timely manner. Store Owner agrees to maintain the Store premises consistent with the current System standards. No alcohol, drugs, or pets shall at any time be permitted on the Store premises, and the premises shall not be used for child care, babysitting, or similar activities.

5.6 Store Owner shall grant CBL and its agents the right to enter upon the Store premises during normal business hours for the purpose of conducting inspections; shall cooperate with CBL's representatives in such inspections by rendering such assistance as they may reasonably request; and, upon written notice from CBL or its agents and without limiting CBL's other rights hereunder, shall promptly correct any deficiencies discovered during any such inspection.

5.7 Prior to the opening of the Store, Store Owner (or, if Store Owner is a corporation or partnership, a principal of Store Owner acceptable to CBL) and/or Store Owner's designated store manager, shall attend and complete to CBL's satisfaction, its required training programs. Approximately thirty (30) to sixty (60) days prior to the date Store is scheduled to open, Store Owner must attend "Operations Training", which shall consist of both classroom and in store training covering business basics, customer service and store operations. Such training, depending on concept, shall consist of a maximum of twenty (20) calendar days, at CBL's discretion. Store Owner shall also attend and fully participate in CBL's "On Site Training" provided to Store Owner and those employees selected by Store Owner who will be involved in the daily operation of the Store. Such training, depending upon concept, shall consist of a maximum of seven (7) calendar days, at CBL's discretion, of on-site assistance at the Store Owner's Store immediately prior and subsequent to the commencement of business. If, at any time during the term of this Agreement, we are unable to complete the on-site training due to your lack of preparation or if Store Owner wishes CBL to train additional employees (with CBL's prior consent), Store Owner shall pay CBL our then-current Training Fee plus reasonable reimbursement for the trainer's cost of transportation, meals, and lodging. If CBL determines that Store Owner's Stores are not performing to their potential given its market conditions, Store Owner agrees to attend refresher training for such term and at such times and locations as CBL determines. Store Owner shall also complete to CBL's satisfaction the follow-up training visit. CBL shall provide the instructor, training and other materials for the follow-up training visit without charge. Except as specifically provided by this Agreement, Store Owner shall be responsible for any and all other expenses incurred during training.

5.7.1 Each Store must employ at all times, a manager (who can be the Store Owner) who has satisfactorily completed CBL's training program, been certified and who is dedicated to that Store and who works at that Store on substantially a full-time basis. Each person may be the designated manager for one Store only.

5.7.2 Store Owner and, if CBL designates, the Store's primary manager must attend all required Additional Training and Remedial Training, unless CBL agrees otherwise in writing.

5.7.3 Store Owner, or another person that successfully completes CBL's Operations Training will be required to train all other personnel that works at the Store.

5.7.4 If Store Owner or other trainee Store Owner designates fails to complete the Operations Training program to CBL's satisfaction, Store Owner will be in default of this Agreement and as part of the Remedial Training, that person may re-attend or Store Owner may send a replacement to our next available Operations Training program session, provided there is availability. CBL may charge our then-current Training Fee for these individuals to re-attend the Operations Training program as well. In any event, Store Owner is solely responsible for all expenses incurred related to Store Owner's and its employee's attendance at our Operations Training program, including transportation to and from the training site, lodging, meals and employee wages.

5.8 Store Owner shall maintain a competent, conscientious, and trained staff, and shall take such steps as are necessary to ensure that its employees preserve good customer relations; render competent, prompt, courteous, and knowledgeable service; and meet such minimum standards as CBL may establish from time to time in the Manual or otherwise in writing. Store Owner shall be solely responsible for all employment decisions of the Store, including, without limitation, those related to hiring, firing, training, wage and hour requirements, recordkeeping, supervision, and discipline of employees.

5.9 Store Owner shall attend CBL's national convention and/or regional training events, as well as such Additional Training, Remedial Training, and all other programs, seminars, and workshops as CBL may reasonably require from time to time and at any time. Additionally, the Store Owner will be required to pay CBL's then-current convention contribution fee (the "Convention Contribution") for CBL's annual national convention or regional event fee to cover the attendance of Store Owner and one additional attendee. If Store Owner wishes to send additional attendees, Store Owner must pay an additional Convention Contribution for each additional attendee. Store Owner shall be responsible for any and all other expenses incurred in connection with attending the national convention, including the costs of transportation, lodging, and meals.

5.10 Store Owner shall comply with all terms of its lease and shall refrain from any activity which may jeopardize Store Owner's right to remain in possession of the Store premises. Store Owner shall, prior to the execution of any lease, submit it to CBL for its written approval. CBL's approval may be conditioned upon the inclusion of any one or more of the following terms and conditions:

5.10.1 That the initial term of the lease, or the initial term together with renewal terms, shall be for at least fifteen (15) years;

5.10.2 That the lessor consents to Store Owner's use of such Proprietary Marks and signage as CBL may now or hereinafter prescribe for the Store and sign a permission to use logo contract with the marketing department;

5.10.3 That the use of the leased premises be restricted solely to the operation of the Store;

5.10.4 Except as otherwise approved in writing by CBL, that Store Owner be prohibited from subleasing or assigning all or any part of its occupancy rights or extending the term of or renewing the lease without CBL's prior written consent;

5.10.5 That the lessor provide to CBL copies of any and all notices of default given to Store Owner under the lease;

5.10.6 That CBL have the right to enter the premises to make reasonable modifications necessary to protect the Proprietary Marks or the System or to cure any default under the Agreement or under the lease; and

5.10.7 The execution of the Collateral Assignment of Lease by Store Owner and the landlord, which is attached to this Agreement as Attachment F.

5.10.8 CBL will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within sixty (60) days of the date Store Owner provides CBL with all requested materials. CBL's approval only means that the site meets its minimum requirements for a Store and does not guarantee any type of success at the location.

5.11 Store Owner shall furnish CBL with a copy of any executed lease within ten (10) days after execution thereof.

5.12 Store Owner shall furnish to CBL, within three (3) days after receipt thereof, a copy of any notice alleging Store Owner's failure to comply with any law, ordinance, or regulation.

5.13 Store Owner shall actively and continuously engage in local promotional activities designed to increase the Store's Net Sales. CBL shall have the right to specify, in the Manual or otherwise in writing, a minimum amount of monthly time as well as the types of promotional activities required to satisfy this obligation. This activity shall include the participation in corporate wide promotions for example: free regular coffee on Teacher Appreciation Day, Veterans Day, or any other activity as outlined in the operations manual designed to increase sales and or assume an active roll in the community.

5.14 Store Owner shall have the right to offer its goods and services at any prices Store Owner determines. CBL will provide target prices which may be charged based on an analysis of the market and to facilitate advertising and competitive strategies.

5.15 CBL may from time to time, conduct market research and testing to determine consumer trends and brand perceptions of new or modified Coffee Beanery products and programs. Store Owner agrees to cooperate with us in any such market research programs or test marketing of new or modified programs.

5.16 Store Owner will respond to complaints and requests for refunds from customers in a manner which will not detract from the reputation or goodwill associated with the Coffee Beanery as set forth in the Coffee Beanery training program.

6. CONSTRUCTION OF LEASEHOLD IMPROVEMENTS

6.1 Store Owner shall, at its expense, construct all leasehold improvements to the Store premises in conformance with specifications furnished by CBL pursuant to Section 4.3 of this Agreement.

6.2 Store Owner shall be responsible for obtaining all zoning classifications and clearances, permits, licenses, regulations, and certifications required for the lawful operation of the Store, (including, without limitation, all government regulations relating to occupational hazards and health, trademark and copyright infringement, fair marketing laws, consumer protection, trade regulation, workers' compensation, unemployment insurance, withholding and payment of Federal and State income taxes and social security taxes and sales, use and property taxes, and the applicable provisions of the Americans with Disabilities Act ("ADA") regarding the construction, design and operation of the Store) and shall certify in writing to CBL that all such items have been obtained.

6.3 Store Owner shall employ a licensed architect or engineer, with previous experience in venues and construction similar to CBL stores, to prepare final plans and specifications for constructing the leasehold improvements based upon the rough plans furnished by CBL. Store Owner's architect and engineers shall coordinate all field inspections and verifications and create existing condition drawings from which CBL's consulting team will assist with the design. Store Owner's architect shall complete construction drawings from the suggested design as they relate to local code and engineering requirements, obtain permits, and coordinate with CBL. Store Owner shall not deviate from any approved plans and specifications without CBL's prior written approval.

6.4 Unless the requirement is waived by CBL in writing, Store Owner shall obtain bids for construction from not less than three (3) licensed general contractors experienced in the type of construction required to complete the Store. Store Owner shall submit such final plans, bids and contracts to CBL and shall not proceed with construction until CBL's written approval has been received, shall employ a qualified, licensed general contractor to perform all construction, installation and coordination with outside vendors, and Store Owner shall provide to CBL such periodic progress reports as CBL may require. During construction, CBL shall have the right to inspect the premises at all reasonable times for the purpose of ascertaining that all work complies with the final plans approved by CBL, and Store Owner shall cooperate and cause its employees and agents to cooperate fully with CBL's inspections.

6.5 Construction shall commence promptly, after CBL's written approval of Store Owner's final plans is received, and continue uninterrupted until all necessary work is completed in accordance with the approved plans. Within thirty (30) days after completion of the Store, Store Owner shall provide CBL with a complete and accurate accounting of the full cost incurred by Store Owner in development of the Store along with copies of documents evidencing a full and complete release of all construction, material and or mechanics liens arising from development of the Store. Store Owner shall not open the Store for business without the written authorization of CBL, which authorization may be conditioned upon Store Owner's strict compliance with the specifications of the approved final plans and System standards and completion of any pre-opening training required by CBL.

6.6 CBL and Store Owner agree that time is of the essence in connection with the construction and opening of the Store. Store Owner shall (a) obtain the location of the Store no later than six (6) months after the execution of this Agreement, and (b) open the Store to the public no later than one hundred and twenty (120) days from the date that it obtains possession of the Store premises unless otherwise approved in writing by CBL.

6.7 Store Owner shall procure, prior to the commencement of any construction, and shall maintain in full force and effect at all times during any construction, at Store Owner's expense, an insurance policy or policies protecting Store Owner, CBL and its affiliates, and their respective shareholders, directors, employees and agents, against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring upon or in connection with the construction of the Store. Such policy or policies shall be written by a responsible insurer or insurers acceptable to CBL, and shall comply with the requirements set forth in Section 10 of this Agreement. Such policy or policies must be sent to CBL prior to commencement of any construction.

7. PROPRIETARY MARKS

7.1 With respect to Store Owner's use of the Proprietary Marks, Store Owner agrees that:

7.1.1 Store Owner shall use only the Proprietary Marks designated by CBL, and shall use them only in the manner authorized and permitted by CBL;

7.1.2 Store Owner shall use the Proprietary Marks only for the operation of the Store, and only at the Approved Location or in CBL-approved advertising for the Store;

7.1.3 Unless otherwise authorized or required by CBL, Store Owner shall operate and advertise the Store only under the name "Coffee Beanery" without prefix or suffix;

7.1.4 Store Owner shall identify itself as an independent franchisee-owner of the Store in conjunction with any use of the Proprietary Marks or the operation of the Store, and shall place a written notice to such effect, in a form approved by CBL, in a conspicuous location on the Store premises;

7.1.5 Store Owner'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;

7.1.6 Store Owner shall not use the Proprietary Marks to incur any obligation or indebtedness on behalf of CBL;

7.1 .7 Store Owner shall execute any documents deemed necessary by CBL or its affiliates to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability;

7.1.8 Store Owner shall promptly notify CBL of any suspected unauthorized use of, or any challenge to the validity or use of, the Proprietary Marks. Store Owner acknowledges that CBL (or the owner of the Proprietary Marks) shall have the sole right to direct and control any administrative proceeding or litigation involving the Proprietary Marks, including any settlement thereof. CBL shall have the right, but not the obligation, to take action against uses by others that may constitute infringement of the Proprietary Marks. CBL (or the owner of the Proprietary Marks) shall defend Store Owner against any third-party claim, suit, or demand arising out of Store Owner's use of the Proprietary Marks. If CBL, in its sole discretion, determines that Store Owner has used the Proprietary Marks in accordance with this Agreement, the cost of such defense, including the cost of any judgment or settlement, may be borne by CBL. If CBL, in its sole discretion, determines that Store Owner 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 Store Owner. In the event of any litigation relating to Store Owner's use of the Proprietary Marks, Store Owner shall execute any and all documents and do such acts as may, in the opinion of CBL, be necessary to carry out such defense or prosecution including, but not limited to, becoming a nominal party to any legal action; and

7.1.9 Store Owner shall not use the Proprietary Marks as part of its corporate or other legal name.

7.2 Store Owner expressly understands and acknowledges that:

7.2.1 The Proprietary Marks are valid and serve to identify the System and those who are franchised under the System;

7.2.2 During the term of this Agreement and after its expiration or termination, Store Owner shall not directly or indirectly contest the validity or ownership of the Proprietary Marks, nor take any other action which may tend to jeopardize CBL's interest therein, or CBL's right to use and to license others to use, the Proprietary Marks;

7.2.3 Store Owner's use of the Proprietary Marks does not give Store Owner any ownership interest or other interest in or to the Proprietary Marks, other than the license granted by this Agreement. Neither Store Owner nor its principals shall directly or indirectly challenge CBL's rights to the Proprietary Marks at any time;

7.2.4 Any and all goodwill arising from Store Owner's use of the Proprietary Marks shall inure solely and exclusively to the benefit of CBL and its affiliates and, upon expiration or termination of this Agreement, no monetary amount shall be assigned as attributable to any goodwill associated with Store Owner's use of the System or the Proprietary Marks;

7.2.5 CBL and its affiliates shall have and retain the rights, among others: (a) to use the Proprietary Marks themselves in connection with selling products and services; (b) to grant other licenses for the Proprietary Marks, in addition to those licenses already granted to existing franchisees; and (c) to develop and establish other systems using the Proprietary Marks, similar proprietary marks, or any other proprietary marks, and to grant licenses or franchises thereto without providing any rights therein to Store Owner; and

7.2.6 CBL reserves the right to substitute different proprietary marks for use in identifying the System and the businesses operating thereunder if the Proprietary Marks no longer can be used, or if CBL, in its sole discretion, determines that substitution of different proprietary marks will be beneficial to the System. In such circumstances, the use of the substituted proprietary marks shall be governed by the terms of this Agreement, and CBL shall not compensate Store Owner for such substitution and shall bear only the costs of modifying Store Owner's signs and advertising materials to conform to CBL's new proprietary marks. Store Owner shall implement promptly any such substitution.

8. CONFIDENTIAL MANUALS AND INFORMATION

8.1 In order to protect the reputation and goodwill of CBL and to maintain high standards of operation under the Proprietary Marks and the System, Store Owner shall conduct its business in accordance with the Manual. Store Owner shall treat the Manual, and the information contained therein, as confidential, and shall use all reasonable efforts to maintain such information as secret and confidential. Store Owner shall not at any time copy, duplicate, record, or otherwise reproduce the foregoing materials, in whole or in part, nor otherwise make the same available to any unauthorized person. The Manual shall at all times remain the sole property of CBL.

8.2 Store Owner shall insure that its Manual is kept current; and in the event of any dispute as to the contents of the Manual, the terms of the master copy of the Manual maintained by CBL shall be controlling.

8.3 Store Owner shall not, during or after the term hereof, communicate, divulge, or use for the benefit of any other person, persons, partnership, association, or corporation, any confidential information, knowledge, or know-how concerning the methods of operation of the Store which may be communicated to Store Owner or of which Store Owner may be apprised by virtue of Store Owner's operation hereunder. Store Owner shall divulge such confidential information only to those employees who must have access to it in order to perform their employment responsibilities. Any and all information, knowledge, know-how, and techniques which CBL designates as confidential shall be deemed confidential for purposes hereof unless and until Store Owner shall demonstrate that the information has become public knowledge.

8.4 Store Owner acknowledges that any failure to comply with the requirements of this Section 8 will cause CBL irreparable injury for which no adequate remedy at law may be available, and Store Owner agrees that CBL may seek, and Store Owner agrees to pay, all court costs and reasonable attorneys' fees incurred by CBL in obtaining, without posting a bond, an *ex parte* order for injunctive or other legal or equitable relief with respect to the requirements of this Section 8.

8.5 Store Owner shall require anyone who may have access to confidential information to execute covenants that they shall maintain the confidentiality of information they receive in connection with their association with Store Owner. Such covenants shall be in a form satisfactory to CBL including, without limitation, specific identification of CBL as a third party beneficiary of such covenants with the independent right to enforce them.

8.6 If Store Owner, its employees, or principals develop any new concept, process or improvement in the operation or promotion of the Store, Store Owner will promptly notify CBL and provide CBL with all necessary related information, without compensation. Any new concept, process or improvement will become CBL's sole property and CBL will be the sole owner of all patents, patent applications, trademarks, copyrights and other intellectual property rights related to such new concepts. Store Owner and its principals will assign to CBL any rights Store Owner may have or acquire in new concepts Store Owner or its employees develop, including the right to modify such concept, process or improvement, and otherwise will waive and/or release all rights of restraint and moral rights to any new concepts Store Owner or its employees develop. Store Owner and its principals agree to assist CBL in obtaining and enforcing the intellectual property rights to any such concept, process or improvement in any and all countries and further agree to execute and provide CBL with all necessary documentation for obtaining and enforcing such rights. Store Owner and its principals will irrevocably designate and appoint CBL as Store Owner's agent and attorney-in-fact to execute and file any such documentation and to do all other lawful acts to further the prosecution and issuance of patents or other intellectual property rights related to any such concept, process or improvement. In the event that this Section of this Agreement is found to be invalid or otherwise unenforceable, Store Owner and its principals will grant to CBL a worldwide, perpetual, non-exclusive, fully-paid license to use and sublicense the use of the concept, process or improvement to the extent such use or sublicense would, absent this Agreement, directly or indirectly infringe on your rights to the new concepts.

9. BRAND BUILDING

Recognizing the value of brand building (including advertising and promotion), and the importance of the standardization of brand building, advertising and promotional programs to the furtherance of the goodwill and public image of the System, the parties agree as follows:

9.1 Store Owner shall contribute, each month, the greater of: (i) $100.00 per week; or (ii) an amount specified by us not to exceed two percent (2%) of Net Sales to the System-wide fund described in Section 9.3 hereof ("Brand Building Fund" or the "Fund").

9.2 CBL shall have the right to maintain and administer the Brand Building Fund, in its sole discretion. The following provisions shall apply to the Fund:

9.2.1 The Brand Building Fund, all contributions thereto, and any earnings thereon, shall be used exclusively to meet any and all costs of maintaining, administering, directing, conducting, and developing the preparation of advertising, marketing, public relations, and/or promotional programs and materials, and any other activities which CBL believes will benefit the System, including, among other things, the costs of preparing and conducting Brand Building campaigns in various media; preparation of direct mail advertising; market research; employing advertising and/or public relations agencies to assist therein; purchasing promotional items; administering gift card/loyalty programs or promotions; conducting and administering in-store promotions; providing promotional and other marketing materials and services to the businesses operating under the System; and point-of-purchase materials. The Brand Building Fund is not a trust fund, and CBL shall not have any fiduciary duty to Store Owner with regard to the Brand Building Fund's administration, activities, or expenditures;

9.2.2 CBL shall direct all brand building, advertising and promotional programs, with sole discretion over the creative concepts, materials, and media used in such programs, and the placement and allocation thereof. Store Owner agrees and acknowledges that among the Brand Building Fund's objectives is to maximize general public recognition and acceptance of the Proprietary Marks for the benefit of the System; and that CBL is not obligated, in administering the Brand Building Fund, to make expenditures for Store Owner which are equivalent or proportionate to Store Owner's contribution, or to ensure that any particular franchisee benefits directly or *pro rata* from the advertising or promotion conducted under the Brand Building Fund;

9.2.3 All contributions to the Brand Building Fund, shall be made by Store Owner in conformance with Section 3.4 of this Agreement. All sums paid to the Brand Building Fund shall be separately accounted for from the other monies of CBL and shall not be used to defray any expenses of CBL, except for such reasonable costs and overhead, if any, as may be incurred in activities reasonably related to the administration or direction of the advertising programs and Brand Building Fund, including, among other things, costs of personnel and/or agency for creating and implementing advertising, promotional, and marketing programs. The Brand Building Fund and any earnings thereon shall not otherwise inure to the benefit of CBL. CBL shall maintain separate bookkeeping accounts for the Brand Building Fund; and

9.2.4 A summary of the operations of the Brand Building Fund as shown on the books of the Fund shall be prepared annually by CBL and furnished upon request to each Store Owner.

9.2.5 Store Owner agrees and acknowledges that CBL may refund a certain portion of any given COFFEE BEANERY franchisee's contributions to the Brand Building Fund to reimburse that same franchisee for its documented local advertising expenditures that are administered in accordance with our System standards, in accordance with the process and at CBL's discretion as set forth in the Manuals.

9.3 CBL reserves the right to require Store Owner to participate in local and regional advertising cooperatives in connection with the advertising and promotional programs administered by CBL or by other franchisees of the System or in the event no such cooperative has been established, to require Store Owner to conduct local advertising for the Store. In addition to the brand building contribution payable by you under Section 9.1, Store Owner agrees to pay any contributions that CBL requires Store Owner to make for expenditures by these local or regional cooperatives or that may be otherwise approved by these cooperatives or for local advertising if no cooperative exists. If a cooperative exists and sixty-five percent (65%) or more of the CBL Stores voting agree to contribute or are contractually obligated to contribute a specified percentage of Net Sales to the cooperative, then CBL can require Store Owner to make the same contribution to the cooperative, although CBL can require Store Owner to contribute no less than two percent (2%) of the Net Sales of the Store to the cooperative notwithstanding the amount specified by the cooperative. All Stores which are contractually obligated to contribute the specified percentage of royalty sales voted upon by the cooperative shall be counted as a favorable vote, whether or not they attend or vote at the meeting. If there is no advertising cooperative or if the local Stores have not agreed upon a percentage of Net Sales to be contributed to the cooperative, Store Owner must expend or contribute to the cooperative an amount we specify up to and including two percent (2%) of sales. We agree that the maximum aggregate amount we can obligate you to contribute for advertising and promotion under this Section 9.3 will be four percent (4%) of the Net Sales of your Store. All contributions payable under this Section 9.3 must be paid in a manner identical to payments to the Brand Building Fund. Nothing contained in this Section 9.3 shall limit, affect or supersede any obligation on your part to contribute a greater percentage of the Net Sales of the Store pursuant to any separate agreement or understanding Store Owner may have with any such local or regional advertising or promotional cooperative. CBL reserves the right to engage the services of an advertising source or sources to formulate, develop, produce and conduct the advertising and promotion programs for the cooperatives or for local advertising if no cooperatives exists with the cost of these services payable from the cooperative advertising budget or contributions made by Store Owner in accordance with this provision.

All local advertising and promotion by Store Owner, shall be conducted in a dignified manner, conform to such standards as CBL shall establish in writing, and not be used without CBL's prior approval. Store Owner shall submit to CBL (in the manner prescribed in Section 20) samples of all advertising and promotional plans and materials that have not been approved during the twelve (12) months prior to the date of Store Owner's proposed use, and may commence use of such plans or materials seven (7) days after CBL's receipt unless, prior thereto, CBL shall have furnished written notice to Store Owner prohibiting such use. CBL also shall have the right at any time after Store Owner commences use of such material to prohibit further use, effective immediately upon receipt of written notice by Store Owner. Store Owner is not permitted to establish an independent computer website including Internet and World Wide Web home pages. Store Owner will however, be provided the opportunity to establish a link on CBL's the home web site, to its independent home page. Such independent home page must first be approved by CBL prior to link being provided. Franchisees are encouraged to participate in social networking to promote a positive brand image for CBL and notify CBL of any and all social networking accounts in which they participate.

9.4 Store owner will be required to have a Facebook page, Twitter account or any other social media account for your store which will be set up for you in training and must be formatted to follow our standards. An account representing a Coffee Beanery store must be used only for business purposes and is subject to our standards and requirements relating to use, including our requirement that Coffee Beanery must have access to your social media accounts as an administrator. If you close your store you must transfer to CBL any Facebook, Twitter or other social media accounts that are associated with the store. Coffee Beanery will have the Password and full access to social media accounts at all times for customer service and brand protection.

9.5 Store Owner shall conduct a local advertising and grand opening promotion program within the two (2) month period before and the six (6) month period following the opening of the Store for business. Upon lease execution, Store Owner shall pay CBL the sum of $3,500 for certain initial the Initial Launch Marketing Materials Kit previously described in this Agreement, and Store Owner must only use the foregoing materials (as well as any other materials that CBL approves) in connection with its grand opening advertising campaign.

9.6 Store Owner shall fully participate in all multi-area marketing programs, and the introduction of new Products. Store Owner agrees that for promotional programs required by CBL, CBL or the designated program provider may, without request from Store Owner, ship any materials associated with the promotion to Store Owner and Store Owner agrees to pay all charges associated with materials and their shipment.

10. INSURANCE

10.1 Store Owner shall procure, prior to the opening of the Store, and shall maintain in full force and effect at all times during the term of this Agreement, at Store Owner's expense, an insurance policy or policies protecting Store Owner, CBL and its affiliates, and their respective shareholders, directors, employees, and agents against any demand or claim with respect to personal and bodily injury, death, or property damage, or any loss, liability, or expense whatsoever arising or occurring at or in connection with the Store. Such policy or policies shall: (i) be written by insurer(s) acceptable to CBL; (ii) name CBL and its shareholders, directors, employees, and agents, as additional insureds; (iii) comply with the requirements prescribed by CBL at the time such policies are obtained; (iv) provide at least the types and minimum amounts of coverage specified in the Manual; and (v) contain a waiver by Store Owner and its insurers of their subrogation rights against CBL and its affiliates, and their respective shareholders, directors, employees and agents.

10.2 All public liability and property damage policies shall contain a provision that CBL, although named as an additional insured, shall nevertheless be entitled to recover under such policies on any loss occasioned to CBL or its shareholders, directors, employees, and agents by reason of Store Owner's negligence.

10.3 At least ten (10) days prior to the time any insurance is first required to be carried by Store Owner, and thereafter at least thirty (30) days prior to the expiration of any policy, Store Owner shall deliver to CBL 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 CBL in the event of material alteration to or cancellation or non-renewal of the coverages evidenced by such Certificates. Certificates evidencing the insurance required by this Section shall contain a waiver of subrogation and name CBL and its affiliates, and their respective shareholders, directors, employees, and agents, as additional insureds, and shall expressly provide that any interest of each shall not be affected by any breach by Store Owner of any policy provisions for which such Certificates evidence coverage.

11. COMPUTERS, RECORDS, AND REPORTING REQUIREMENTS

11.1 Store Owner, at its expense, shall purchase or lease, and thereafter maintain, such computer hardware (including laptops), point-of-sale system components, iPads, software, and firmware, required dedicated telephone and power lines, modem(s), printer(s), and other computer-related accessories or peripheral equipment as CBL specifies in the Manuals or otherwise in writing. Store Owner's computer systems must electronically exchange information, messages, and other data with our corporate computers, by such means (including but not limited to the Internet), and using such protocols (*e.g.*, TCP/IP), as CBL may reasonably prescribe in the Manual or otherwise in writing. CBL shall have the right at any time to retrieve data and information from Store Owner's computer system and use it for any purpose both during and after the term of this Agreement. Store Owner shall keep its computer system in good maintenance and repair and, at its expense, shall promptly install such additions, changes, modifications, substitutions, and/or replacements to the computer hardware, software, firmware, telephone and power lines, and other computer-related facilities, as CBL directs. Store Owner shall not update, modify, enhance, or upgrade any computer hardware or software without CBL's prior written consent. Store Owner must cover all costs associated with acquiring and maintaining all required point-of-sale and other computer system components that CBL designates, and Store Owner will be solely responsible for paying all software license and support/maintenance fees associated with the point-of-sale system and other computer hardware that CBL designates.

11.2 Store Owner shall not establish any independent website, including Internet and World Wide Web home pages, except as permitted under Section 9.4.

11.3 Store Owner shall prepare, during the term of this Agreement, and shall preserve for at least five (5) years from the dates of their preparation, complete and accurate books, records, and accounts in accordance with generally accepted accounting principles and in the form and manner prescribed by CBL from time to time in the Manual or otherwise in writing.

11.4 Store Owner shall, at its expense, provide CBL with a copy of Store Owner's financial statements showing the results of operations of the Store for each fiscal year during the term of this Agreement. The statements shall include a statement of income, balance sheet, and a statement of cash flows, accompanied by a review report, prepared by an independent accountant using generally accepted accounting principles, and shall be furnished to CBL within ninety (90) days after the end of each fiscal year of the Store.

11.5 Store Owner shall, at its expense, provide CBL, electronically or on forms and other documentation prescribed by CBL, with a weekly and monthly statement of Net Sales, and such other information regarding the operation of the Store as CBL may reasonably request, including information concerning local promotional activities required by Section 5.13. The monthly statement shall be due at the same time as Store Owner's royalty payment. Each statement shall be signed by Store Owner attesting that it is true and correct. CBL shall have administrative access to review reporting and sales.

11.6 Store Owner also shall provide to CBL, for review or auditing, such other information or forms as CBL may reasonably designate, in the manner as are reasonably designated by CBL.

11.7 CBL or its designated agents shall have the right at all reasonable times to examine and copy, at CBL's expense, the books, records, accounts, and business tax returns of Store Owner. CBL shall also have the right, at any time, to have an independent audit made of the books and records of Store Owner. If an inspection or audit reveals that any payments due to CBL have been understated in any report to CBL, then Store Owner shall immediately pay to CBL the amount understated upon demand, in addition to interest from the date such amount was due until paid, at the rate of eighteen percent per annum calculated monthly, or the maximum rate permitted by law, whichever is less. If an inspection or audit discloses an understatement in any report of three percent (3%) or more, Store Owner shall, in addition to repayment of monies owed with interest, reimburse CBL for any and all costs and expenses connected with the inspection (including, without limitation, travel, lodging and wage expenses, and reasonable accounting and legal costs). The foregoing remedies shall be in addition to any other remedies CBL may have as a result of such underreporting.

11.8 CBL may require that Store Owner's computer system be programmed to automatically transmit data and reports about the operation of the Store to CBL. Franchisor shall also have the right, at any time without notice, to electronically connect with Store Owner's computer system to monitor or retrieve data stored on the computer system or for any other purpose CBL deems necessary. There are no contractual limitations on CBL's right to access the information and data on Store Owner's computer system.

12. TRANSFER OF INTEREST

12.1 CBL shall have the right to transfer or assign all or any part of its rights or obligations under this Agreement to any person or legal entity. With respect to any assignment which results in the subsequent performance by the assignee of all of CBL's obligations under this Agreement, the assignee shall expressly assume and agree to perform such obligations, and shall become solely responsible for all obligations of CBL under this Agreement from the date of assignment. In addition, and without limitation to the foregoing, Store Owner expressly affirms and agrees that CBL may sell its assets, its Proprietary Marks, or its System; may sell its securities in a public offering or in a private placement; may permit and participate in any transfer or distribution of its securities in connection with a spin-off; may merge, acquire other corporations, or be acquired by another corporation; and may undertake a financing, recapitalization, leveraged buy-out, or other economic or financial reorganization or restructuring.

12.2 Store Owner understands and acknowledges that its rights and duties are personal and that CBL has granted this franchise in reliance on Store Owner's business skill, financial capacity, and personal character. Accordingly, neither Store Owner nor any immediate or remote successor to any part of Store Owner's interest in this Agreement, nor any individual, partnership, corporation, or other legal entity which directly or indirectly owns any interest in Store Owner shall, without the prior written consent of CBL, sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber:

(i) any direct or indirect interest in the rights granted in this Agreement; (ii) any direct or indirect ownership interest in the Store Owner entity, if Store Owner is a business entity or partnership of any kind; or (iii) all or substantially all of the assets of the Store. Any purported assignment or transfer, by operation of law or otherwise, not having the written consent of CBL required by this Section 12.2, shall be null and void and shall constitute a material breach hereof, for which CBL may then terminate without an opportunity to cure pursuant to Section 13.2.4 hereof.

12.2.1 CBL shall not unreasonably withhold its consent when required pursuant to Section 12.2 provided the following condition to consent are met:

12.2.1.1 All of the transferor's accrued monetary obligations and all other outstanding obligations to CBL and CBL's affiliates shall have been satisfied;

12.2.1.2 CBL and the transferor shall have executed a mutual general release, in a form prescribed by CBL, of any and all claims which each may have against the other and their affiliates, and their respective shareholders, directors, employees, and agents in their corporate and individual capacities;

12.2.1.3 The transferee shall sign CBL's standard form franchise agreement then being offered to new Store Owners (including the execution of personal guarantees), and transferee must pay a transfer fee to CBL amounting to $7,500;

12.2.1.4 The transferee (and, if the transferee is other than an individual, such owners of a beneficial interest in the transferee as CBL may request) shall demonstrate to CBL's satisfaction that it meets CBL's educational, managerial, and business standards; possesses a good moral character (if an individual), business reputation, and credit rating; has the aptitude and ability to operate the Store, as may be evidenced by prior related business experience or otherwise; and has adequate financial resources and liquid capital available to successfully operate the Store given the financial obligations associated with the Store;

12.2.1.5 The transferee, at its expense, shall within the time specified by CBL, upgrade the Store premises to conform to the then-current standards and specifications of the System;

12.2.1.6 At transferee's expense, the transferee and its manager shall successfully complete such training as CBL may deem necessary in order to properly operate the Store;

12.2.1.7 At CBL's option, the transferor shall reimburse CBL for its reasonable legal, accounting, management, training, and incidental expenses incurred in reviewing and approving the transfer and providing such training to the transferee as CBL deems necessary; provided, however, that no reimbursement shall be required for: (i) transfers to a corporation formed for the convenience of ownership, where the ownership of such corporation is in the same proportion as the ownership of Store Owner before such transfer; and (ii) transfers made pursuant to Section 12.3 hereof; and

12.2.1.8 Store Owner shall not be in default of any provision of this Agreement or any other agreement between the Store Owner and CBL or its affiliates.

12.2.2 Store Owner shall grant no security interest in any of the assets of the Store unless the secured party agrees that in the event of any default by Store Owner under any documents related to the security interest, CBL shall have the right and option to be substituted as obligor to the secured party and to cure any default of Store Owner, except any acceleration of indebtedness due to Store Owner's default shall be void.

12.3 Upon the death or mental incapacity of Store Owner (if an individual) or of any person with a controlling interest in Store Owner or this Agreement, the executor or administrator of the estate of such person, or the personal representative of such person, shall transfer, within six (6) months after such death or mental incapacity, such interest to a third party approved by CBL. Such transfers, including, without limitation, transfers by devise or inheritance, shall be subject to the same conditions for transfer as are provided in Sections 12.2 or 12.3, as the case may be. However, in the case of a transfer by devise or inheritance governed by Section 12.2, if the heirs or beneficiaries are unable to meet the conditions in Section 12.2 hereof, the executor or administrator of the deceased Store Owner shall have a reasonable time to dispose of the deceased's interest in the franchise, which disposition shall be subject to all the terms and conditions for transfers contained herein. If the interest is not disposed of within a reasonable time, CBL may terminate this Agreement pursuant to Section 13.2.7 hereof.

12.4 CBL's consent to a transfer which is the subject of this Section 12 shall not constitute a waiver of any claims it may have against the transferring party, nor shall it be deemed a waiver of CBL's right to demand exact compliance with any of the terms hereof by transferee.

12.5 If, for any reason, this Agreement is not terminated pursuant to Section 13.1 and this Agreement is assumed or assignment of the same to any person or entity who has made a bona fide offer to accept an assignment of this Agreement is contemplated, pursuant to the United States Bankruptcy Code, then notice of such proposed assignment or assumption, setting forth: (a) the name and address of the proposed assignee; and (b) all of the terms and conditions of the proposed assignment and assumption; shall be given to CBL within twenty (20) days after receipt of such proposed assignee's offer to accept assignment of this Agreement, and, in any event, within ten (10) days prior to the date that the application is made to a court of competent jurisdiction for authority and approval to enter into such assignment and assumption, and CBL shall thereupon have the prior right and option, to be exercised by notice given at any time prior to the effective date of such proposed assignment and assumption, to accept an assignment of this Agreement to CBL itself, upon the same terms and conditions and for the same consideration, if any, as in the bona fide offer made by the proposed assignee, less any brokerage commissions which may be payable by Store Owner out of the consideration to be paid by such assignee for the assignment of this Agreement. The franchisor will not exercise the option for any partial sale of the franchise business. The franchise may not become a partial owner of any SBA financed franchisees.

12.6 If you purchased your rights under this Agreement through a transfer from an existing Coffee Beanery Franchise owner, then you agree that our right to receive the payments from you required under this Agreement (including, without limitation, all Monthly Royalty and Brand Building Fees and payments for warehouse purchases or otherwise) shall be superior to the right of such transferor sponsor or franchisee to receive any payments from you in satisfaction of any amounts owed by you to such transferor as a result of the transfer.

13. DEFAULT AND TERMINATION

13.1 Store Owner shall be deemed to be in default hereunder, and all rights granted herein shall automatically terminate without notice to Store Owner, if Store Owner shall become insolvent or makes a general assignment for the benefit of creditors; or, if a petition in bankruptcy is filed by Store Owner or such a petition is filed against and not opposed by Store Owner; or, if Store Owner is adjudicated as bankrupt or insolvent; or, if a bill in equity or other proceeding for the appointment of a receiver of Store Owner or other custodian for Store Owner's business or assets is filed and consented to by Store Owner; or, if a receiver or other custodian (permanent or temporary) of Store Owner's assets or property, or any part thereof, is appointed by any court of competent jurisdiction; or, if proceedings for a composition with creditors under any state or federal law should be instituted by or against Store Owner;

or, if a final judgment remains unsatisfied or of record for thirty (30) days or longer (unless a supersedeas bond is filed); or, if Store Owner is dissolved; or, if execution is levied against Store Owner's business or property; or, if the real or personal property of the Store shall be sold after levy thereupon by any sheriff, marshal, or constable.

13.2 Upon the occurrence of any of the following events, Store Owner shall be deemed to be in default and CBL may, at its option, terminate this Agreement and all rights granted hereunder, without affording Store Owner any opportunity to cure the default, effective immediately upon the provision of notice to Store Owner (in the manner set forth under Section 20 of this Agreement):

13.2.1 If Store Owner fails to (a) open the Store within the timeframe provided in Section 6.6 of this Agreement, or (b) secure an approved premises for the Store within six (6) months of executing this Agreement;

13.2.2 If Store Owner at any time ceases to operate or abandons the Store for a period of seven (7) consecutive days, or otherwise forfeits the right to do or transact business in the jurisdiction where the Store is located; provided, however, that if through no fault of Store Owner, the premises are damaged or destroyed, then Store Owner shall have thirty (30) days within which to apply for CBL's approval to relocate or reconstruct the premises, which approval shall not be unreasonably withheld;

13.2.3 If Store Owner, or any officer, director, or partner of Store Owner, is convicted of a felony, a crime involving moral turpitude, or any other crime or offense that CBL believes is reasonably likely to have an adverse effect on the System, the Proprietary Marks, the goodwill associated therewith, or CBL's interest therein;

13.2.4 If Store Owner or any partner or shareholder in Store Owner purports to transfer any rights or obligations hereunder, or any interest in Store Owner or the assets of the Store to any third party without CBL's prior written consent or notice, contrary to the terms of Section 12 of this Agreement;

13.2.5 If Store Owner fails to comply with the covenants in Section 15.2 of this Agreement or fails to deliver to CBL executed covenants required under Section 15.9 of this Agreement;

13.2.6 If, contrary to the terms of Section 8, Store Owner or any principal of Store Owner discloses or divulges the contents of the Manual or other confidential information provided to Store Owner by CBL;

13.2.7 If an approved transfer is not effected following Store Owner's death or mental incapacity as required by Section 12.3 of this Agreement;

13.2.8 If Store Owner fails to comply with any provision of this Agreement or any specification, standard or operating procedure or rule prescribed by Coffee Beanery which relates to the use of any Mark, the quality of authorized food products or any beverages sold by Store Owner or the cleanliness and sanitation of the Store, or if Store Owner fails to comply with any applicable health code relating to the operation of the Store and Store Owner does not correct such failure within three (3) calendar days after written notice is delivered to Store Owner;

13.2.9 If Store Owner knowingly maintains false books or records, or knowingly submits any false reports to CBL;

13.2.10 If the lease for the Store premises expires without being renewed or for any reason is terminated;

13.2.11 If Store Owner, after curing a default pursuant to Section 13.4 of this Agreement, commits a similar or different default within two (2) years thereafter, whether or not cured after notice;

13.2.12 If Store Owner does not pay any monies owing to CBL or CBL's affiliates, or Store Owner's suppliers, at the time that payment is required;

13.2.13 If Store Owner or any principal of Store Owner has made any material misrepresentations in connection with Store Owner's application to CBL for the franchise granted herein;

13.2.14 If Store Owner understates any payment to CBL by five percent (5%) or more, or understates any such payment in any amount, twice in any two (2) year period;

13.2.15 If Store Owner fails to obtain or maintain required insurance coverage;

13.2.16 If Store Owner permits alcohol, or drugs on the Store premises, or the Store premises is used for any activities prohibited by Section 5.5; or

13.2.17 If Store Owner or any affiliate of Store Owner commits any act of default under any other franchise agreement with CBL for which such agreement is terminated.

13.3 If Store Owner commits any of the following listed defaults, CBL has the right to refuse to sell products to Store Owner. The defaults giving rise to this remedy include: (i) a payment due to us from you that is more than 30 days past due; (ii) Sales Report submission is 30 days past due and/or eliminating CBL access to retrieve Sales Report; (iii) any other default under the Franchise Agreement that has not been cured within 30 days of written notice. In addition, if you fail to satisfy all the conditions of renewal but continue to operate your Franchised Business after the end of the term of the Franchise Agreement, CBL has the right to refuse to sell products to you and to cause approved and designated vendors to refuse to sell products to you.

13.4. Except as provided in Sections 13.1 and 13.2 of this Agreement, Store Owner shall have thirty (30) days after CBL provides written notice of termination (in the manner specified in Section 20, of this Agreement) within which to remedy any default hereunder and to provide evidence thereof to CBL. If any such default is not cured within such time, or such longer period as applicable law may require, this Agreement shall terminate without further notice to Store Owner, effective immediately upon expiration of such period. Store Owner shall be in default hereunder for any failure to substantially comply with any of the requirements imposed by this Agreement, as they may from time to time be supplemented in writing as permitted herein, or to carry out the terms hereof in good faith.

14. OBLIGATION UPON TERMINATION OR EXPIRATION

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

14.1 Store Owner shall immediately cease to operate the Store, and shall not thereafter, directly or indirectly, represent to the public or hold itself out as a present or former franchisee of CBL.

14.2 Store Owner shall immediately and permanently cease to use, in any manner whatsoever, any confidential methods, procedures, and techniques associated with the System; the Proprietary Marks;

and all other proprietary marks and distinctive forms, slogans, signs, symbols, and devices associated with the System.

14.3 Store Owner shall take such action as may be necessary to cancel any assumed name or equivalent registration which contains the Proprietary Marks, and Store Owner shall furnish CBL with evidence satisfactory to CBL of compliance with this obligation within thirty (30) days after termination or expiration hereof.

14.4 Store Owner shall, at CBL's option, immediately assign to CBL any interest which Store Owner has in any lease for the Store premises. In the event CBL does not elect to exercise its option to acquire the lease for the Store premises, Store Owner shall make such modifications or alterations to the premises (including, at CBL's option, the assignment of the telephone number to CBL) immediately upon termination or expiration hereof as may be necessary to distinguish the appearance of such premises from that of other Stores operating under the System and Proprietary Marks, and shall make such specific additional changes thereto as CBL may reasonably request for that purpose. In the event Store Owner fails or refuses to comply with the requirements of this Section 14.4, CBL shall have the right to enter upon the Store 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 Store Owner, which expense Store Owner agrees to pay upon demand.

14.5 Store Owner 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 is likely to cause confusion, mistake, or deception, or which is likely to dilute CBL's rights in and to the Proprietary Marks, and further agrees not to use any designation of origin, description, representation, trademark, or trade name which suggests or represents a past or present association or connection with CBL, the System, CBL's recipes and/or signature drinks, or the Proprietary Marks.

14.6 Store Owner shall promptly pay all sums owing to CBL and its affiliates. In the event of termination for any default of Store Owner, such sums shall include all damages, costs, and expenses, including reasonable attorneys' fees, incurred by CBL as a result of the default, which obligation shall give rise to and remain, until paid in full, a lien in favor of CBL against any and all of the personal property, furnishings, equipment, signs, and fixtures, owned by Store Owner and on the Store premises at the time of default. Store Owner shall pay to CBL all damages, costs, and expenses, including reasonable attorneys' fees, incurred by CBL, subsequent to the termination or expiration hereof in obtaining injunctive or other relief for the enforcement of any provisions of this Agreement.

14.7 Store Owner agrees that any termination of this Agreement by Store Owner before the expiration of the initial term will deprive CBL of the benefit of the bargain it is entitled to receive under this Agreement. If this Agreement terminates for any reason other than a material breach by CBL, Store Owner shall pay CBL, as liquidated damages for the loss of the benefit of the bargain CBL is entitled to receive, and not as a penalty, a lump sum payment equal to royalty fees Store Owner owed CBL during the preceding sixty (60) months before the termination date. If less than sixty (60) months have lapsed between the date the Store Owner commenced operations and the termination date, the liquidated damages will be the average monthly royalty fees during the period from commencement of Store operations and the termination multiplied by sixty (60). If the balance of the initial term of this Agreement is less than sixty months, the amount of the liquidated damages shall be determined by multiplying the average monthly royalty fees during the preceding sixty (60) months by the number of months remaining in the initial term of this Agreement. If the termination occurs prior to the commencement of Store operations, Store Owner will forfeit the initial franchise fee paid but will not owe CBL any further damages. Store Owner will pay all amounts due under this section within thirty (30) days after termination of this Agreement. Store Owner agrees, and will direct any party construing this Agreement to conclusively presume, that the damages stated in this section: (i) are true liquidated damages; (ii) are intended to compensate CBL for the harm that CBL will suffer; (iii) are not a penalty; (iv) are a reasonable estimate of our probable loss resulting from the Store Owner defaults, viewed as of the effective date of this Agreement; and (v) will be in addition to all other rights we have to obtain legal or equitable relief, including any injunctive relief to enjoin Store Owner's breach of any post-term restrictive covenants.

14.8 Store Owner shall immediately return the Manual and all other documents which contain confidential information relating to the operation of the Store.

14.9 CBL shall have the option, to be exercised within thirty (30) days after termination or expiration hereof, to purchase from Store Owner any or all of the furnishings, equipment, signs, fixtures, or supplies related to the operation of the Store, at their fair market value. If the parties cannot agree on the price of any such items within fifteen (15) days after the exercise of the option, an independent appraiser shall be designated by CBL and Store Owner and his determination shall be binding. If CBL and Store Owner cannot agree on an appraiser within fifteen (15) days, each party shall designate an independent appraiser, and the two designated independent appraisers shall select a third independent appraiser. The determination of fair market value of the third appraiser so chosen shall be binding. CBL and Store Owner shall share equally in the cost of any independent appraiser(s). If CBL elects to exercise any option to purchase herein provided, the closing shall take place within fifteen (15) days after the purchase price shall have been established. CBL shall have the right to set off all amounts due from Store Owner, and the cost of the appraisal, if any, against the payment price of such items.

14.10 All covenants, obligations, and agreements of Store Owner which by their terms or by reasonable implication are to be performed, in whole or in part, after the termination or expiration of this Agreement, shall survive such termination or expiration.

14.11 Store Owner shall comply with the covenants contained in Section 15.3 of this Agreement.

15. COVENANTS

15.1 Store Owner covenants that during the term hereof, except as otherwise approved in writing by CBL, Store Owner (or if Store Owner is a corporation or partnership, a principal of Store Owner) or Store Owner's manager shall devote its full time and best efforts to the management and operation of the Store.

15.2 Store Owner acknowledges that it shall receive valuable specialized training and confidential information, including, without limitation, information regarding the operational, sales, promotional, and marketing methods and techniques of CBL and the System. Store Owner covenants that during the term hereof it shall not, either directly or indirectly, except as otherwise approved in writing by CBL, for itself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity:

15.2.1 Divert or attempt to divert any business or customer of the Store to any competitor by inducement or otherwise, or do or perform any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks and the System; and

15.2.2 Own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with: (i) any retail coffee store, café or other business operation that offers the same or similar products or services as those offered by the Store (a "Competing

Business"); and (ii) any business that offers or grants licenses or franchises, or establishes one or more joint ventures, for the operation of any Competing Business;

15.3 Store Owner covenants that it shall not, without CBL's prior written consent, for a continuous, uninterrupted one (1) year period commencing upon the date of: (a) a transfer permitted under Section 12 of this Agreement; (b) expiration of this Agreement; (c) termination of this Agreement (regardless of the cause for termination); or (d) a final decision of an arbitrator or a court of competent jurisdiction (after all appeals have been taken) with respect to any of the foregoing events or with respect to enforcement of this Section 15.3; either directly or indirectly, for itself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with:

15.3.1 a Competing Business that is located: (i) at the Approved Location; or (ii) within a ten (10) mile radius of (a) the Approved Location, or (b) any other COFFEE BEANERY location that is open, under lease or otherwise under development as of the termination or expiration of this Agreement;

12.3.2 any business that offers or grants licenses or franchises, or establishes one or more joint ventures for, the operation of any Competing Business.

15.4 Sections 15.2 and 15.3 shall not apply to the beneficial ownership by Store Owner of less than a five percent (5%) of the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

15.5 The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision hereof. If all or any portion of a covenant in this Section 15 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which CBL is a party, Store Owner expressly agrees to be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Section 15.

15.6 Store Owner agrees and acknowledges that CBL shall have the right, in its sole discretion, to reduce the scope of any covenant or any portion thereof set forth in Sections 15.2 and 15.3 of this Agreement, without Store Owner's consent, effective immediately upon receipt by Store Owner of written notice thereof; and Store Owner agrees that it shall comply forthwith with any covenant as so modified, which shall be fully enforceable notwithstanding the provisions of Section 21 of this Agreement.

15.7 Store Owner expressly agrees that the existence of any claims it may have against CBL, whether or not arising hereunder, shall not constitute a defense to the enforcement by CBL of the covenants in this Section 15.

15.8 Store Owner acknowledges that Store Owner's violation of the terms of Sections 14 or 15 of this Agreement would result in irreparable injury to CBL for which no adequate remedy at law may be available. Store Owner hereby consents to the issuance by a court of competent jurisdiction of an injunction prohibiting any conduct by Store Owner violative of the obligations in Sections 14 or 15 of this Agreement, including such issuance on an ex-parte basis. Store Owner hereby waives the requirement that CBL post any bond relating to such injunctive relief, or, if such bond may not be legally waived by Store Owner, Store Owner agrees that a bond in the amount of $1,000 is sufficient. Store Owner agrees to pay all court costs and reasonable attorneys' fees incurred by CBL in obtaining any injunctive or other equitable or legal relief with respect to such conduct or action.

15.9 At CBL's request, Store Owner shall obtain execution of covenants similar to those set forth in this Section 15 (including covenants applicable upon the termination of a person's relationship with Store Owner and covenants incorporating the terms of Section 14 of this Agreement, as modified to apply to an individual) from any or all of the following persons: (1) all employees of Store Owner who have received training from CBL; (2) all officers, directors, and holders of a beneficial interest of five (5%) percent or more of the securities of Store Owner, and of any corporation directly or indirectly controlling Store Owner, if Store Owner is a corporation; and (3) the general partners (including any corporation, and the officers, directors, and holders of a beneficial interest of five percent (5%) or more of the securities of any corporation which controls, directly or indirectly, any general partner), if Store Owner is a partnership. Store Owner shall furnish copies of such covenants to CBL upon request. Every covenant required by this Section 15.9 shall be in a form approved by CBL, including, without limitation, specific identification of CBL as a third party beneficiary of such covenants with the independent right to enforce them.

16. STORE OWNER AS A CORPORATION, PARTNERSHIP, OR LIMITED LIABILITY COMPANY

16.1 Except as otherwise approved in writing by CBL, if Store Owner is a corporation, it shall: (i)confine its activities, and its governing documents shall at all times provide that its activities are confined, exclusively to operating the Store; (ii)maintain stop transfer instructions on its records (unless Store Owner is publicly held) against the transfer of any equity securities and shall only issue securities upon the face of which a legend, in a form satisfactory to CBL, appears which references the transfer restrictions imposed by this Agreement; and (iii) maintain a current list of all owners of record and all beneficial owners of any class of voting stock of Store Owner and furnish the list to CBL upon request.

16.2 If Store Owner is a partnership it shall (i) furnish CBL with its partnership agreement as well as such other documents as CBL may reasonably request, and any amendments thereto; and (ii) prepare and furnish to CBL, upon request, a current list of all general and limited partners in Store Owner.

16.3 If Store Owner is a limited liability company, it shall: (i) confine its activities exclusively to operating the Store; (ii) furnish CBL with its articles of organization and operating agreement, as well as such other documents as CBL may reasonably request and any amendments thereto; (iii) prepare and furnish to CBL, upon request, a current list of all members and managers in Store Owner; and (iv) maintain stop transfer instructions on its records against the transfer of any equity securities and shall only issue securities which bear a legend, in a form satisfactory to CBL, which references the transfer restrictions imposed by this Agreement.

16.4 Each present and future shareholder or member, and each present and future general and limited partner, of Store Owner, as well as the spouse of each shareholder, member, general partner and/or limited partner (as applicable), shall jointly and severally guarantee Store Owner's performance of each and every provision of this Agreement, by executing a Guarantee in the form annexed hereto as Attachment A.

17. TAXES, PERMITS, AND INDEBTEDNESS

17.1 Store Owner shall promptly pay when due all taxes levied or assessed, including, without limitation, unemployment and sales taxes, and all accounts and other indebtedness of every kind incurred by Store Owner in the conduct of the Store. Store Owner shall pay to CBL an amount equal to any sales tax, gross receipts tax, or similar tax (other than income tax) imposed on CBL with respect to any payments to CBL required hereunder, unless the tax is credited against income tax otherwise payable by CBL.

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

17.3 Store Owner shall comply with all federal, state, and local laws, rules, and regulations, and shall timely obtain any and all permits, certificates, or licenses necessary for the full and proper construction, design, operation, and conduct of the Store, including, without limitation, licenses to do business, fictitious name registrations, sales tax permits, and fire clearances.

17.4 Store Owner shall notify CBL in writing within five (5) days 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 Store.

18. INDEPENDENT CONTRACTOR AND INDEMNIFICATION

18.1 It is understood and agreed by the parties hereto that this Agreement does not create a fiduciary relationship between them; that Store Owner shall be an independent contractor; and, that nothing herein is intended to constitute either party as an agent, legal representative, subsidiary, joint venturer, partner, employee, employer, joint employer, enterprise, or servant of the other for any purpose whatsoever.

18.2 During the term hereof, Store Owner shall hold itself out to the public as an independent contractor operating the business pursuant to a franchise from CBL. Store Owner agrees to take such action as may be necessary to do so, including, as set forth in Section 7.2.4, exhibiting a notice of that fact in a conspicuous place on the Store premises.

18.3 Store Owner acknowledges and agrees that it is not authorized to make any contract, agreement, warranty, or representation on CBL's behalf, or to incur any debt or other obligation in CBL's name; and that CBL shall in no event assume liability for, or be deemed liable hereunder as a result of, any such action; nor shall CBL be liable by reason of any act or omission of Store Owner in its conduct of the Store or for any claim or judgment arising therefrom against Store Owner or CBL. Store Owner shall indemnify and hold CBL and its affiliates, and their respective shareholders, directors, employees, and agents harmless against any and all claims arising directly or indirectly from, as a result of, or in connection with Store Owner's operation of the Store, as well as the costs, including attorneys' fees, of defending against them.

19. APPROVALS AND WAIVERS

19.1 CBL makes no warranties or guarantees upon which Store Owner may rely, and assumes no liability or obligation to Store Owner, by providing any waiver, approval, consent, or suggestion to Store Owner in connection with this Agreement, or by reason of any neglect, delay, or denial of any request therefor. No delay, waiver, omission, or forbearance on the part of CBL to exercise any right, option, duty, or power arising out of this Agreement against Store Owner, or any other franchisee, or any breach or default by Store Owner, or by any other franchisee, of any of the terms, provisions, or covenants thereof, shall constitute a waiver by CBL to enforce any such right, option, or power as against

Store Owner, or as to a subsequent breach or default by Store Owner. Subsequent acceptance by CBL of any payments due to it hereunder shall not be deemed to be a waiver by CBL of any preceding or succeeding breach by, or obligations of, Store Owner of any terms, covenants, or conditions of this Agreement.

20. NOTICES

Any and all notices required or permitted under this Agreement shall be in writing and shall be personally delivered, sent by Fax, mailed by certified mail, return receipt requested, or dispatched by overnight delivery envelope, to the respective parties at the addresses set forth on the signature page of this Agreement unless and until a different address has been designated by written notice to the other party. Notices shall be deemed to have been received as follows: by personal delivery or fax -- at the time of delivery; by overnight delivery service -- on the next business day following the date on which the Notice was given to the overnight delivery service; by certified mail – three (3) days after the date of mailing.

21. ENTIRE AGREEMENT

21.1 This Agreement, and any attachments hereto, constitute the entire and complete agreement between CBL and Store Owner concerning the subject matter hereof, and supersede any and all prior proposals, negotiations, representations and agreements. Nothing in this or any related agreement is intended to disclaim the representations made in the form of franchise disclosure document that CBL timely disclosed to Store Owner prior to entering into this Agreement. Except for those permitted hereunder to be made unilaterally by CBL, 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.

22. SEVERABILITY AND CONSTRUCTION

22.1 Except as expressly provided to the contrary herein, each portion, section, part, term, and/or provision hereof shall be considered severable; and if, for any reason, any portion, section, part, term, and/or provision 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, and/or provisions hereof as may remain otherwise intelligible; and the latter shall continue to be given full force and effect and bind the parties hereto; and the invalid portions, sections, parts, terms, and/or provisions shall be deemed not to be a part hereof.

22.2 Store Owner 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 hereof, that may result from striking from any of the provisions hereof any portion or portions which a court may hold to be unreasonable and unenforceable in a final decision to which CBL is a party, or from reducing the scope of any promise or covenant to the extent required to comply with such court order.

22.3 Any provision or covenant of this Agreement which expressly or by its nature imposes obligations beyond the expiration or termination of this Agreement shall survive such expiration or termination.

23. APPLICABLE LAW

23.1 This Agreement takes effect upon its acceptance and execution by CBL in Michigan, and any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, shall be interpreted and construed exclusively under the laws of Michigan. In the event of any conflict of law, the laws of Michigan shall prevail, without regard to the application of Michigan conflict of law rules. If, however, any provision of this Agreement would not be enforceable under the laws of Michigan, and if the Store is located outside of Michigan and such provision would be enforceable under the laws of the state in which the Store is located, then such provision shall be interpreted and construed under the laws of that state. Nothing in this Section 23.1 is intended by the parties to subject this Agreement to any franchise or similar law, rule, or regulation of the State of Michigan to which it would not otherwise be subject.

23.2 Prior to involving any third party in any claim or dispute with CBL or any of its approved suppliers, Store Owner must first raise that claim or dispute to CBL's management and make every effort to resolve the dispute internally. Store Owner must exhaust this internal dispute resolution procedure before Store Owner may bring Store Owner's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.

23.3 At CBL's option, all claims or disputes between Store Owner and CBL (or their respective affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure sent forth in Section 23.2 above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect.

23.3.1 Before commencing any legal action against CBL or its affiliates with respect to any such claim or dispute, Store Owner must submit a notice to CBL, which specifies, in detail, the precise nature and grounds of such claim or dispute. CBL will have a period of thirty (30) days following receipt of such notice within which to notify Store Owner as to whether CBL or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either: (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile; or (ii) as a result of a written declaration by Franchisor.

23.3.2 CBL's rights to mediation, as set forth herein, may be specifically enforced by CBL. Each party will bear its own cost of mediation and CBL and Store Owner will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement.

23.3.3 The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 23.3 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating): (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information; (ii) any of the restrictive covenants contained in this Agreement; and (iii) any of Franchisee's payment obligations under this Agreement.

23.3.5 Mediation shall not limit or otherwise affect CBL's right to default Store Owner and/or terminate this Agreement in accordance with the terms otherwise set forth herein.

23.4 Subject to Sections 23.2 and 22.3 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to CBL's then-current corporate headquarters or, if appropriate, the United States District Court for the Eastern District of Michigan. Store Owner acknowledges that this Agreement has been entered into in the State of Michigan, and that Store Owner is to receive valuable and continuing services emanating from CBL's headquarters in Michigan, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Store Owner hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Michigan as set forth in this Section.

23.5 To the extent that a judicial action is permitted by the Agreement, any such action brought by Store Owner against CBL shall be brought exclusively, and any such action brought by CBL against Store Owner may be brought, in the federal district court covering the location at which CBL has its principal place of business at the time the action is commenced; provided, however, that if the federal court would not have subject matter jurisdiction had the action been commenced in such court, then, in such event, the action shall (with respect to actions commenced by Store Owner), and may (with respect to actions commenced by CBL), be brought in the state court within the judicial district in which CBL has its principal place of business at the time the action is commenced. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision.

23.6 No right or remedy conferred upon or reserved to CBL or Store Owner hereby 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.

23.7 Nothing in this Agreement shall bar CBL's right to seek injunctive relief without the posting of any bond or security to obtain the entry of temporary and permanent injunctions and orders of specific performance enforcing the provisions of this Agreement relating to Store Owner's obligations. CBL also shall be able to seek injunctive relief to prohibit any act or omission by Store Owner or its employees that constitutes a violation of any applicable law, is dishonest or misleading to Store Owner's customers or to the public, or which may impair the goodwill associated with the Proprietary Marks; and Store Owner agrees to pay all costs and reasonable attorneys' fees incurred by CBL in obtaining such relief.

23.8 CBL and Store Owner 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. With the exception of claims or actions relating to royalty fees, advertising contributions or other sums due to CBL, any claim or controversy arising out of or related to this Agreement, or the making, performance, breach, interpretation, or termination thereof, brought by any party hereto against the other, shall be commenced within one (1) year from the occurrence of the facts giving rise to such claim or action, or such claim or action shall be barred. Except as specifically provided for in this Agreement, CBL and Store Owner hereby waive, in any judicial action, 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.

24. ACKNOWLEDGMENTS

24.1 Store Owner acknowledges that it has conducted an independent investigation of the rights granted by this Agreement, recognizes that the business venture contemplated herein involves business risks, and that its success will be largely dependent upon the ability of Store Owner as an independent businessperson. CBL expressly disclaims the making of, and Store Owner acknowledges that it has not received, any representation, express or implied from any agent or employee of CBL, as to the prior, current, or potential sales, income, profits, or success of the business venture contemplated by this Agreement or of any other Store.

24.2 Store Owner acknowledges that it received a copy of the complete CBL Franchise Agreement, and the attachments relating thereto, if any, at least seven (7) calendar days prior to the Effective Date. Store Owner further acknowledges that it received CBL's uniform Franchise Disclosure Document at least fourteen (14) calendar days prior to the Effective Date. Store Owner acknowledges that it has read and understands this Agreement, the attachments hereto, if any, and that CBL has accorded Store Owner ample time and opportunity to consult with advisors of Store Owner's own choosing about the potential benefits and risks of entering into this Agreement.

24.3 Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as set forth in the Franchise Disclosure Document.

24.4 Store Owner further acknowledges and agrees that:

24.4.1 the business venture contemplated by this Agreement involves business risks;

24.4.2 Store Owner's success will be largely dependent upon Store Owner's ability as an independent businessperson;

24.4.3 Store Owner has received, read, and does understand this Agreement and any attachments, and that CBL has fully and adequately explained each provision of this Agreement to Store Owner's satisfaction;

24.4.4 Store Owner has consulted with Store Owner's own independent advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business. Store Owner either has consulted with such advisors or has deliberately declined to do so;

24.4.5 Store Owner has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Store Owner so elects);

24.4.6 In entering into this Agreement, Store Owner did not rely in any manner on any statement, material or representation made by CBL or any its representatives other than what is clearly stated in this Agreement and the Franchise Disclosure Document that CBL disclosed to Store Owner (and/or its principals) (the "FDD").

24.4.7 Store Owner's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with that FDD;

24.4.8 Any and all applications, financial statements, and representations submitted to CBL by Store Owner, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing. Store Owner states that he/she is not presently involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to CBL in writing;

24.4.9 Store Owner represents and warrants that Store Owner is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Store Owner of the obligations under this Agreement and that Store Owner is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to CBL in writing;

24.4.10 Store Owner agrees and acknowledges that it is solely responsible for ensuring that: (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and sale of the Approved Products, that are necessary to operate the Store from the CBL-approved premises and (ii) the Store is otherwise operated in full compliance with all federal, state and local laws and regulations where the Store Owner is located; and

24.4.11 Store Owner agrees and acknowledges that: (i) CBL may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a COFFEE BEANERY Store; and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement.

THE REST OF THIS PAGE HAS BEEN LEFT INTENTIONALLY BLANK
SIGNATURES ON THE FOLLOWING PAGE

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

Address For Notices Pursuant to Section 20 of this Agreement:	Signatures
CBL Address 3429 Pierson Place Flushing, Michigan 48433 Attn: Executive Vice President	THE COFFEE BEANERY, LTD. By: __________________________ Title: __________________________
Store Owner Address ______________________ ______________________ ______________________ ______________________	STORE OWNER By:__________________________ Title:__________________________
	STORE OWNER By:__________________________ Title:__________________________
	STORE OWNER By:__________________________ Title:__________________________

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GUARANTEE

As an inducement to The Coffee Beanery, Ltd. (**"CBL"**) to execute the Franchise Agreement with ____(**"Store Owner"**) dated _____________________, 20____, and in consideration of CBL executing the Franchise Agreement and of the sum of One Dollar ($1.00) now paid by CBL to Guarantors, the receipt of which is hereby acknowledged, Guarantors jointly and severally agree as follows:

1. Guarantors shall pay or cause to be paid to CBL all monies payable by Store Owner under the Franchise Agreement on the date and in the manner required for payment.

2. Guarantors unconditionally guarantee full performance and discharge by Store Owner of all the obligations of Store Owner under the Franchise Agreement on the date and times and in the manner required.

3. Guarantors shall indemnify and save harmless CBL and its affiliates, and their respective shareholders, directors, employees, and agents, against and from all losses, damages, costs, and expenses which CBL and its affiliates may sustain, incur, or become liable for by reason of:

a. Store Owner's failure to pay the monies payable pursuant to the Franchise Agreement or to do and perform any other act, matter, or thing required by the Franchise Agreement; or

b. Any action by CBL to obtain performance by Store Owner of any act, matter, or thing required by the Franchise Agreement.

4. CBL shall not be obligated to proceed against Store Owner or exhaust any security from Store Owner or pursue or exhaust any remedy, including any legal or equitable relief against Store Owner, before proceeding to enforce the obligations of the Guarantors herein set out, and the enforcement of such obligations may take place before, after, or contemporaneously with, enforcement of any debt or obligation of Store Owner under the Franchise Agreement.

5. Without affecting the Guarantors' obligations under this Guarantee, CBL, without notice to the Guarantors, may extend, modify, or release any indebtedness or obligation of Store Owner, or settle, adjust, or compromise any claims against Store Owner. Guarantors waive notice of amendment of the Franchise Agreement and notice of demand for payment or performance by Store Owner.

6. This Guarantee shall terminate upon the termination or expiration of the Franchise Agreement, except that all obligations and liabilities of the Guarantors 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 Store Owner or the Guarantors, 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 any other Guarantors will continue in full force and effect.

7. The provisions of Section 23 of the Franchise Agreement shall apply as to any interpretation or enforcement of this Guarantee, as well as any disputes or claims arising out of or related

to this Guarantee. Furthermore, the provisions of Section 20 of the Franchise Agreement shall apply to any notice to either party, except that notice to Guarantors shall be sent to the address(es) set forth below beneath each Guarantor's signature.

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

GUARANTOR:	GUARANTOR:
______________________________	______________________________
Signature	Signature
______________________________	______________________________
Printed Name	Printed Name
______________________________	______________________________
Street Address	Street Address
______________________________	______________________________
City and State	City and State
GUARANTOR:	GUARANTOR:
______________________________	______________________________
Signature	Signature
______________________________	______________________________
Printed Name	Printed Name
______________________________	______________________________
Street Address	Street Address
______________________________	______________________________
City and State	City and State

Countersigned:

THE COFFEE BEANERY, LTD.

By: ______________________________

Title: ____________________________

MANAGEMENT AGREEMENT

The undersigned hereby agree to devote full time, energy, and best efforts to the management of the business licensed hereunder throughout the term of this Agreement, and acknowledge the Franchisor has entered into this Agreement in reliance upon and in consideration of this understanding and agreement by the undersigned.

Dated:___________________________

______________________	______________________
Signature	Signature
______________________	______________________
Printed Name	Printed Name
______________________	______________________
Street Address	Street Address
______________________	______________________
City and State	City and State

(Intentionally Blank)

WAREHOUSE AGREEMENT

This Agreement made and entered into on ______________________, 20____, by and between THE COFFEE BEANERY, LTD. ("CBL"), d/b/a SHAW'S DISTRIBUTION WAREHOUSE ("Shaw's"), and ____ (collectively "Store Owner"). This Agreement is in conjunction with the Franchise Agreement between CBL and Store Owner. ("Franchise Agreement").

WHEREAS, CBL and Store Owner have entered into a Franchise Agreement as referenced above; and

WHEREAS, the Franchise Agreement obligates Store Owner to purchase certain goods (which are identified herein and in the Franchise Agreement as "Products and supplies") from CBL; and

WHEREAS, CBL provides some of the Products and supplies through its affiliate, Shaw's; and

WHEREAS, this Agreement contains the terms and conditions pursuant to which Shaw's will sell Products and supplies to Store Owner.

NOW, THEREFORE, in consideration of the foregoing and in further consideration of the covenants, promises and conditions hereinafter set forth, it is agreed as follows:

(1) Shaw's agrees to sell certain Products and supplies to Store Owner from time to time as Store Owner orders as long as Store Owner is in compliance with this Agreement and the Franchise Agreement.

(2) The terms of sale are Net fifteen (15) days. Shaw's will grant a two percent (2%) discount on invoices paid within seven (7) days. The Store Owner agrees to make payments required by this Agreement to CBL by electronic funds transfer using such forms and systems as CBL may require. Shaw's reserves the right to change its terms of sale and to limit quantities purchased.

(3) If Store Owner is past due more than fifteen (15) days on any payment obligations to Shaw's, Store Owner will be charged interest on the unpaid balance at a rate of one and one-half percent (1.5%) per month or the highest legally permissible contract interest rate in the state where the Store Owner operates the franchised business, whichever is less, and Products and supplies will be sold to Store Owner on a C.O.D. basis only. If Store Owner is past due more than thirty (30) days on any payment obligations to Shaw's, Shaw's may suspend or cease altogether sales of Products and supplies to Store Owner. Shaw's reserves the right, from time to time, to impose credit limits consistent with sound business practices on Store Owner. Such credit limits may be based, in part, upon the personal financial statement which Store Owner or its principal owners shall provide pursuant to paragraph 11 of the Franchise Agreement.

(4) Store Owner is required to purchase the following minimum inventory that varies based upon Store Model: (i) $6,000 for a Kiosk Store Model; (ii) $12,000 for a Traditional Store with Food Model; and (iii) $7,800 for a Traditional Store without Food Model. The

minimum amount for a Conversion Store Model or Co-Branded Store Model will be based on the type of Store Model operated by you.

(5) If Store Owner is in default under the Franchise and License Agreement, Shaw's may suspend or cease altogether sales of Products and supplies to Store Owner.

(6) Store Owner's failure to comply with the terms of this Agreement shall constitute a default under the terms of the Franchise Agreement and CBL may thereupon pursue any or all of its rights under the Franchise Agreement.

(7) The undersigned individuals represent that they are all of the Store Owner's shareholders or partners, or otherwise have a direct or indirect beneficial interest in the Store Owner. Accordingly, to induce Shaw's to grant Franchisee terms and credit for purchases of Products and supplies from Shaw's, each of the undersigned individuals jointly and severally agrees to be primarily liable for all of such purchases.

(8) The provisions of the Franchise Agreement are incorporated herein by reference and the provisions herein are incorporated into the Franchise Agreement by reference.

IN WITNESS WHEREOF, the parties have signed this Agreement on the date stated above.

"CBL"	**"SHAW'S"**
THE COFFEE BEANERY, LTD.	SHAW'S DISTRIBUTION WAREHOUSE
BY:______________________________	BY: ______________________________
ITS:______________________________	ITS:______________________________
<u>Store Owner Address</u>	STORE OWNER
______________________________	
______________________________	By:______________________________
______________________________	
______________________________	Title:______________________________
	STORE OWNER
	By:______________________________
	Title:______________________________
	STORE OWNER
	By:______________________________
	Title:______________________________

THE COFFEE BEANERY, LTD.
CONVERSION ADDENDUM FOR CONVERSION OWNERS

THIS ADDENDUM is entered into on __________________________, 20___, by and between The Coffee Beanery, Ltd. ("CBL"), and ____ ("Conversion Owner").

WITNESSETH:

WHEREAS, Conversion Owner presently conducts a business which provides coffee, coffee beans, tea, spices and related products and food items, including prepared coffee for on or off site consumption at the Approved Location ("Current Business");

WHEREAS, CBL and Conversion Owner have entered into a Franchise Agreement on ________________________, 20___, (the "Agreement") which they wish to modify by this Addendum to provide for the conversion of the Current Business to a Store; and

WHEREAS, all capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Construction of Leasehold Improvements

1.1 Conversion Owner shall modify the Store premises in the manner set forth in Exhibit 1, to conform to CBL's prototype plans and specifications.

1.2 CBL and Conversion Owner agree that time is of the essence in connection with the construction of leasehold modifications. Conversion Owner shall complete such modifications no later than sixty (60) days from the execution of the Addendum. In the event that Conversion Owner fails to complete modifications by such date, CBL shall have the right to terminate this Agreement in accordance with Section 13.4 of the Agreement.

1.3 Upon completion of the modifications set forth in Exhibit 1, Conversion Owner shall submit a written request to CBL to conduct a final inspection of the Store premises and, upon receipt of such request, CBL shall promptly conduct a final inspection. Conversion Owner shall not open the Store for business without CBL's written authorization.

1.4 Conversion Owner may at its discretion continue to operate its Current Business during construction of leasehold modifications but shall not identify itself as a CBL Store Owner until receipt of CBL's written authorization to conduct business, as set forth in Section 1.3 of this Addendum.

2. Delay in Applicability of Conversion Owner Obligations

2.1 Conversion Owner's obligation to pay royalties and make expenditures and contributions for advertising and promotion, as set forth in Sections 3.2 and 3.3 of the Agreement, shall commence thirty (30) days from the effective date of the Agreement.

3. Deletions from the Agreement

3.1 The following Sections of the Agreement shall be deleted in their entirety, and have no force or effect:

4.1; 4.3; 5.10, except for the first sentence thereof; and 13.2.1.

4. Integration

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Conversion Addendum for Conversion Owners on the day and year first above written.

THE COFFEE BEANERY, LTD.

By: ____

Title: ____

CONVERSION OWNER

By: ____

Title: ____

THE COFFEE BEANERY, LTD.
CONVERSION ADDENDUM FOR CONVERSION OWNERS

EXHIBIT 1

Required Modifications To
Leasehold Premises

CBL's Initials: _____

Store Owner's Initials: _____

(Intentionally Blank)

THE COFFEE BEANERY, LTD.
ADDENDUM FOR CO-BRANDED LOCATIONS

THIS ADDENDUM is entered into on ___________________________, 20___, by and between The Coffee Beanery, Ltd. ("**Coffee Beanery**"), and ____ ____ ("**Co-Brand Store Owner**").

WITNESSETH:

WHEREAS, Co-Brand Store Owner presently conducts a business which provides products and services other than coffee, tea and similar products and services as described on Schedule 1 to this Co-Brand Addendum (the "Co-Brand Products") at the Approved Location;

WHEREAS, the Co-Brand Store Owner wishes to continue to offer the Co-Brand Products;

WHEREAS, Co-Brand Store Owner wishes to enter into a Franchise Agreement with Coffee Beanery under which Co-Brand Store Owner would convert a portion of facilities where the Co-Brand Products are offered to a Coffee Beanery Store ("Store") but which would offer the Co-Brand Products;

WHEREAS, Coffee Beanery and Co-Brand Store Owner have entered into a Franchise Agreement on ________________________, 20___, (the "**Agreement**") which they wish to modify by this Addendum to provide for a Store which will operate as a Coffee Beanery Store but which will continue to offer the Co-Brand Products; and

WHEREAS, all capitalized terms not otherwise defined in this Addendum shall have the same meaning as in the Agreement.

NOW, THEREFORE, the parties agree as follows:

1. Construction of Leasehold Improvements

1.1 Co-Brand Store Owner shall modify the Store premises in the manner set forth in Exhibit 1, to conform to Coffee Beanery's prototype plans and specifications.

1.2 Coffee Beanery and Co-Brand Store Owner agree that time is of the essence in connection with the construction of leasehold modifications. Co-Brand Store Owner shall complete such modifications no later than sixty (60) days from the execution of the Addendum. In the event that Co-Brand Store Owner fails to complete modifications by such date, Coffee Beanery shall have the right to terminate this Agreement in accordance with Section 13.4 of the Agreement.

1.3 Upon completion of the modifications set forth in Exhibit 1, Co-Brand Store Owner shall submit a written request to Coffee Beanery to conduct a final inspection of the Store premises and, upon receipt of such request, Coffee Beanery shall promptly conduct a final inspection.

1.4 Co-Brand Store Owner shall not commence operations as a Coffee Beanery Store without Coffee Beanery's written authorization. Co-Brand Store Owner may at its discretion continue to offer the Co-Brand Products during construction of leasehold modifications but shall not identify itself as a Coffee Beanery Store until receipt of Coffee Beanery's written authorization to conduct business, as set forth in Section 1.3 of this Addendum.

2. Delay in Applicability of Co-Brand Store Owner's Obligations

2.1 Co-Brand Store Owner's obligation to pay royalties and make expenditures and contributions for advertising and promotion, as set forth in Sections 3.2 and 3.3 of the Agreement, shall commence thirty (30) days from the date of the Agreement.

3. Deletions from the Agreement

3.1 The following Sections of the Agreement shall be deleted in their entirety, and have no force or effect:

4.1; 4.3; 5.10, except for the first sentence thereof; and 13.2.1.

4. Additions to the Agreement

4.1 The following Section 3.2 shall be inserted into the Agreement and made a part thereof:

3.2 During the term of this Agreement, Store Owner shall pay to CBL a continuing weekly royalty fee in an amount equal to four percent (4%) of the Net Sales for the Store. "Net Sales" shall mean revenue from the sale of all products and services, and all other income or consideration of every kind and nature, received by the Store, whether for cash or credit, and regardless of collection in the case of credit, less: (i) any sales taxes or other taxes collected by Store Owner from its customers and thereafter paid directly to the appropriate taxing authority; (ii) charges imposed by credit card companies and customer refunds; (iii) revenue from the sale of the Co-Brand Products, provided, however, that such exclusion shall not apply to products and services that CBL requires Coffee Beanery stores to offer, including, without limitation, coffee and coffee based drinks. The royalty payment is not refundable. If Store Owner fails to maintain proper sales records or report Net Sales to CBL, CBL has the right to estimate Net Sales and invoice Store Owner for such amounts.

4.2 The following sentence shall be added to Section 5.4 and made a part thereof:

"In the event of any conflict between the methods, standards and specifications prescribed by CBL and those of another franchised system that offers the Co-Brand Products, CBL agrees to consider, in its reasonable discretion, a limited variance from its standards (to the extent required to eliminate the conflict) provided, however, that Store Owner agrees that CBL shall have no obligation to modify its standards if (i) the other system's standards are not required by the franchised system offering the Co-Brand Products or (ii) such a variance request relates to CBL's routine products, including, without limitation, coffee products or the manner in which such products are prepared and served."

5. Integration

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

IN WITNESS WHEREOF, the parties hereto have duly executed this Addendum for Co-Branded Locations on the day and year first above written.

THE COFFEE BEANERY, LTD.

By: ______________________________________

Title: _____________________________________

CO-BRAND STORE OWNER

By: ______________________________________

Title: _____________________________________

CO-BRAND STORE OWNER

By: ______________________________________

Title: _____________________________________

(Intentionally Blank)

THE COFFEE BEANERY LTD.
COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this "Assignment") is made, entered into and effective on this ___day of _________, 20____Effective Date,") by and between: (i) The Coffee Beanery, Ltd. (the "Franchisor"); and (ii) _____________________________________, a (resident of) (corporation organized in) (limited liability company organized in) _________________________ with a business address at _________________________________ (the "Franchisee").

BACKGROUND INFORMATION

Franchisor entered into that certain franchise agreement (the "Franchise Agreement") dated as of ____________, 20__ with Franchisee, pursuant to which Franchisee plans to own and operate a COFFEE BEANERY franchised business (the "Franchised Business") located at ____ (the "Site"). In addition, pursuant to that certain Lease Agreement (the "Lease"), Franchisee has leased or will lease certain space containing the Franchised Business described therein from ____ (the "Lessor"). The Franchise Agreement requires Franchisee to deliver this Assignment to Franchisor as a condition to the grant of a franchise.

OPERATIVE TERMS

Franchisor and Franchisee agree as follows:

1. **Background Information**: The background information is true and correct. This Assignment will be interpreted by reference to, and construed in accordance with, the background information set forth above.

2. **Incorporation of Terms**: Terms not otherwise defined in this Assignment have the meanings as defined in the Franchise Agreement.

3. **Indemnification of Franchisor**: Franchisee agrees to indemnify and hold Franchisor and its affiliates, stockholders, directors, officers, principals, franchisees/licensees and representatives harmless from and against any and all losses, liabilities, claims, proceedings, demands, damages, judgments, injuries, attorneys' fees, costs and expenses, that they incur resulting from any claim brought against any of them or any action which any of them are named as a party or which any of them may suffer, sustain or incur by reason of, or arising out of, Franchisee's breach of any of the terms of the Lease, including the failure to pay rent or any other terms and conditions of the Lease.

4. **Conditional Assignment**: Franchisee hereby grants to Franchisor a security interest in and to the Lease, all of the furniture, fixtures, inventory and supplies located in the Site and the franchise relating to the Franchised Business, and all of the Franchise e's rights, title and interest in and to the Lease as conditional for the payment of any obligation, liability or other amount owed by Franchisee or its affiliates to the Lessor arising under the Lease and for any default or breach of any of the terms and provisions of the Lease, and for any default or breach of any of the terms and provisions of the Franchise Agreement. In the event of a breach or default by Franchisee under the terms of the Lease, or, in the event Franchisor makes any payment to the Lessor as a result of Franchisee's breach of the Lease, then

such payment by Franchisor, or such breach or default by Franchisee, shall at Franchisor's option be deemed to be an immediate default under the Franchise Agreement, and Franchisor shall be entitled to the possession of the Site and to all of the rights, title and interest of Franchisee in and to the Lease and to all other remedies described herein or in the Franchise Agreement or at law or in equity, without prejudice to any other rights or remedies of Franchisor under any other agreements or under other applicable laws or equities. This Assignment shall constitute a lien on the interest of Franchisee in and to the Lease until satisfaction in full of all amounts owed by Franchisee to Franchisor. In addition, the rights of Franchisor to assume all obligations under the Lease provided in this Assignment are totally optional on the part of Franchisor, to be exercised in its sole discretion. Franchisee agrees to execute any and all Uniform Commercial Code financing statements and all other documents and instruments deemed necessary by Franchisor to perfect or document the interests and assignments granted herein.

5. **No Subordination**: Franchisee shall not permit the Lease to become subordinate to any lien without first obtaining Franchisor's written consent, other than the lien created by this Assignment, the Franchise Agreement, the Lessor's lien under the Lease, liens securing bank financing for the operations of Franchisee on the Site and the agreements and other instruments referenced herein. Franchisee will not terminate, modify or amend any of the provisions or terms of the Lease without the prior written consent of Franchisor. Any attempt at termination, modification or amendment of any of the terms of the Lease without such written consent is null and void.

6. **Exercise of Remedies**: In any case of default by Franchisee under the terms of the Lease or under the Franchise Agreement, Franchisor shall be entitled to exercise any one or more of the following remedies in its sole discretion:

a) to take possession of the Site, or any part thereof, personally, or by its agents or attorneys;

b) to, in its discretion, without notice and with or without process of law, enter upon and take and maintain possession of all or any part of the Site, together with all furniture, fixtures, inventory, books, records, papers and accounts of Franchisee;

c) to exclude Franchisee, its agents or employees from the Site;

d) as attorney-in-fact for Franchisee, or in its own name, and under the powers herein granted, to hold, operate, manage and control the Franchised Business and conduct the business, if any, thereof, either personally or by its agents, with full power to use such measures, legally rectifiable, as in its discretion may be deemed proper or necessary to cure such default, including actions of forcible entry or detainer and actions in distress of rent, hereby granting full power and authority to Franchisor to exercise each and every of the rights, privileges and powers herein granted at any and all times hereafter;

e) to cancel or terminate any unauthorized agreements or subleases entered into by Franchisee, for any cause or ground which would entitle Franchisor to cancel the same;

f) to disaffirm any unauthorized agreement, sublease or subordinated lien, to make all necessary or proper repairs, decorating, renewals, replacements, alterations, additions, betterments and improvements to the Site or the Site that may seem judicious, in the sole discretion of Franchisor; and

g) to insure and reinsure the same for all risks incidental to Franchisor's possession, operation and management thereof; and/or

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of Franchisee's rights but not obligations under the Franchise Agreement to be immediately terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any).
`

The parties agree and acknowledge that Franchisor is not required to assume the Lease, take possession of the Site or otherwise exercise of its other rights described in this Assignment. In the event Franchisor elects to exercise its right to assume the Lease and/or take possession of the Site, it will provide written notice to Franchisee in writing and undertake the other necessary actions at issue. Nothing in this Assignment may be construed to impose an affirmative obligation on the part of Franchisor to exercise any of the rights set forth herein.

7. **<u>Power of Attorney</u>**: Franchisee does hereby appoint irrevocably Franchisor as its true and lawful attorney-in-fact in its name and stead and hereby authorizes it, upon any default under the Lease or under the Franchise Agreement, with or without taking possession of the Site, to rent, lease, manage and operate the Site to any person, firm or corporation upon such terms and conditions in its discretion as it may determine, and with the same rights and powers and immunities, exoneration of liability and rights of recourse and indemnity as Franchisor would have upon taking possession of the Site pursuant to the provisions set forth in the Lease. The power of attorney conferred upon Franchisor pursuant to this Assignment is a power coupled with an interest and cannot be revoked, modified or altered without the written consent of Franchisor.

8. **<u>Election of Remedies</u>**: It is understood and agreed that the provisions set forth in this Assignment are deemed a special remedy given to Franchisor and are not deemed to exclude any of the remedies granted in the Franchise Agreement or any other agreement between Franchisor and Franchisee, but are deemed an additional remedy and shall be cumulative with the remedies therein and elsewhere granted to Franchisor, all of which remedies are enforceable concurrently or successively. No exercise by Franchisor or any of the rights hereunder will cure, waiver or affect any default hereunder or default under the Franchise Agreement. No inaction or partial exercise of rights by Franchisor will be construed as a waiver of any of its rights and remedies and no waiver by Franchisor of any such rights and remedies shall be construed as a waiver by Franchisor of any future rights and remedies. Franchisor is not required to exercise any of its rights set forth in Section 6 hereof, but shall have the irrevocable right to do so.

9. **<u>Binding Agreements</u>**: This Assignment and all provisions hereof shall be binding upon Franchisor and Franchisee, their successors, assigns and legal representatives and all other persons or entities claiming under them or through them, or either of them, and the words "Franchisor" and "Franchisee" when used herein shall include all such persons and entities and any others liable for payment of amounts under the Lease or the Franchise Agreement. All individuals executing on behalf of corporate entities hereby represent and warrant that such execution has been duly authorized by all necessary corporate and shareholder authorizations and approvals.

10. **<u>Assignment to Control</u>**. This Assignment governs and controls over any conflicting provisions in the Lease.

11. **<u>Attorneys' Fees, Etc.</u>** In any action or dispute, at law or in equity, that may arise under or otherwise relate to this Assignment, the prevailing party will be entitled to recover its attorneys' fees, costs and expenses relating to any trial or appeal (including, without limitation, paralegal fees) or arbitration or bankruptcy proceeding from the non-prevailing party.

12. **<u>Severability</u>**. If any of the provisions of this Assignment or any section or subsection of this Assignment shall be held invalid for any reason, the remainder of this Assignment or any such

section or subsection will not be affected thereby and will remain in full force and effect in accordance with its terms.

IN WITNESS WHEREOF, the Parties have caused this Assignment to be executed as of the day and year first above written.

FRANCHISEE	**FRANCHISOR**
	THE COFFEE BEANERY LTD.
By:______________________________	By:______________________________
Name:____________________________	Name:____________________________
Date:_____________________________	Title:_____________________________
	Date:_____________________________

The Lessor hereby consents, agrees with, approves of and joins in with this COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE.

LESSOR

____

By: ______________________________
Name:____________________________
Title:_____________________________
Date:_____________________________

EXHIBIT B
TO FRANCHISE
DISCLOSURE DOCUMENT

LISTS OF CURRENT FRANCHISEES
AND FRANCHISEES THAT LEFT THE SYSTEM

(Includes all Store Models)

THE COFFEE BEANERY, LTD.
FRANCHISED STORES IN OPERATION AS OF
JUNE 30, 2019

Delaware

The Coffee Beanery # 51 - Concord Mall - Traditional
4737 Concord Pike
Wilmington, DE 19803
302-477-1055
Operated by OM Realty Inc.

Florida

The Coffee Beanery #476 – Sawgrass Mills Mall– Traditional with Food
12801 W. Sunrise Blvd., Suite 771
Sunrise, Florida 33323
954-306-6351
Operated by: Mike Robertson

Georgia

The Coffee Beanery #451 Hartsfield Jackson Atlanta International Airport –Traditional
9700 Spine Road, Concourse B
Atlanta, GA 30320
404-209-0907
Operated by Terry Harps

Illinois

The Coffee Beanery #127 - Lincolnwood Town Center - Traditional
3333 W. Touhy Ave.
Suite G 6
Lincolnwood, IL 60645
847-676-1565
Operated by Ravish Inc.

Indiana

The Coffee Beanery #301 - The Galleria - Cafe
425 W U.S. Route 30
Dyer, IN 46311
219-865-2240
Operated by Galleria Gourmet Beverages, Inc.

Kentucky

The Coffee Beanery #457 Lourdes Hospital - Traditional
1530 Lone Oak Road
Paducah, KY 42003
270-538-6800
Operated by: Steven Grinnell

Maryland

The Coffee Beanery - #458 – Ocean Plaza Mall Shopping Center – Traditional with Food
9403 Coastal Highway
Ocean City, MD 21842
(410) 430-0708
Operated by A&M Coffee Shop Inc.

The Coffee Beanery – #464 -South Beach Boardwalk – Traditional (Tri-Brand)
701 Atlantic Avenue, Unit 1
Ocean City, MD 21842
410-289-8800
Operated by: Ocean City Dots

Michigan

The Coffee Beanery #1- Fairlane Mall-Traditional -Kiosk
18900 Michigan Ave.
Dearborn, MI 48126
313-583-1255
Operated by Habhab Express, Inc.

The Coffee Beanery #5 - Renaissance Center - Traditional
300 Renaissance Center Suite 1312
Detroit, MI 48243
313-568-1040
Operated by J.T.W. Enterprises, Inc.

The Coffee Beanery #15 - Fashion Square Mall - Traditional
4851 Fashion Square Mall
Saginaw, MI 48604
989-326-1556
Operated by D3Pierce, LLC

The Coffee Beanery #331 - Detroit Metropolitan Airport - Traditional
Edward H McNamara Terminal
Detroit, MI 48242
734-941-9330
Operated by Andrea Hachem

The Coffee Beanery #468 – Coffee Beanery/Tubby's – Co Brand with Food
4429 S. Wayne Road
Wayne, MI 48184
248-225-7663
Operated by Fadi Salhab

The Coffee Beanery #471 - Mott Community College – Traditional
1401 E. Court Street, Prahl Center
Flint, MI 48503
810-762-0200
Operated by Beverly Walker-Griffea

The Coffee Beanery #472 – Coffee Beanery/Tubby's – Co Brand with Food
976 N. Pontiac Trail
Walled Lake, MI 48390
248-910-5564
Operated by James Jarjosa

The Coffee Beanery #474 – Stonebridge Retail Center – Café
52857 Schoenherr
Shelby Twp., MI 48315
810-838-0731
Operated by: Leeola Plus LLC

The Coffee Beanery #477 – Mott Culinary Arts Center – Traditional
550 S. Saginaw
Flint, MI 48502
810-232-4490
Operated by: Beverly Walker-Griffea

New Jersey

The Coffee Beanery #109 - Monmouth Mall - Traditional
Routes 35 & 36
Eatontown, NJ 7724
732-542-6188
Operated by Yi Bond Inc.

The Coffee Beanery #110 - Rockaway Townsquare - Traditional
Route 80 & Mt. Hope Ave.
Rockaway, NJ 07866
908-797-8284
Operated by Moraco Enterprises

The Coffee Beanery #310 - Hudson Mall - Traditional

701 Route 440
Jersey City, NJ 07304
201-910-2806
Operated by Khalid Elsharkawy

New York

The Coffee Beanery #266 - TCBY - Kingston -– Traditional – Co-Brand
1094 Morton Bvd.
Kingston, NY 12401
845-336-8146
Operated by Bassett Enterprises Inc.

The Coffee Beanery #361 - Buffalo Niagara Int’l Airport - Traditional
4200 Genesee St.
Cheektowaga, NY 14225
716-633-0382
Operated by CA One Services

Pennsylvania

The Coffee Beanery #72 – Old Broadhead – Café
1466 Old Broadhead Road
Monaca, PA 15061
724-601-7058
Operated by Amore Café, LLC

The Coffee Beanery #168 - Berkshire Mall - Traditional
1665 State Hill Road Suite F 2
Wyomissing, PA 19610
610-376-2994
Operated by Jendih, Corp.

The Coffee Beanery #440 – Exton Square Mall – Traditional
260 Exton Square Parkway Space 2510
Exton, PA 19341
610-363-3037
Operated by Gordon Wu

Texas

The Coffee Beanery # 391 - Killeen Mall – Traditional with Food
2100 S. WS Young
Suite 1324
Killeen, TX 76543
210-722-9863
Operated by Luis & Angelica Wilmot

The Coffee Beanery #435- LaPalmera- Traditional
5488 San Padre Island Drive K12
Corpus Christy, TX 78411
903-721-2877
Operated by Bryan Selden

The Coffee Beanery #446 – Clear Creek – Traditional with Food
2408 Clear Creek Road, Suite 101
Killen, TX 76549
210-722-9863
Operated by: Luis & Angelica Wilmot

Virginia

The Coffee Beanery #44 - Patrick Henry Mall - Traditional
2300 Jefferson Ave. Suite 223
Newport News, VA 23602
757-249-9226
Operated by Meebong Yu & Kyu Bo Song

Wyoming

The Coffee Beanery #460 Gillette Coffee Beanery – Traditional with food
501 E. Boxelder Road
Gillette, WY 82718
(307) 686-8255
Operated by: Creative Beverages, LLC

Guam

The Coffee Beanery #223 - Fountain Plaza - Cafe
720 Pale San Vitores Rd Suite 107
Tumon, 96913
671-647-5761
Operated by Janet & Warren Han

The Coffee Beanery #241 - GCIC Tower - Cafe
414 W. Soledad Ave.
Suite 102
New Agana, Guam,   96910
671-734-3616
Operated by Janet & Warren Han

The Coffee Beanery #300 - Pacific Place - Cafe
1411 Pale San Vitores Road

Tumon, Guam, 96927
671-647-0104
Operated by Janet & Warren Han

The Coffee Beanery # 419 - Micronesia Mall - Traditional
1088 W. Marine Corp Dr
Dededo, GU 96929
671-633-5761
Operated by Janet & Warren Han

The Coffee Beanery # 437 – Micronesia Mall/Macys – Traditional
1088 W. Marine Corp Dri
Dededo, GU 96929
671-633-5761
Operated by Janet & Warren Han

The following is a list of franchisees that left the system during the 2019 fiscal year ended June 30, 2019:

AGREEMENT NAME	CONTACT NAME	ADDRESS	CITY/STATE/ZIP	TELEPHONE NUMBER
Perfect Grounds, Inc.	Nicholas Kissan	4433 Old US 23	Brighton, MI 48114	(810) 227-2233
Andrea Hachem #416	Andrea Hachem	601 Rogell Drive	Detroit, MI 48242	(734) 727-0055
Andrea Hachem #417	Andrea Hachem	601 Rogell Drive	Detroit, MI 48242	(734) 727-1239
Eduardo Uribie	Eduardo Uribie	601 Roggell Drive	Detroit, MI 48242	(734) 247-1116
Andrea Hachem #429	Andrea Hachem	601 Roggell Drive	Detroit, MI 48242	(734) 727-0055
Wen Hemingway	Wen Hemingway	1050 W Bristol Road	Flint, MI 48433	(810) 766-4000
Emad Mohamed	Emad Mohamed	103 Morgan Lane, Suite 103	Plainsboro, NJ 08536	(609) 666-2333
James Han	James Han	100 W State Street	Media, PA 19063	(610) 566-2857
Patrick Akpan	Patrick Akpan	4110 Clear Creek Road, #102	Killeen, TX 76549	(254) 423-3427

EXHIBIT C
TO FRANCHISE
DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

of

The Coffee Beanery, Ltd.,
and its
parent

The Shaw Coffee Company

Taylor & Morgan | CPAs and BUSINESS ADVISORS

Shaw Coffee Company and Subsidiaries
Consolidated Audited Financial Statements and Supplementary Information
June 30, 2018, 2017, and 2016

Prepared by Taylor & Morgan, P.C.

2302 Stonebridge Drive, Building D | Flint, MI 48532 | 810.230.8200
3150 Livernois Road, Suite 150 | Troy, MI 48083 | 248.688.9399
8832 Blakeney Professional Drive, Suite 107 | Charlotte, NC 28277 | 704.926.7570
9400 South Saginaw Street, Suite B | Grand Blanc, MI 48439 | 810.771.4178

www.tmcpa.com

Shaw Coffee Company and Subsidiaries
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June 30, 2018, 2017, and 2016

Taylor & Morgan | CPAs AND BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

September 28, 2018

To the Board of Directors and Stockholders
of Shaw Coffee Company, Incorporated

We have audited the accompanying consolidated financial statements of Shaw Coffee Company, Incorporated and its subsidiaries (the "Company") (a Michigan corporation), which comprise the consolidated balance sheets as of June 30, 2018, 2017, and 2016, and the related consolidated statements of operations, statements of stockholders' equity, and statements of cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Shaw Coffee Company, Incorporated and its subsidiaries as of June 30, 2018, 2017, and 2016, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Taylor & Morgan

Taylor & Morgan, P.C.
Certified Public Accountants

FLINT, MI OFFICE
G-2302 STONEBRIDGE DRIVE, BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

TROY, MI OFFICE
3150 LIVERNOIS ROAD, SUITE 150
TROY, MICHIGAN 48083
OFFICE # (248) 688-9399 FAX # (248) 688-9397

CHARLOTTE, NC OFFICE
8832 BLAKENEY PROFESSIONAL DRIVE, SUITE 107
CHARLOTTE, NORTH CAROLINA 28277
OFFICE # (704) 887-5229 FAX # (810) 230-8203

GRAND BLANC, MI OFFICE
9400 SOUTH SAGINAW STREET, SUITE B
GRAND BLANC, MICHIGAN 48439
OFFICE # (810) 771-4178 FAX # (810) 771-4178

Shaw Coffee Company and subsidiaries
Consolidated Balance Sheets
As of June 30, 2018, 2017, and 2016

	2018	2017	2016
ASSETS			
CURRENT ASSETS			
Cash	$ 74,522	$ 87,831	$ 363,275
Accounts receivable	623,231	576,683	655,614
Inventory	1,272,531	1,227,807	984,037
Prepaid expenses and other current assets	26,208	10,303	20,469
Notes receivable - Current portion	262,840	216,248	11,883
Total current assets	2,259,332	2,118,872	2,035,278
PROPERTY AND EQUIPMENT			
Building	1,845,500	1,845,500	1,845,500
Land	114,500	114,500	114,500
Leasehold improvements	413,436	399,822	291,072
Equipment	4,388,015	4,195,210	3,728,991
Vehicles	802,062	802,062	747,444
Total property and equipment	7,563,513	7,357,094	6,727,507
Less: Accumulated depreciation	(4,848,364)	(4,456,609)	(4,173,016)
Net property and equipment	2,715,149	2,900,485	2,554,491
OTHER ASSETS			
Deferred tax asset	127,000	465,000	741,444
Trademarks	78,937	78,937	78,937
Other assets	122,534	126,734	130,934
Total other assets	328,471	670,671	951,315
Total assets	$ 5,302,952	$ 5,690,028	$ 5,541,084

See notes to consolidated financial statements.

Shaw Coffee Company and subsidiaries
Consolidated Balance Sheets
As of June 30, 2018, 2017, and 2016

		2018		2017		2016
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable	$	698,864	$	644,634	$	787,879
Accrued expenses		136,619		150,779		144,353
Line of credit		212,262		168,043		338,341
Deferred revenue		253,636		235,137		244,966
Current portion of long-term debt and capital leases		263,135		305,961		281,614
Total current liabilities		1,564,516		1,504,554		1,797,153
LONG-TERM LIABILITIES						
Long-term debt and capital leases, less current portion		2,832,634		3,066,742		2,873,883
Deferred tax liability		204,000		327,000		196,219
Total long-term liabilities		3,036,634		3,393,742		3,070,102
Total liabilities		4,601,150		4,898,296		4,867,255
Total stockholders' equity		701,802		791,732		673,829
Total liabilities and stockholders' equity	$	5,302,952	$	5,690,028	$	5,541,084

See notes to consolidated financial statements.

Shaw Coffee Company and subsidiaries
Consolidated Statements of Operations
For the years ended June 30, 2018, 2017, and 2016

	2018	2017	2016
Revenue			
Retail sales	$ 4,392,551	$ 4,611,039	$ 4,512,430
Product and equipment sales to franchisees	1,875,875	2,130,881	2,317,134
Franchise royalty revenue and fees	692,014	1,149,771	812,166
Wholesale sales	3,952,822	3,986,398	4,432,504
Other revenue	295,310	340,636	332,999
Total revenue	11,208,572	12,218,725	12,407,233
Less : Operating costs and expenses			
Cost of goods sold	5,785,123	6,406,978	7,076,046
Selling, general and administrative	3,247,305	3,329,712	3,187,291
Store operating expenses	226,313	266,551	256,339
Other operating expenses	551,154	527,545	589,474
Advertising	200,775	302,653	206,266
Depreciation and amortization	392,465	345,493	387,744
Total operating costs and expenses	10,403,135	11,178,932	11,703,160
Operating earnings before gain/(loss) on disposal of fixed assets	805,437	1,039,793	704,073
Gain/(loss) on disposal of fixed assets	(686)	11,436	8,420
Operating earnings	804,751	1,051,229	712,493
Less : Other expense			
Interest expense	224,548	225,889	218,747
Total other expense	224,548	225,889	218,747
Earnings before income taxes	580,203	825,340	493,746
Income tax expense	191,887	434,437	252,775
Net earnings/(loss) before unusual item	388,316	390,903	240,971
Change in deferred taxes due to tax rate change	51,400	-	-
Net earnings/(loss)	$ 336,916	$ 390,903	$ 240,971

See notes to consolidated financial statements.

Shaw Coffee Company and subsidiaries
Consolidated Statements of Stockholders' Equity
For the years ended June 30, 2018, 2017, and 2016

	Common Stock	Paid-in Capital	Retained Earnings	Members' Equity	Total Stockholders' Equity
Balance at June 30, 2015	$ 48,689	$ 391,332	$ 265,332	$ 505	$ 705,858
Comprehensive income					
Net earnings for 2016	-	-	240,121	850	240,971
Dividends paid for 2016	-	-	(273,000)	-	(273,000)
Balance at June 30, 2016	48,689	391,332	232,453	1,355	673,829
Comprehensive income					
Net earnings for 2017	-	-	388,430	2,473	390,903
Dividends paid for 2017	-	-	(273,000)	-	(273,000)
Balance at June 30, 2017	48,689	391,332	347,883	3,828	791,732
Comprehensive income					
Net earnings for 2018	-	-	334,443	2,473	336,916
Dividends paid for 2018	-	-	(426,846)	-	(426,846)
Balance at June 30, 2018	$ 48,689	$ 391,332	$ 255,480	$ 6,301	$ 701,802

See notes to consolidated financial statements.

Shaw Coffee Company and subsidiaries
Consolidated Statements of Cash Flows
For the years ended June 30, 2018, 2017, and 2016

	2018	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	$ 336,916	$ 390,903	$ 240,971
Adjustments to reconcile net earnings/(loss) to net cash provided by/(used in) operating activities			
Depreciation and amortization	392,465	345,493	387,744
Net (gain) loss on disposal of property and equipment	686	(11,436)	(8,420)
Decrease/(increase) in:			
Accounts receivable	(46,549)	78,931	(295,969)
Inventory	(44,724)	(243,770)	149,639
Prepaid expenses and other assets	(58,298)	(189,999)	5,996
Deferred tax asset	338,000	276,444	163,503
Increase/(decrease) in:			
Accounts payable	54,230	(143,244)	147,174
Accrued expenses	(14,160)	6,426	(121,855)
Deferred revenue	18,499	(9,829)	(35,686)
Deferred tax liability	(123,000)	130,781	89,272
NET CASH PROVIDED BY OPERATING ACTIVITIES	854,065	630,700	722,369
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property and equipment	(211,418)	(691,552)	(375,081)
Proceeds from sales of property and equipment	3,600	11,500	30,000
NET CASH USED IN INVESTING ACTIVITIES	(207,818)	(680,052)	(345,081)
NET CASH FLOWS CARRIED FORWARD	$ 646,247	$ (49,352)	$ 377,288

See notes to consolidated financial statements.

Shaw Coffee Company and subsidiaries
Consolidated Statements of Cash Flows
For the years ended June 30, 2018, 2017, and 2016

	2018	2017	2016
NET CASH FLOWS BROUGHT FORWARD	$ 646,247	$ (49,352)	$ 377,288
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments on long-term debt, line of credit and capital leases	(409,929)	(457,501)	(502,424)
Proceeds from long-term debt, line of credit and capital leases	177,219	504,409	290,745
Dividends paid	(426,846)	(273,000)	(273,000)
NET CASH (USED IN)/PROVIDED BY FINANCING ACTIVITIES	(659,556)	(226,092)	(484,679)
Net (decrease) / increase in cash	(13,309)	(275,444)	(107,391)
CASH AT BEGINNING OF YEAR	87,831	363,275	470,666
CASH AT END OF YEAR	$ 74,522	$ 87,831	$ 363,275
SUPPLEMENTAL DISCLOSURES			
Interest paid	$ 224,548	$ 225,889	$ 218,747
Cash paid for income taxes			
Federal	$ 2,660	$ -	$ 6,442
Michigan	$ 25,626	$ 27,212	$ 8,837

See notes to consolidated financial statements.

Note 1 - Summary of Significant Accounting Policies

Organization

The Shaw Coffee Company (the Company) is the holding company of The Coffee Beanery Limited and Shaw Services, Inc. The Coffee Beanery Limited owns, operates, and franchises retail stores of specialty coffee beverages and coffee related products. The Coffee Beanery Limited also purchases, roasts, and distributes coffee beans to the retail locations. Shaw Services, Inc. provides coffee and related equipment to commercial customers. FMI Properties, LLC is a variable interest entity that leases manufacturing, office, and warehouse space to the Coffee Beanery and Shaw Services.

Basis of Accounting

The Company prepares its financial statements on the accrual basis of accounting, in compliance with accounting principles generally accepted in the United States of America.

Basis of Consolidation

The consolidated financial statements as of and for the years ended June 30, 2018, 2017, and 2016 include the financial statements of The Coffee Beanery Limited, Shaw Services, Inc. and FMI Properties LLC, a variable interest entity of which the Company and its subsidiaries are the primary beneficiary. All significant intercompany accounts and transactions have been eliminated upon consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Balance Sheet Financial Statements

The carrying amounts reported in the balance sheets for cash, accounts receivable and accounts payable approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amount of long-term debt approximates fair value because the interest rate for these instruments approximates current market rates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all short-term debt securities with a maturity of three months or less to be cash equivalents.

Note 1 - Summary of Significant Accounting Policies (continued)

Accounts Receivable

Trade receivables and notes receivables are carried at their estimated collectable amounts. Interest income on notes receivable is accrued on a monthly basis. Interest on impaired notes receivable is recognized as the cash is collected or on a cost-recovery basis. Trade credit is generally extended on a short-term basis; thus trade receivables do not bear interest, although a finance charge may be applied to such receivables that are more than 30 days past due.

Credit Risk

The Company has no significant off-balance sheet risks related to foreign exchange contracts, option contracts or other foreign hedging arrangements.

The Company currently maintains its cash equivalent balance with various banks insured by the Federal Deposit Insurance Corporation up to $250,000.

The Company, by policy, routinely assesses the financial strength of its customers. As a result, the Company believes that its accounts receivable credit risk exposure is limited and has not experienced significant write-downs in its accounts receivable balances.

Inventory

The Company states inventory at the lower of cost or net realizable value. The Company computes cost using the first-in, first-out method of inventory valuation. Inventory consists principally of unroasted and roasted coffee beans and related coffee supplies and equipment.

Property and Equipment

Property, plant and equipment are stated at cost. Depreciation is computed primarily using the straight-line method over the estimated useful lives of the assets as follows:

Leasehold improvements	7 to 40 years
Machinery and equipment	7 to 10 years
Office furniture and equipment	3 to 7 years
Transportation equipment	5 to 10 years
Vehicles	5 years

Depreciation expensed for the year amounted to $392,465 (2017: $345,493; 2016: $387,744).

Leasehold improvements are amortized over the shorter of the useful life of the related assets or the lease term. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any related gain or loss is reflected in income for the period.

Note 1 - Summary of Significant Accounting Policies (continued)

Long-Lived Assets

The Company periodically reviews its long-lived assets for possible impairment issues.

Intangible Assets

Intangible assets consist of trademarks and goodwill. Trademarks have an indefinite life and are not amortized. Goodwill is subject to impairment and is not amortized.

Derivative Financial Instruments

The Company enters into various forward contracts for the purchase of unroasted coffee beans at specified prices and quantities for periods generally not exceeding twelve months. It is probable at inception and throughout the life of the forward contract that the Company will not settle net and the contract will result in physical delivery. As such, the Company accounts for these forward contracts using the normal purchase and sale exception.

Planned Major Maintenance

The Company uses the direct expensing method to account for planned major maintenance activities.

Sales Tax

Collected sales tax is included in accrued expenses.

Revenue Recognition

Initial franchise fees are recognized as revenue when services required under the franchise agreement have been performed by The Coffee Beanery Limited. Franchise royalty revenues are based on franchisees' sales and are recognized as earned. Product and equipment revenue is recorded when legal title is transferred to the customer, generally when the product is shipped.

Advertising

The Company expenses the cost of advertising as incurred.

Shipping and Handling Costs

The Company records shipping and handling cost in cost of goods sold.

Note 1 - Summary of Significant Accounting Policies (continued)

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year and deferred taxes on temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. Deferred tax assets and liabilities are included in the consolidated financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled as prescribed in FASB ASC 740. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

Effective January 1, 2009, the Company implemented the accounting guidance for uncertainty in income taxes using the provisions of FASB ASC 740. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the positions will be sustained upon.

FMI Properties, LLC is taxed as a disregarded entity under the personal tax return of its owners. As a result the Company does not recognize current or deferred tax charges for this entity.

Current year taxable income varies from income before taxes primarily due to the use of the net operating losses and of an accelerated depreciation method for tax reporting purposes. At June 30, 2018, the Company had $55,205 (2017: $571,898; 2016: $1,097,096) in net operating loss carry forwards available for Federal income tax purposes. The carry forwards expire from 2029 through 2035.

Shaw Coffee Company files a consolidated tax return that includes the activities of the Shaw Coffee Company Inc., The Coffee Beanery Limited and Shaw Services, Inc. The Company files income tax returns in the U.S. Federal jurisdiction and various state jurisdictions. The statute of limitation is generally three years for federal returns, four years for Michigan returns, and four years for Ohio returns.

As of June 30, 2018, the Company had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

Foreign Currency Translation

Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Income and expense accounts are translated at the average monthly exchange rates during the year. Resulting translation adjustments are recorded as a component of accumulated other comprehensive income on the consolidated balance sheets.

Note 1 - Summary of Significant Accounting Policies (continued)

Subsequent Events

Management has evaluated subsequent events through September 28, 2018 which is the date the financial statements were available to be issued.

Note 2 – Accounts Receivable

Following is a summary of accounts receivable at June 30, 2018, 2017, and 2016:

	June 30,		
	2018	**2017**	**2016**
Trade accounts receivable	$ 623,231	$ 576,683	$ 655,614

The customers with the five largest accounts receivable balances accounted for 59% of the total accounts receivable as of June 30, 2018 (57% as of June 30, 2017 and 66% as of June 30, 2016). Trade accounts receivable have been secured as collateral for long term debt.

Note 3 - Franchise Royalty Revenue

Included in 2018 franchise revenues of $692,014 are initial franchise fees of $41,585, advertising contributions of $95,599 and royalties of $554,830.

Included in 2017 franchise revenues of $1,149,771 are initial franchise fees of $78,000, advertising contributions of $477,097 and royalties of $594,674.

Included in 2016 franchise revenues of $812,166 are initial franchise fees of $67,913, advertising contributions of $122,628 and royalties of $621,625.

Note 4 - Corporate-Owned and Franchise Stores

	Corporate Owned Stores	Franchise Stores	International Stores	Total Stores
Stores at: June 30, 2015	2	49	22	73
- New Stores Opened	-	5	-	5
- Sold to Franchisee	-	-	-	-
- Stores Closed	-	(4)	-	(4)
Stores at: June 30, 2016	2	50	22	74
- New Stores Opened	-	4	2	6
- Sold to Franchisee	-	-	-	-
- Stores Closed	-	(7)	(4)	(11)
Stores at: June 30, 2017	2	47	20	69
- New Stores Opened	-	4	-	4
- Sold to Franchisee	-	-	-	-
- Stores Closed	(1)	(9)	(1)	(11)
Stores at: June 30, 2018	1	42	19	62

Note 5 – Debt

	June 30,		
	2018	**2017**	**2016**
Short term debt is comprised of:			
Line of Credit - Huntington National Bank *Credit facility of $350,000 bearing interest at 5.5% and secured by all assets.*	$ 202,262	$ 148,043	$ 338,341
Line of Credit - Huntington National Bank *Credit facility of $25,000 bearing interest at 3.8% and secured by all assets.*	10,000	20,000	-
Total short term debt	**$ 212,262**	**$ 168,043**	**$ 338,341**

Note 5 – Debt (continued)

	June 30,		
	2018	**2017**	**2016**
Long term debt is comprised of:			
Capital leases:			
- Capital lease with monthly payments of $2,806 at an effective interest rate of 0.34% maturing in February 2022 and secured by equipment.	$ 114,418	$ 142,754	$ -
- Capital lease with monthly payments of $3,836 at an effective interest rate of 0.34% maturing in November 2021 and secured by equipment.	146,543	185,691	-
- Capital lease with monthly payments of $808 at an effective interest rate of 7.62% maturing in October 2016 and secured by vehicles and equipment.	-	-	1,734
Total capital leases	$ 260,961	$ 328,445	$ 1,734
Notes and loans payable:			
- Note payable with monthly payments totaling $1,219 bearing interest at 4.09%, maturing in March 2023 and secured by vehicles.	$ 62,907	$ 74,699	$ -
- Note payable with monthly payments totaling $908 bearing interest at 5.25%, maturing in September 2020 and secured by vehicles.	22,285	30,966	-
- Note payable with monthly payments totaling $569 bearing interest at 3.94%, maturing in January 2018 and secured by vehicles.	-	3,914	10,475
- Note payable with monthly payments totaling $625 bearing interest at 3.94%, maturing in June 2018 and secured by vehicles.	-	6,739	14,392
- Note payable with monthly payments totaling $653 bearing interest at 3.94%, maturing in June 2018 and secured by vehicles.	-	7,659	15,069

Note 5 – Debt (continued)

	June 30,		
	2018	**2017**	**2016**
- Note payable with monthly payments totaling $653 bearing interest at 3.94%, maturing in June 2018 and secured by vehicles.	$ -	$ 6,596	$ 12,978
- Note payable with monthly payments totaling $563 bearing interest at 3.94%, maturing in June 2018 and secured by vehicles.	-	6,597	12,980
- Note payable with monthly payments totaling $723 bearing interest at 3.95%, maturing in February 2018 and secured by vehicles.	-	5,700	13,975
- Note payable with monthly payments totaling $1,030 bearing interest at 0.0%, maturing in July 2017 and secured by vehicles.	-	-	12,358
- Note payable with monthly payments of $1,671 plus interest at 0.25% below prime, maturing in March 2019 and secured by equipment.	15,044	35,099	55,153
- Note payable with monthly payments totaling $526 bearing interest at 3.89%, maturing in April 2019 and secured by vehicles.	-	10,665	16,912
- Note payable with monthly payments totaling $1,004 bearing interest at 0.0%, maturing in November 2017 and secured by vehicles.	-	5,020	17,069
- Note payable with monthly payments totaling $1,324 bearing interest at 0.0%, maturing in January 2018 and secured by vehicles.	-	9,268	25,156
- Note payable with monthly payments totaling $1,091 bearing interest at 0.0%, maturing in March 2018 and secured by vehicles.	-	10,315	23,480
- Note payable with monthly payments totaling $359 bearing interest at 5.0%, maturing in April 2019 and secured by vehicles.	3,513	7,541	11,372

Note 5 – Debt (continued)

	June 30,		
	2018	**2017**	**2016**
- Note payable with monthly payments totaling $1,868 bearing interest at 6.3%, maturing in January 2025 and secured by equipment.	$ 118,631	$ 133,262	$ 147,013
- Unsecured note payable to shareholder with monthly payments of $5,365 bearing interest at 4.0%.	36,894	51,505	27,309
- Note payable with monthly payments of $1,699 bearing interest at 3.79%, maturing in April 2019 and secured by vehicles.	16,694	36,043	54,674
- Note payable with monthly payments of $1,015 bearing interest at 0.92%, maturing in July 2018 and secured by vehicles.	1,014	13,124	25,122
- Note payable with monthly payments of $1,866 bearing interest at 6.3%, maturing in January 2025 and secured by equipment.	88,982	98,703	108,084
- Note payable with monthly payments of $692 bearing interest at 4.79%, maturing in August 2020 and secured by equipment.	8,534	23,173	30,758
- Unsecured note payable to shareholder with monthly payments of $1,975 bearing interest at 0.60%.	24,446	-	-
- Unsecured note payable to shareholder with monthly payments of $995 bearing interest at 0.67%.	22,000	-	-

Note 5 – Debt (continued)

	June 30,		
	2018	**2017**	**2016**
- Note payable with monthly payments totaling $16,324 bearing interest at 5.49%, maturing in February 2039 and secured by the Small Business Administration, land and buildings and accounts receivable.	$ 2,413,864	$ 2,467,670	$ 2,519,434
Total notes and loans payable:	$ 2,834,808	$ 3,044,258	$ 3,153,763
Total long term debt	$ **3,095,769**	$ **3,372,703**	$ **3,155,497**
Less current portion:	263,135	305,961	281,614
Net long term debt	$ **2,832,634**	$ **3,066,742**	$ **2,873,883**

The future maturities of long-term debt as of June 30, 2018 are as follows:

June 30, 2019	$ 263,135
June 30, 2020	204,076
June 30, 2021	193,179
June 30, 2022	162,689
June 30, 2023	124,637
Thereafter	2,148,053
Total long term debt	**$ 3,095,769**

Note 6 - Income Taxes, Deferred Income Taxes and Unusual Item

The provision for taxes on income consists of the following:

	June 30,		
	2018	**2017**	**2016**
Current taxation	$ 28,287	$ 20,500	$ 11,205
Deferred tax charge	163,600	413,937	241,570
Change in deferred tax due to tax rate change	51,400	-	-
	$ 243,287	**$ 434,437**	**$ 252,775**

Note 6 - Income Taxes, Deferred Income Taxes and Unusual Item (continued)

The following represents the approximate tax effect of each significant type of temporary difference giving rise to deferred tax balances:

	June 30,		
	2018	**2017**	**2016**
Deferred tax asset:			
Net operating losses carried forward and reserves on other assets	$ 127,000	$ 465,000	$ 741,444
Deferred tax liability:			
Property, plant & equipment	$ 204,000	$ 327,000	$ 196,219

Note 7 – Common Stock

Common stock of the Company is comprised of:

	June 30,		
	2018	**2017**	**2016**
The Shaw Coffee Company, Incorporated			
Incorporated in Michigan in 1983			
Authorized : 50,000 shares of Common Stock at $1.00 per share	$ 50,000	$ 50,000	$ 50,000
Issued : 48,689 shares of Common Stock at $1.00 per share	$ 48,689	$ 48,689	$ 48,689

Note 8 – Lease Commitments

The Coffee Beanery leases a retail store under an operating lease which expired on January 31, 2018. The Coffee Beanery continued the lease the remainder of the year ended June 30, 2018 on a month-to-month basis, with 30 days written notice given subsequent to year end. The store's lease provided for additional rental payments based upon a percentage of sales in excess of a stipulated value.

The Coffee Beanery entered into a new retail store operating lease on May 4, 2018, to commence when the store opens for business. The lease will expire in seven years, with (2) five year options to extend the lease. Minimum annual rental commitments under this lease are $61,750 for years 1-5 and $66,063 for years 6-7. Subsequent to year-end, construction has begun at the new retail store.

Rental expense approximated $41,247 annually for 2017, 2016, and 2015, and is included in selling, general and administrative expenses.

Note 9 – Related Party Transactions

The related transactions between the Shaw Coffee Company, The Coffee Beanery Limited, Shaw Services, Inc., and FMI Properties, LLC have been eliminated during the consolidation for the years ended June 30, 2018, 2017, and 2016.

Notes payable to shareholders amounted to $83,340, $51,505, and $27,309 at June 30, 2018, 2017, and 2016 respectively. These amounts and the terms of the notes are included in Note 5 –Debt, set out above.

Shaw Services, Inc. purchases coffee from The Coffee Beanery Limited. At year-end Shaw Services, Inc. owed The Coffee Beanery Limited $319,870. Coffee purchases amounted to $1,090,240 for the year. These amounts have been eliminated on consolidation.

Notes payable to The Coffee Beanery Limited from Shaw Services, Inc. was $240,950 at year-end. These amounts have been eliminated on consolidation.

The Company rents its headquarters from FMI Properties, LLC. Rent paid to FMI Properties, LLC amounted to $132,000 for the year. Shaw Services, Inc. rents its warehouse space from The Coffee Beanery Limited. Rent paid to The Coffee Beanery Limited amounted to $48,000 for the year. These amounts has been eliminated on consolidation.

Note 10 – Commitments and Contingencies

The Coffee Beanery has entered into various futures contracts for the purchase of coffee beans at specified prices and quantities for various periods generally not exceeding six months.

The Coffee Beanery's obligation under those contracts amounted to $1,508,372 $1,428,768 and $976,959 as of June 30, 2018, 2017 and 2016 respectively.

Note 11– Employee Benefit Plans

The Company has a defined contribution 401(k) pension plan covering employees meeting certain eligibility requirements. The Company made contributions based on each participant's contribution amounting to $20,936, for the year ended June 30, 2018 ($22,280 and $19,277 for the years ended June 30, 2017 and 2016 respectively).

Taylor & Morgan | CPAs AND BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

September 28, 2018

To the Board of Directors and Stockholders
of Shaw Coffee Company, Incorporated

We have audited the consolidated financial statements of Shaw Coffee Company, Incorporated and its subsidiaries for the year ended June 30, 2018, and our report thereon dated September 28, 2018, which expressed an unqualified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole.

The supplementary consolidating balance sheets, supplementary consolidating statements of operations, supplementary consolidating statements of stockholders' equity and supplementary consolidating statements of cash flows are presented for purposes of additional analysis and are not required parts of the consolidated financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

This information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Taylor & Morgan

Taylor & Morgan, P.C.
Certified Public Accountants

FLINT, MI OFFICE
G-2302 STONEBRIDGE DRIVE, BUILDING D,
FLINT, MICHIGAN 48532
OFFICE # (810) 230-8200 FAX # (810) 230-8203

TROY, MI OFFICE
3150 LIVERNOIS ROAD, SUITE 150
TROY, MICHIGAN 48083
OFFICE # (248) 688-9399 FAX # (248) 688-9397

CHARLOTTE, NC OFFICE
8832 BLAKENEY PROFESSIONAL DRIVE, SUITE 107
CHARLOTTE, NORTH CAROLINA 28277
OFFICE # (704) 887-5229 FAX # (810) 230-8203

GRAND BLANC, MI OFFICE
9400 SOUTH SAGINAW STREET, SUITE B
GRAND BLANC, MICHIGAN 48439
OFFICE # (810) 771-4178 FAX # (810) 771-4178

Taylor & Morgan, C.P.A, P.C.

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Balance Sheets
As of June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
ASSETS						
CURRENT ASSETS						
Cash	$ -	$ 43,533	$ 30,989	$ -	$ -	$ 74,522
Accounts receivable	-	445,480	177,751	-	-	623,231
Accounts receivable from related party	-	319,870	-	-	(319,870)	-
Inventory	-	908,677	363,854	-	-	1,272,531
Investments	440,021	-	-	-	(440,021)	-
Prepaid expenses and other current assets	-	26,208	-	-	-	26,208
Notes receivable - Current portion	-	222,840	40,000	-	-	262,840
Notes receivable from related party - Current portion	-	12,000	-	-	(12,000)	-
Total current assets	440,021	1,978,608	612,594	-	(771,891)	2,259,332
PROPERTY AND EQUIPMENT						
Building	-	-	-	1,845,500	-	1,845,500
Land	-	-	-	114,500	-	114,500
Leasehold improvements	-	381,107	32,329	-	-	413,436
Equipment	-	3,238,983	1,149,032	-	-	4,388,015
Vehicles	-	447,167	354,895	-	-	802,062
Total property and equipment	-	4,067,257	1,536,256	1,960,000	-	7,563,513
Less: accumulated depreciation	-	(3,010,669)	(1,305,340)	(532,355)	-	(4,848,364)
Net property and equipment	-	1,056,588	230,916	1,427,645	-	2,715,149
OTHER ASSETS						
Deferred tax asset	-	119,380	7,620	-	-	127,000
Notes receivable from related party	-	228,950	-	-	(228,950)	-
Trademarks	-	78,937	-	-	-	78,937
Other assets	-	80,908	41,626	-	-	122,534
Total other assets	-	508,175	49,246	-	(228,950)	328,471
Total assets	$ 440,021	$ 3,543,371	$ 892,756	$ 1,427,645	$ (1,000,841)	$ 5,302,952

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Balance Sheets
As of June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
LIABILITIES AND STOCKHOLDERS' EQUITY						
CURRENT LIABILITIES						
Accounts payable	$ -	$ 515,503	$ 183,361	$ -	$ -	$ 698,864
Accounts payable from related party	-	-	319,870	-	(319,870)	-
Accrued expenses	-	105,096	31,523	-	-	136,619
Line of credit	-	202,262	10,000	-	-	212,262
Deferred revenue	-	218,949	34,687	-	-	253,636
Current portion of long-term debt and capital leases	-	171,415	19,233	37,479	-	228,127
Current portion of long-term debt from related party	-	-	47,008	-	(12,000)	35,008
Total current liabilities	-	1,213,225	645,682	37,479	(331,870)	1,564,516
LONG TERM LIABILITIES						
Long-term debt and capital leases, less current portion	-	1,398,110	39,221	1,383,865	-	2,821,196
Long-term debt from related party, less current portion	-	-	240,388	-	(228,950)	11,438
Deferred tax liability	-	191,760	12,240	-	-	204,000
Total long term liabilities	-	1,589,870	291,849	1,383,865	(228,950)	3,036,634
Total liabilities	-	2,803,095	937,531	1,421,344	(560,820)	4,601,150
STOCKHOLDERS' EQUITY						
Common stock	48,689	47,308	1,381	-	(48,689)	48,689
Paid-in capital	391,332	210,828	180,504	-	(391,332)	391,332
Retained earnings/(deficit)	-	482,140	(226,660)	-	-	255,480
Members' equity	-	-	-	6,301	-	6,301
Total stockholders' equity	440,021	740,276	(44,775)	6,301	(440,021)	701,802
Total liabilities and stockholders' equity	$ 440,021	$ 3,543,371	$ 892,756	$ 1,427,645	$ (1,000,841)	$ 5,302,952

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Statements of Operations
For the year ended June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
Revenue						
Retail sales	$ -	$ 1,133,848	$ 3,258,703	$ -	$ -	$ 4,392,551
Product and equipment sales to franchisees	-	1,875,875	-	-	-	1,875,875
Franchise royalty revenue and fees	-	692,014	-	-	-	692,014
Wholesale sales	-	4,964,356	78,706	-	(1,090,240)	3,952,822
Other revenue	426,846	179,594	163,717	132,000	(606,846)	295,310
Total revenue	426,846	8,845,687	3,501,126	132,000	(1,697,087)	11,208,573
Less : Operating cost and expenses						
Cost of goods sold	-	4,896,433	1,978,930	-	(1,090,240)	5,785,123
Selling, general and administrative	-	2,006,266	1,421,039	-	(180,000)	3,247,305
Store operating expenses	-	226,313	-	-	-	226,313
Other operating expenses	-	551,154	-	-	-	551,154
Advertising	-	200,775	-	-	-	200,775
Depreciation and amortization	-	242,043	103,102	47,320	-	392,465
Total operating costs and expenses	-	8,122,984	3,503,071	47,320	(1,270,240)	10,403,135
Operating earnings before loss on disposal of fixed assets	426,846	722,703	(1,946)	84,680	(426,846)	805,437
Loss on disposal of fixed assets	-	(686)	-	-	-	(686)
Operating earnings	426,846	722,017	(1,946)	84,680	(426,846)	804,751

(continued)

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Statements of Operations
For the year ended June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
Less : other expense						
Interest expense	$ -	$ 139,105	$ 3,236	$ 82,207	$ -	$ 224,548
Total other expense	-	139,105	3,236	82,207	-	224,548
Earnings / (loss) before income taxes	426,846	582,912	(5,182)	2,473	(426,846)	580,203
Income tax expense	-	182,071	9,816	-	-	191,887
Net earnings / (loss) before unusual item	426,846	400,841	(14,998)	2,473	(426,846)	388,316
Change in deferred taxes due to tax rate change	-	48,316	3,084	-	-	51,400
Net earnings / (loss)	$ 426,846	$ 352,525	$ (18,082)	$ 2,473	$ (426,846)	$ 336,916

(concluded)

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Statements of Stockholders' Equity
For the year ended June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties, LLC	Eliminations	Total
Common stock						
Balance at June 30, 2017 & 2018	$ 48,689	$ 47,308	$ 1,381	$ -	$ (48,689)	$ 48,689
No movement for the year						
Paid-in Capital						
Balance at June 30, 2017 & 2018	391,332	210,828	180,504	-	(391,332)	391,332
No movement for the year						
Members' Equity						
Balance at June 30, 2017	-	-	-	3,828	-	3,828
Net earnings / (loss) for 2018	-	-	-	2,473	-	2,473
Balance at June 30, 2018	-	-	-	6,301	-	6,301
Retained Earnings						
Balance at June 30, 2017	-	556,461	(208,578)	-	-	347,883
Net earnings / (loss) for 2018	426,846	352,525	(18,082)	-	(426,846)	334,443
Dividends paid for 2018	(426,846)	(426,846)	-	-	426,846	(426,846)
Balance at June 30, 2018	-	482,140	(226,660)	-	-	255,480
Stockholders' equity at June 30, 2018	$ 440,021	$ 740,276	$ (44,775)	$ 6,301	$ (440,021)	$ 701,802

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Statements of Cash Flows
For the year ended June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties LLC	Eliminations	Total
Cash flows from operating activities						
Net earnings/(loss)	$ 426,846	$ 352,525	$ (18,082)	$ 2,473	$ (426,846)	$ 336,916
Adjustments to reconcile net earnings / (loss)						
to net cash provided by operating activities						
Depreciation and amortization	-	242,043	103,102	47,320	-	392,465
Net (gain) loss on disposal of property	-	686	-	-		686
Decrease / (increase) in:						
Accounts receivable	-	(164,269)	(40,712)	-	158,432	(46,549)
Inventory	-	(39,111)	(5,613)	-	-	(44,724)
Prepaid expenses and other assets	-	18,702	(20,000)	-	(57,000)	(58,298)
Deferred tax asset	-	317,720	20,280	-	-	338,000
Increase / (decrease) in:						
Accounts payable	-	(4,325)	216,987	-	(158,432)	54,230
Accrued expenses	-	(23,898)	9,738	-	-	(14,160)
Deferred revenue	-	55,840	(37,341)	-	-	18,499
Deferred tax liability	-	(115,620)	(7,380)	-	-	(123,000)
Net cash provided by / (used in) operating activities	426,846	640,292	220,980	49,793	(483,846)	854,065
Cash flows from investing activities						
Purchases of property and equipment	-	(91,822)	(119,596)	-	-	(211,418)
Proceeds from sales of property and equipment	-	3,600	-	-	-	3,600
Net cash used in investing activities	-	(88,222)	(119,596)	-	-	(207,818)

(continued)

Shaw Coffee Company and subsidiaries
Supplementary Consolidating Statements of Cash Flows
For the year ended June 30, 2018

	The Shaw Coffee Company, Inc.	The Coffee Beanery, Ltd.	Shaws Services, Inc.	FMI Properties LLC	Eliminations	Total
Cash flows from financing activities						
Payments to retire debt	-	(208,092)	(152,044)	(49,793)	-	(409,929)
Proceeds from new debt raised	-	54,219	66,000	-	57,000	177,219
Dividends paid	(426,846)	(426,846)	-	-	426,846	(426,846)
Net cash provided by / (used in) financing activities	(426,846)	(580,719)	(86,044)	(49,793)	483,846	(659,556)
Net increase / (decrease) in cash	-	(28,649)	15,340	-	-	(13,309)
Cash, beginning of the year	-	72,182	15,649	-	-	87,831
Cash, end of the year	$ -	$ 43,533	$ 30,989	$ -	$ -	$ 74,522

(concluded)

EXHIBIT D
TO FRANCHISE
DISCLOSURE DOCUMENT

TABLE OF CONTENTS TO MANUALS

Volume 1 – Getting Started

EXHIBIT D
TO FRANCHISE
DISCLOSURE DOCUMENT

TABLE OF CONTENTS TO MANUALS

Volume 1 – Getting Started

Volume 2 – Franchise Training Manual

Volume 3 – Let's Sell More (Local Store Marketing)

Chapter	Title	
1	Marketing Basics	1
2	How to Make a Marketing Plan	3
3	Grand Opening Marketing	4
4	First 6 Month's Plan	2
5	3 Day Event Schedule	1
6	Order Form for Marketing Materials	3
7	CB Loyalty Program	1
8	Social Media Set Up and Best Practices	3
9	Fundraising	1
10	Neighbor of the Day	1
11	Catering	1
12	Public Relations	1
13	LTO's and Seasonal	1
14	Convention	1
15	Franchisee Advisory Council	1
16	Soft Opening/Grand Opening/Local Advertising	1
17	When to Call Us	1
18	Press Release Input Form	1

Volume 5 – Approved Vendor Guide

Chapter	Title	# of Pages
1	Use of the Authorized Vendor Guide	1
2	Retail Product Category Definitions	1
3	Vendors	84

The total number of pages in our Franchise Operations Training Manual is between 312 and 518 depending upon your Store and the products you choose to offer. Our Employee Training Manual is 150 pages and the POS training manual for the point of sale equipment is 77 pages.

EXHIBIT E-1
TO FRANCHISE
DISCLOSURE DOCUMENT

CONFIDENTIALITY AND NON-COMPETITION AGREEMENT
(For use by Franchisee with Employees, consultants and investors)

This Agreement is entered into on ________________________, 20___ by and between ____ ("**Store Owner**") and ____ ("**Individual**").

RECITALS

A, Store Owner and The Coffee Beanery, Ltd. ("**CBL**") are parties to a Franchise Agreement dated _____________________ ("**Franchise Agreement**").

B. Pursuant to the Franchise Agreement, Store Owner receives certain confidential information from CBL concerning the CBL system, and has agreed to certain covenants restricting in-term and post-term non-competition with CBL.

C. Store Owner has represented to CBL that, at CBL's request, Store Owner will secure from certain persons associated with Store Owner confidentiality and non-competition covenants similar to those provided by Store Owner to CBL under the Franchise Agreement.

D. Individual is among those persons from whom Store Owner has agreed to secure confidentiality and non-competition covenants, and Individual, by virtue of his/her association with Store Owner, is willing to execute an agreement providing such covenants.

NOW THEREFORE, in consideration of his/her association with Store Owner and One Dollar ($1.00), receipt of which is hereby acknowledged, Individual agrees that:

1. Individual shall not, during the term of his/her association with Store Owner or thereafter, communicate, divulge, or use for the benefit of anyone else, any confidential information, knowledge, or know-how concerning the methods of operation of either CBL's or Store Owner's business which may be communicated to Individual, or which Individual may learn during his/her employment by Store Owner. Individual agrees that any CBL or Store Owner manuals, and any and all matters, information, knowledge, know-how, and techniques which CBL or Store Owner designates as confidential, shall be deemed confidential for purposes of this Agreement.

2. Individual shall not, except as otherwise approved in writing by CBL, either directly or indirectly, for him/herself, or through, on behalf of, or in conjunction with, any person, persons, or legal entity:

a. During the period that Individual is associated with Store Owner and while the Franchise Agreement is in effect, (i) divert or attempt to divert any business or customer of Store Owner's CBL store to any competitor by inducement or otherwise, or do or perform any other act injurious or prejudicial to the goodwill associated with CBL's trademarks or either CBL's or Store Owner's business; or (ii) own, maintain, advise, operate, engage in, be employed by, make loans to, have any interest in or relationship or association with, a business which offers the same or similar products or services as those offered by CBL stores.

b. For a continuous, uninterrupted one (1) year period commencing upon the earlier of the date that (i) Individual's association with Store Owner terminates or (ii) Store Owner's post-term non-competition covenant under its Franchise Agreement with CBL terminates, either directly or indirectly, for him/herself, or through, on behalf of, or in conjunction with any person, persons, or legal entity, own, maintain, advise, operate, engage in, be employed by, make loans to, or have any interest in or relationship or association with a business which offers the same or similar products or services as those offered by CBL stores, and which are located in or within a ten mile radius of the Store Owner's business.

This Section 2 shall not apply to the ownership by Individual of less than five percent (5%) of the outstanding equity securities of any company registered under the Securities Act of 1933 or the Securities Exchange Act of 1934.

3. Individual's obligations set forth in Section 2 of this Agreement shall be subject to the following provisions:

a. If all or any portion of Section 2 is held unreasonable or unenforceable by a court or agency having valid jurisdiction in an unappealed final decision to which CBL is a party, Individual shall be bound by any lesser covenant subsumed within the terms of such covenant that imposes the maximum duty permitted by law, as if the resulting covenant were separately stated in and made a part of this Agreement.

b. CBL shall have the right, in its sole discretion, to reduce the scope of any covenant or any portion thereof set forth in Section 2 hereof, without Individual's consent, effective immediately upon receipt by Individual of written notice thereof; and Individual agrees that it shall comply forthwith with any covenant as so modified.

c. The existence of any claims which Individual may have against CBL or Store Owner shall not constitute a defense to the enforcement by CBL or Store Owner of the provisions of this Agreement.

4. Individual understands and acknowledges that any failure to comply with the requirements of this Agreement will result in irreparable injury to CBL and/or Store Owner for which no adequate remedy at law may be available, and Individual consents to the issuance of, and agrees to pay, all court costs and reasonable attorneys' fees incurred by CBL and/or Store Owner in obtaining, without the posting of any bond, an *ex parte* or other order for injunctive or other legal and/or equitable relief with respect to the requirements of this Agreement.

5. Individual understands and agrees that CBL is a third party beneficiary to this Agreement, and will have a separate and independent right to enforce this Agreement against Individual, regardless of whether Store Owner joins in any such action.

IN WITNESS WHEREOF, this Agreement has been signed on _____________________, 20___.

____
Individual

____
Store Owner

EXHIBIT E-2
TO FRANCHISE
DISCLOSURE DOCUMENT

TEMPLATE FORM OF MUTUAL RELEASE

In consideration of the renewal of the franchise agreement or approval of the assignment and other good and valuable consideration, receipt of which is hereby acknowledged, Store Owner and the Coffee Beanery Ltd. both, for itself or themselves and all natural and legal persons claiming by, through or under them, hereby release the other party and its shareholders, officers, directors, agents, employees, affiliated companies, legal representatives, heirs and assigns from all obligations, claims, debts, demands, covenants, contracts, promises, agreements, liabilities, costs, attorney's fees, actions or causes of action whatsoever, whether known or unknown, which such party had, has or claims to have in the future against any or all of the parties described above as of the effective date of this assignment, which arise out of, are pursuant to, or are related to the Franchise Agreement or the creation, continuation or termination of the franchise relationship, provided however, that, that the Store Owner shall remain obligated to indemnify The Coffee Beanery, Ltd. under those indemnity provisions that survive termination of the Franchise Agreement or any specific indemnity agreements.

WITNESS:	STORE OWNER:
__________________________	______________________________
WITNESS:	THE COFFEE BEANERY, LTD.
__________________________	By:__________________________
	Its: __________________________

(Intentionally Blank)

EXHIBIT E-3
TO FRANCHISE
DISCLOSURE DOCUMENT

GUARANTEE OF SHAW COFFEE COMPANY

(See next page)

GUARANTEE OF PERFORMANCE

For value received, The Shaw Coffee Company, a Michigan corporation (the "Guarantor"), located at 3429 Pierson Place, Flushing, Michigan 48433, absolutely and unconditionally guarantees to assume the duties and obligations of The Coffee Beanery LTD., located at 3429 Pierson Place, Flushing, Michigan 48433 (the "Franchisor"), under its franchise registration in each state where the franchise is registered, and under its Franchise Agreement identified in its 2018 Franchise Disclosure Document, as it may be amended, and as that Franchise Agreement may be entered into with franchisees and amended, modified or extended from time to time. This guarantee continues until all such obligations of the Franchisor under its franchise registrations and the Franchise Agreement are satisfied or until the liability of Franchisor to its franchisees under the Franchise Agreement has been completely discharged, whichever first occurs. The Guarantor is not discharged from liability if a claim by a franchisee against the Franchisor remains outstanding. Notice of acceptance is waived. The Guarantor does not waive receipt of notice of default on the part of the Franchisor. This guarantee is binding on the Guarantor and its successors and assigns.

The Guarantor signs this guarantee at Flushing, Michigan on the 17 day of October, 2019.

Guarantor:

THE SHAW COFFEE COMPANY

By: Jo Anne Shaw

Jo Anne Shaw, CEO & Director

EXHIBIT F
TO FRANCHISE DISCLOSURE DOCUMENT

LIST OF STATE ADMINISTRATORS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, the following are the state administrators responsible for the review, registration, and oversight of franchises in that state:

CALIFORNIA

Commissioner of the Department
of Business Oversight
One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8565

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration
Division
Securities Compliance Branch
335 Merchant St., Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

MARYLAND

Maryland Office of the Attorney General
Securities Division
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Michigan Department of the Attorney General
Consumer Protection Division
Attn: Franchise Section
575 W. Ottawa Street
Lansing, MI 48909
(517) 373-7117
Facsimile (517) 335-1935

MINNESOTA

Commissioner of Commerce
Department of Commerce
85 7th Street, Suite 500
St. Paul, Minnesota 55101
(612) 296-6328

INDIANA

Indiana Secretary of State
Franchise Section
302 West Washington, Room E-111
Indianapolis, Indiana 46204
(317) 232-6681

NEW YORK

New York State Department of Law
Investor Protection Bureau
28 Liberty Street, 21st Floor
New York, New York 10005
(212) 416-8236

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 East Boulevard, Fifth Floor
Bismarck, North Dakota 58505
(701) 224-4712

VIRGINIA

Director, Securities and
Retail Franchising Division
State Corporation Commission
1300 East Main Street
Richmond, Virginia 23219
(804) 371-9051

RHODE ISLAND

Department of Business Regulation
Suite 232
233 Richmond Street
Providence, Rhode Island 02903-4232
(401) 222-3048

WASHINGTON

Department of Financial Institutions
General Administration Building
Securities Division - 3rd Floor West
150 Israel Road, SW
Tumwater, Washington 98503
(360) 902-8760

SOUTH DAKOTA

South Dakota Division of Insurance
Securities Regulation
124 S. Euclid Ave., Suite 104
Pierre, SD 57501-3185
Phone: (605) 773-3563

WISCONSIN

Office of the Commissioner of Securities
Department of Financial Institutions
Fourth Floor
345 West Washington
Madison, Wisconsin 53703
(608) 264-7861

EXHIBIT G
TO FRANCHISE
DISCLOSURE DOCUMENT

AGENTS FOR SERVICE OF PROCESS

We intend to register this Disclosure Document as a "franchise" in some or all of the following states, in accordance with the applicable state law. If and when we pursue franchise registration (or otherwise comply with the franchise investment laws) in these states, we will designate the following state offices or officials as our agents for service of process in those states:

CALIFORNIA

Commissioner of the Department
of Business Oversight
One Sansome Street, Suite 600
San Francisco, California 94104
(415) 972-8565

FLORIDA
Florida Department of Agricultural and
Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

HAWAII

Commissioner of Securities
Department of Commerce
and Consumer Affairs
Business Registration Division
Securities Compliance Branch
335 Merchant St., Room 203
Honolulu, Hawaii 96813
(808) 586-2722

ILLINOIS

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

INDIANA

Indiana Secretary of State

MARYLAND

Maryland Securities Commissioner
Office of the Attorney General
200 St. Paul Place
Baltimore, Maryland 21202-2020
(410) 576-6360

MICHIGAN

Department of Labor and Economic Growth
Corporations and Securities Bureau
611 W. Ottawa
P.O. Box 30222
Lansing, Michigan 48909
(517) 373-7117

MINNESOTA

Minnesota Department of Commerce
85 7th Street, Suite 500
St. Paul, Minnesota 55101
(612) 296-6328

NEW YORK

New York State Department of State

201 State House
200 West Washington Street
Indianapolis, Indiana 46204
(317) 232-6681

Once Commerce Plaza
99 Washington Avenue, 6th Floor
Albany, New York 12231
(518)473-2492

NORTH DAKOTA

Securities Commissioner
State of North Dakota
600 E. Boulevard, Fifth Floor
Bismarck, North Dakota 58505
(701) 224-4712

RHODE ISLAND

Director of Department of Business Regulation
233 Richmond Street
Suite 232
Providence, Rhode Island 02903-4232
(401) 222-3048

SOUTH DAKOTA

Director of Division of Insurance
124 S. Euclid Ave., Suite 104
Pierre, SD 57501-3185
Phone: (605)773-48233

VIRGINIA

Clerk of the State Corporation Commission
1300 East Main Street, 9th Floor
Richmond, Virginia 23219
(804) 371-9733

WASHINGTON

Director of Department of Financial Institutions
Securities Division
150 Israel Road, S.W.
Tumwater, Washington 98503
(360) 902-8760

WISCONSIN

Commissioner of Securities
Fourth Floor
345 West Washington
Madison, Wisconsin 53703
(608) 264-7861

EXHIBIT H
TO FRANCHISE
DISCLOSURE DOCUMENT

THE COFFEE BEANERY, LTD.
COMPLIANCE CERTIFICATION

As you know, The Coffee Beanery, Ltd. ("CBL") and you are preparing to enter into a Franchise Agreement. The purpose of this questionnaire is to determine whether any statements or promises were made to you that CBL has not authorized or that may be untrue, inaccurate or misleading. Please review each of the following questions carefully and provide honest and complete responses to each question. Please note that this Certification must be executed before a Notary Public or other officer authorized to accept oaths.

1. Have you received and personally reviewed the Franchise Agreement and each exhibit attached to it?

Yes _____ No _____

2. Do you understand all of the information contained in the Franchise Agreement and each exhibit attached to it?

Yes _____ No _____

If no, what parts of the Agreement(s) do you not understand? (Attach additional pages, if necessary.)

____

____

____

____

____

3. Have you received and personally reviewed Coffee Beanery's Uniform Franchise Disclosure Document ("FDD") that was provided to you?

Yes _____ No _____

4. Did you sign a receipt for the FDD indicating the date you received it?

Yes _____ No _____

Initials _____

5. Do you understand all of the information contained in the FDD and any state-specific Addendum to the FDD?

Yes _____ No _____

If No, what parts of the FDD and/or Addendum do you not understand? (Attach additional pages, if necessary.)

____

____

____

____

____

6. Have you discussed the benefits and risks of becoming a CBL Franchisee with an attorney, accountant, or other professional advisor?

Yes _____ No _____

7. Do you understand that the success or failure of your CBL Store(s) will depend in large part upon your skills and abilities, competition from other concepts, interest rates, inflation, labor and supply costs, lease terms and other economic and business factors?

Yes _____ No _____

8. Has any employee or other person speaking on behalf of CBL made any statement or promise concerning the revenues, profits or operating costs of any CBL store operated by CBL or its franchisees?

Yes _____ No _____

9. Has any employee or other person speaking on behalf of CBL made any statement or promise regarding the amount of money you may earn in operating a CBL store?

Yes _____ No _____

10. Has any employee or other person speaking on behalf of CBL made any statement or promise concerning the total amount of revenue that will or may be generated by a CBL Store?

Yes _____ No _____

11. Has any employee or other person speaking on behalf of CBL made any statement or promise regarding the costs you may incur in operating a CBL Store that is contrary to or different from the information contained in the FDD?

Yes _____ No _____

Initials _____

12. Has any employee or other person speaking on behalf of CBL made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a CBL Store?

Yes _____ No _____

13. Has any employee or other person speaking on behalf of CBL made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that CBL will furnish to you that is contrary to, or different from, the information contained in the FDD?

Yes _____ No _____

14. Have you entered into any binding agreement with or paid any money to CBL concerning the purchase of this franchise prior to today?

Yes _____ No _____

15. Do you understand that CBL is not granting you any territorial rights under the Franchise Agreement, and that CBL has reserved certain rights under the Franchise Agreement?

Yes _____ No _____

16. Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at CBL's option, at its then-current headquarters?

Yes _____ No _____

17. Do you understand that you (or one of you principals if you are an organization) and/or your designated store manager, must successfully complete the appropriate initial training program(s) before CBL will allow your Store to open?

Yes _____ No _____

18. Did you receive the FDD at least fourteen (14) calendar days before today?

Yes _____ No _____

19. Do you understand that the initial franchise fee is non-refundable under your Franchise Agreement and that you will forfeit the initial franchise fee if the Store is not developed?

Yes _____ No _____

20. Do you understand that Store expenses may exceed Store receipts, particularly in the initial periods of operation, and that you may be required to invest additional working capital to maintain Store operations?

Yes _____ No _____

Initials _____

21. If you have answered "Yes" to any one of questions 8-14 or "No" to question 15-20, please provide a full explanation of each "yes" answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) Otherwise, please leave the following lines blank.

____

____

____

____

____

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions.

The undersigned Applicant(s) swear(s) under oath that the statement and facts set forth above in the foregoing Compliance Certification are true and correct.

APPLICANT

____

________________________________, 20___

Sworn and subscribed to before me on
this the __________ day of _____________, 20 ___.

____
Notary Public

EXHIBIT I
TO FRANCHISE
DISCLOSURE DOCUMENT

STATE SPECIFIC-ADDENDA TO DISCLOSURE DOCUMENT

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

CALIFORNIA CORPORATIONS CODE SECTION 31125 REQUIRES THAT THE FRANCHISOR GIVE THE FRANCHISEE A DISCLOSURE DOCUMENT APPROVED BY THE DEPARTMENT OF BUSINESS OVERSIGHT PRIOR TO A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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

Except as provided in Item 3 of the Franchise Disclosure Document, either we nor any person or franchise broker identified in Item 2 is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities Exchange Act of 1934, 15 U.S.C.A. 78a et seq., suspending or expelling these persons from membership in that association or exchange.

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

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

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

THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAW OF MICHIGAN AND A FORUM OF THE LOCATION WHERE FRANCHISOR'S HEADQUARTERS ARE LOCATED. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

The Franchise Agreement requires the parties to resolve their disputes through non-binding mediation and, if necessary, litigation. The mediation and litigation will be conducted at a venue close to Franchisor's headquarters, and you must reimburse us our costs is we prevail in any litigation proceeding. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.
Regarding our website, http://www.coffeebeanery.com, please note the following:

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

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

The conditions under which the Franchise Agreement can be terminated and your rights upon nonrenewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

For choice of law purposes, and for the interpretation and construction of the Franchise Agreement, Illinois law governs.

Although the Franchise Agreement requires litigation to be instituted in a court in Michigan (or other state where Franchisor's headquarters are located), all litigation must be instituted in a court of competent jurisdiction located in the State of Illinois, subject to the mediation provision of the Franchise Agreement.

Paragraph 3.1.3 of the Franchise Agreement is hereby amended to read as follows:

"3.1.3. Each payment shall be fully earned and non refundable when paid, in consideration of the administrative and other expenses incurred by CBL in entering into this Agreement, and for CBL's lost or deferred opportunity to enter into this Agreement with others, provided, however, that the initial franchise fee shall not be due and payable until we have completed the pre-opening obligations that we have under this Franchise Agreement and the franchisee commences doing business. The initial franchise fee is not refundable."

Section 3.1 of the Franchise Agreement shall be amended by the addition of the following paragraph:

Due to our financial condition, the Illinois Attorney General's Office requires that the payment of initial fees be deferred until such time as the franchisor completes its pre-opening obligation under the Franchise Agreement and the franchise is open for business.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

Neither The Coffee Beanery, Ltd., its parent, nor any person identified in Item 2 has any material arbitration proceeding pending, or has during the ten (10) year period immediately preceding the date of this Disclosure Document been a party to concluded material arbitration proceedings.

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under Indiana law.

Indiana law makes unilateral termination of a franchise unlawful unless there is a material violation of the Franchise Agreement and the termination is not done in bad faith.

Indiana law prohibits a prospective general release of claims subject to the Indiana Deceptive Franchise Practices Law.

ADDENDUM REQUIRED BY THE STATE OF MARYLAND

For franchises and franchisees subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces, supplements and/or otherwise amends, as the case may be, the corresponding disclosures in the main body of the text of The Coffee Beanery, Ltd. Franchise Disclosure Document:

Item 5

Based upon the Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the Franchisor completes its pre-opening obligations under the franchise agreement.

Item 17.

The general release required as a condition to renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

With respect to this Item's discussion of our right to terminate you upon your bankruptcy, this provision in the Franchise Agreement may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.).

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of a franchise.

Exhibit H

With respect to the Franchisee Questionnaire/Compliance Certification, all representations requiring prospective franchisees to assent to a release, estoppel or waiver of any liability are not intended to nor shall they as act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

ADDENDUM REQUIRED BY THE STATE OF MICHIGAN

THE STATE OF MICHIGAN PROHIBITS CERTAIN UNFAIR PROVISIONS THAT ARE SOMETIMES IN FRANCHISE DOCUMENTS. IF ANY OF THE FOLLOWING PROVISIONS ARE IN THESE FRANCHISE DOCUMENTS, THE PROVISIONS ARE VOID AND CANNOT BE ENFORCED AGAINST YOU.

(A) A PROHIBITION OF THE RIGHT OF A FRANCHISEE TO JOIN AN ASSOCIATION OF FRANCHISEES.

(B) A REQUIREMENT THAT A FRANCHISEE ASSENT TO A RELEASE, ASSIGNMENT, NOVATION, WAIVER, OR ESTOPPEL WHICH DEPRIVES A FRANCHISEE OF RIGHTS AND PROTECTIONS PROVIDED IN THIS ACT. THIS SHALL NOT PRECLUDE A FRANCHISEE, AFTER ENTERING INTO A FRANCHISE AGREEMENT, FROM SETTLING ANY AND ALL CLAIMS.

(C) A PROVISION THAT PERMITS A FRANCHISOR TO TERMINATE A FRANCHISE PRIOR TO THE EXPIRATION OF ITS TERM EXCEPT FOR GOOD CAUSE. GOOD CAUSE SHALL INCLUDE THE FAILURE OF THE FRANCHISEE TO COMPLY WITH ANY LAWFUL PROVISION OF THE FRANCHISE AGREEMENT AND TO CURE SUCH FAILURE AFTER BEING GIVEN WRITTEN NOTICE THEREOF AND A REASONABLE OPPORTUNITY, WHICH IN NO EVENT NEED BE MORE THAN 30 DAYS, TO CURE EACH FAILURE.

(D) A PROVISION THAT PERMITS A FRANCHISOR TO REFUSE TO RENEW A FRANCHISE WITHOUT FAIRLY COMPENSATING THE FRANCHISEE BY REPURCHASE OR OTHER MEANS FOR THE FAIR MARKET VALUE AT THE TIME OF EXPIRATION OF THE FRANCHISEE'S INVENTORY, SUPPLIES, MATERIALS, FIXTURES, AND FURNISHINGS. PERSONALIZED MATERIALS WHICH HAVE NO VALUE TO THE FRANCHISOR AND INVENTORY, SUPPLIES, MATERIALS, FIXTURES, AND FURNISHINGS NOT REASONABLY REQUIRED IN THE CONDUCT OF THE FRANCHISE BUSINESS ARE NOT SUBJECT TO COMPENSATION. THIS SUBSECTION APPLIES ONLY IF (i) THE TERM OF THE FRANCHISE IS LESS THAN 5 YEARS AND (ii) THE FRANCHISEE IS PROHIBITED BY THE FRANCHISE OR OTHER AGREEMENT FROM CONTINUING TO CONDUCT SUBSTANTIALLY THE SAME BUSINESS UNDER ANOTHER TRADEMARK, SERVICE MARK, TRADE NAME, LOGOTYPE, ADVERTISING, OR OTHER COMMERCIAL SYMBOL IN THE SAME AREA SUBSEQUENT TO THE EXPIRATION OF THE FRANCHISE OR THE FRANCHISEE DOES NOT RECEIVE AT LEAST 6 MONTHS NOTICE OF FRANCHISOR'S INTENT NOT TO RENEW THE FRANCHISE.

(E) A PROVISION THAT PERMITS THE FRANCHISOR TO REFUSE TO RENEW A FRANCHISE ON TERMS GENERALLY AVAILABLE TO OTHER FRANCHISEES OF THE SAME CLASS OR TYPE UNDER SIMILAR CIRCUMSTANCES. THIS SECTION DOES NOT REQUIRE A RENEWAL PROVISION.

(F) A PROVISION REQUIRING THAT ARBITRATION OR LITIGATION BE CONDUCTED OUTSIDE THIS STATE. THIS SHALL NOT PRECLUDE THE FRANCHISEE FROM ENTERING INTO AN AGREEMENT, AT THE TIME OF ARBITRATION, TO CONDUCT ARBITRATION AT A LOCATION OUTSIDE THIS STATE.

(G) A PROVISION WHICH PERMITS A FRANCHISOR TO REFUSE TO PERMIT A TRANSFER OF OWNERSHIP OF A FRANCHISE, EXCEPT FOR GOOD CAUSE. THIS SUBDIVISION DOES NOT PREVENT A FRANCHISOR FROM EXERCISING A RIGHT OF FIRST REFUSAL TO PURCHASE THE FRANCHISE. GOOD CAUSE SHALL INCLUDE, BUT IS NOT LIMITED TO:

(i) THE FAILURE OF THE PROPOSED TRANSFEREE TO MEET THE FRANCHISOR'S THEN CURRENT REASONABLE QUALIFICATION OR STANDARDS.

(ii) THE FACT THAT THE PROPOSED TRANSFEREE IS A COMPETITOR OF THE FRANCHISOR OR SUBFRANCHISOR.

(iii) THE UNWILLINGNESS OF THE PROPOSED TRANSFEREE TO AGREE IN WRITING TO COMPLY WITH ALL LAWFUL OBLIGATIONS.

(iv) THE FAILURE OF THE FRANCHISEE OR PROPOSED TRANSFEREE TO PAY ANY SUMS OWING TO THE FRANCHISOR OR TO CURE ANY DEFAULT IN THE FRANCHISE AGREEMENT EXISTING AT THE TIME OF THE PROPOSED TRANSFER.

(H) A PROVISION THAT REQUIRES THE FRANCHISEE TO RESELL TO THE FRANCHISOR ITEMS THAT ARE NOT UNIQUELY IDENTIFIED WITH THE FRANCHISOR. THIS SUBDIVISION DOES NOT PROHIBIT A PROVISION THAT GRANTS TO A FRANCHISOR A RIGHT OF FIRST REFUSAL TO PURCHASE THE ASSETS OF A FRANCHISE ON THE SAME TERMS AND CONDITIONS AS A BONA FIDE THIRD PARTY WILLING AND ABLE TO PURCHASE THOSE ASSETS, NOR DOES THIS SUBDIVISION PROHIBIT A PROVISION THAT GRANTS THE FRANCHISOR THE RIGHT TO ACQUIRE THE ASSETS OF A FRANCHISE FOR THE MARKET OR APPRAISED VALUE OF SUCH ASSETS IF THE FRANCHISEE HAS BREACHED THE LAWFUL PROVISIONS OF THE FRANCHISE AGREEMENT AND HAS FAILED TO CURE THE BREACH IN THE MANNER PROVIDED IN SUBDIVISION (C).

(I) A PROVISION WHICH PERMITS THE FRANCHISOR TO DIRECTLY OR INDIRECTLY CONVEY, ASSIGN, OR OTHERWISE TRANSFER ITS OBLIGATIONS TO FULFILL CONTRACTUAL OBLIGATIONS TO THE FRANCHISEE UNLESS PROVISION HAS BEEN MADE FOR PROVIDING THE REQUIRED CONTRACTUAL SERVICES.

THE FACT THAT THERE IS A NOTICE OF THIS OFFERING ON FILE WITH THE ATTORNEY GENERAL DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE ATTORNEY GENERAL.

ANY QUESTIONS REGARDING THIS NOTICE SHOULD BE DIRECTED TO THE DEPARTMENT OF THE ATTORNEY GENERAL'S OFFICE, CONSUMER PROTECTION DIVISION, ATTN. FRANCHISE SECTION, 670 LAW BUILDING, 525 W. OTTAWA STREET, LANSING, MICHIGAN 48913, 517-373-7117.

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

We will comply with Minnesota Statute Section 80C.14 subdivisions 3, 4 and 5 which require, except in certain specific cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice for non-renewal of the Franchise Agreement.

Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400J, prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Minn. Rule Part 2869.4400(d) prohibits us from requiring that you assent to a general release as set forth in Item 17 of this Disclosure Document.

Nothing in the Disclosure Document or Franchise Agreement shall affect your rights under Minnesota Statute Section 80C.17, Subd. 5.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

All references to "Disclosure Document" shall be deemed to include the term "Disclosure Document" as used under New York law.

The State Cover Page is amended to include the following additional Risk Factors:

5. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THE PROSPECTUS.

Item 3 of this Disclosure Document is supplemented with the following: "Neither the franchisor, its predecessor, nor any person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. Has an administrative, criminal or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices or comparable civil or misdemeanor allegations. In addition, neither the franchisor, its predecessor, nor any person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark has any pending actions against them, other than routine litigation incidental to the business, which are significant in the context of the number of franchisees and the size, nature or financial condition of the franchise system or its business operations.

B. Has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten-year period immediately preceding the application for registration, has been convicted of a or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud or securities law, fraud, embezzlement, fraudulent conversion or misappropriation of property, or unfair or deceptive practices or comparable allegations.

C. Is subject to a currently effective injunctive or restrictive order or decree relating to the franchise, or under a Federal, State or Canadian franchise, securities, antitrust, trade regulation or trade practice law, resulting from a concluded or pending action or proceeding brought by a public agency, or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent."

Item 4 of this Disclosure Document is supplemented with the following: “Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular:

(a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code;

(b) obtained a discharge of its debts under the bankruptcy code; or

(c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after the officer or general partner of the franchisor held this position in the company or partnership.”

Item 5 shall be supplemented with the following: “The franchisor uses the initial franchise fee to defray its costs of offering franchises and assisting franchisees to start business. A portion of the initial franchise fee may be profit to the franchisor.”

Item 17, Renewal, Termination, section d, is hereby amended to provide:

The franchisee/developer may terminate the agreement on any grounds available by law.

Item 17, Renewal, Termination, etc., section j, Assignment, is hereby amended to provide:

However, no assignment will be made except to an assignee who, in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the franchise/developer agreement.

Item 17, Renewal, Termination, section w, is hereby amended to provide:

The forgoing choice of law should not be considered a waiver of any right conferred upon the franchisor or upon the franchisee/developer by article 33 of the General Business law of the state of New York.

ADDENDUM REQUIRED BY THE COMMONWEALTH OF VIRGINIA

In recognition of the restrictions contained in Section 13.1-564 of the Virginia Retail Franchising Act, the Franchise Disclosure Document for The Coffee Beanery, Ltd. for use in the Commonwealth of Virginia shall be amended as follows:

> With respect to disclosures in Item 6 of the Disclosure Document regarding a franchisee securing funds by selling securities in the franchise, be advised that any securities offered or sold by an Investor Franchisee as part of its The Coffee Beanery, Ltd. Franchise must be either registered or exempt from registration under Section 13.1-514 of the Virginia Securities Act.
>
> Additional Disclosure: The following statements are added to Item 17h:

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any ground for default or termination stated in the franchise agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

STATE-SPECIFIC ADDENDA TO FRANCHISE AGREEMENT

ADDENDUM REQUIRED BY THE STATE OF CALIFORNIA

The California Business and Professions Code Sections 20000 through 20043 provide rights to you concerning termination, transfer and non-renewal of a franchise. If the Franchise Agreement contains a provision that in inconsistent with the law, the law will control.

You must sign a general release if you renew or transfer your franchise. California Corporations Code 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code 31000 through 31516). Business and Professions Code 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code 20000 through 20043).

The Franchise Agreement contains a covenant not to compete which extends beyond the termination of the franchise. These provisions may not be enforceable under California law.

THE FRANCHISE AGREEMENT REQUIRES APPLICATION OF THE LAW OF MICHIGAN AND A FORUM WHERE FRANCHISOR'S HEADQUARTERS IS LOCATED. THESE PROVISIONS MAY NOT BE ENFORCEABLE UNDER CALIFORNIA LAW.

The Franchise Agreement requires non-binding mediation. The mediation will occur at Franchisor's headquarters, with the parties agreeing to cover their own costs associated with the mediation and to split the mediator fees involved. Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Mediation Act) to any provisions of a franchise agreement restricting venue to a forum outside the State of California.

ADDENDUM REQUIRED BY THE STATE OF ILLINOIS

Section 24 of the Franchise Agreement is hereby supplemented as follows:

24.5 Receipt. Franchisee acknowledges that Franchisor is relying upon any acknowledgments of receipt for Franchisor's Franchise Disclosure Document for the State of Illinois and for the completed original of this Agreement executed by Franchisee as to the actual dates and fact of receipt for such documents. Franchisee acknowledges that it has had ample opportunity to consult with its counsel and representatives regarding the content of this Agreement and the Franchisor's Franchise Disclosure Document.

24.6. DOCUMENTATION. FRANCHISEE HAS ATTACHED HERETO ANY WRITTEN STATEMENT, REPRESENTATION, WARRANTY OR INFORMATION, FURNISHED BY FRANCHISOR, OTHER THAN THAT INCLUDED IN FRANCHISOR'S FRANCHISE DISCLOSURE DOCUMENT, IF ANY, REGARDING THE POTENTIAL VOLUME, PROFITS OR EXPENSES OF A THE COFFEE BEANERY FRANCHISE AUTHORIZED UNDER THIS AGREEMENT UPON WHICH FRANCHISEE IS RELYING IN MAKING ITS DECISION TO ENTER INTO THIS AGREEMENT.

Notwithstanding Section 13 of the Franchise Agreement the conditions under which this agreement can be terminated and the parties' rights upon non-renewal may be affected by Illinois law (815 ILCS 705/19 and 705/20).

Section 21.1 of the Franchise Agreement is hereby modified by adding the following text after the last sentence thereof:

> The parties expressly confirm that there are no other oral or written agreements, "side-deals", arrangements or understandings between them except as set forth herein and in Franchisor's applicable Franchise Disclosure Document.

Notwithstanding anything to the contrary in Section 23.1 of the Franchise Agreement, Illinois law shall govern this Agreement and the parties agree that, to the extent any legal action or proceeding arising out of or relating to these agreements is initiated and not subject to mediation pursuant to Section 23.2 of the Franchise Agreement, all such actions or proceedings shall be brought in Illinois courts.

Nothing in the Franchise Agreement shall limit or prevent the enforcement of any cause of action otherwise enforceable in Illinois or arising under the Illinois Franchise Disclosure Act of 1987, as amended.

Any condition, stipulation or provision of the Franchise Agreement purporting to bind Franchisee to a waiver of compliance with the Illinois Franchise Disclosure Act of 1987, as amended, is void.

ADDENDUM REQUIRED BY THE STATE OF INDIANA

Section 23.7 of the Franchise Agreement is hereby modified to provide that: (i) the acts described in these Sections may cause Franchisor irreparable harm; and (ii) Franchisor is entitled to seek (rather than obtain) restraining orders or injunctive relief in accordance with the terms of these Sections without the necessity of posting a bond.

Section 12.2.1.2 of the Franchise Agreement is hereby deleted in its entirety.

Section 13 of the Franchise Agreement is hereby modified by adding the following subsection after the last subsection thereof:

> <u>Indiana Law</u>. The conditions under which this Agreement can be terminated may be affected by Indiana law [IC Stat. Sec. 23-2-2.5 and 23-2-2.7] which provides Franchisee with certain termination rights.

Section 23.3 of the Franchise Agreement is hereby modified such that Franchisor agrees to select as the place for mediation a location within the State of Indiana and the laws of the State of Indiana shall apply to the mediation proceedings.

Section 23.8 of the Franchise Agreement is hereby modified by deleting everything in the first sentence thereof after the words "brought before the expiration of" and before "and that any action not brought…," and replacing the deleted portion with "two (2) years after the violation of IC Stat. 23-2 and, with respect to other claims, three (3) years after discovery by the Franchisee of the facts constituting the violation."

Any covenant not to compete in the Franchise Agreement which extends beyond the termination of such agreement(s) (whichever are applicable) may not be enforceable under Indiana law.

Notwithstanding anything to the contrary in Section 23.1 of the Franchise Agreement, the laws of the State of Indiana shall govern the construction and enforcement of these agreements.

Section 23.4 of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

> This provision shall not in any way abrogate or reduce any rights of Franchisee as provided for under Indiana law including, but not limited to, the right to submit matters to the jurisdiction of the courts of Indiana.

AMENDMENT TO THE FRANCHISE AGREEMENT
REQUIRED BY THE STATE OF MARYLAND

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, the parties to the attached The Coffee Beanery, Ltd. Franchise Agreement agree as follows:

1. Sections 13.1 of the Franchise Agreement is hereby supplemented and amended as follows:

> The termination of this Agreement for this reason may not be enforceable under federal bankruptcy law (11 U.S.C. §101 *et. seq*.).

2. Sections 2.2.6 and 12.2.1.2 of the Franchise Agreement are hereby supplemented and amended as follows:

> The general release required as a condition to renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

3. Section 23.4 of the Franchise Agreement is hereby supplemented and amended as follows:

> A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

4. Section 21.8 of the Franchise Agreement is hereby supplemented and amended as follows:

> Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

5. The Franchise Agreement is hereby supplemented and amended as follows:

> All representations requiring prospective franchisees to assent to a release, estoppel or wavier of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

6. Section 3 of the Franchise Agreement is hereby supplemented and amended as follows:

> Based upon Franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until Franchisor completes its pre-opening obligations under the Franchise Agreement.

FRANCHISEE	**FRANCHISOR**
[INSERT FRANCHISEE NAME]	**THE COFFEE BEANERY, LTD.**
By: ________________________________	By: ________________________________
[Name], [Title]	[Name], [Title]

ADDENDUM REQUIRED BY THE STATE OF MINNESOTA

The Sections of the Franchise Agreement regarding your obligation to execute a general release upon assignment or renewal are deleted in their entirety in accordance with Minnesota Rule Part 2860.4400(D).

Section 13 of the Franchise Agreement is hereby modified to add the following subsection after the last subsection therein:

> Minnesota Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Minnesota law which provides Franchisee with certain termination and non-renewal rights. Minnesota Statute Section 80C.14, subdivisions 3, 4 and 5 require, except in certain specified cases, that the Franchisee be given ninety (90) days' notice of termination (with sixty (60) days to cure) and one hundred eighty (180) days' notice for non-renewal of the Franchise Agreement.

Section 23.7 of the Franchise Agreement is hereby modified by adding the word "seek to" in the first sentence thereof after the word "to" and before the word "obtain."

Section 23.4 of the Franchise Agreement is hereby modified by adding the following text as the last sentence thereof:

> Minn. Stat. Sec. 80C.21 and Minnesota Rule Part 2860.4400J, prohibit us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreement(s) can abrogate or reduce any of your rights provided for in Minnesota Statutes, Chapter 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Section 21.8 is hereby modified by replacing all references of "one year" time limit to "three years" time limit to institute claims.

Nothing in the Franchise Agreement is intended to abrogate or reduce any rights of the Franchisee as provided in for Minnesota Statutes, Chapter 80C.

ADDENDUM REQUIRED BY THE STATE OF NEW YORK

Notwithstanding any provision of the Franchise Agreement, all rights enjoyed by Franchisee and any causes of action arising in its favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force, it being the intent of this proviso that the non-waiver provisions of the General Business Law of the State of New York Sections 687.4 and 687.5 be satisfied.

No new or different requirements imposed on Franchisee as a result of any changes made by Franchisor to its Manual pursuant to the terms of the Franchise Agreement, and these changes will not otherwise place an unreasonable economic burden on Franchisee.

Notwithstanding any provision of the Franchise Agreement to the contrary, Franchisor will not transfer and assign its rights and obligations under the Franchise Agreement unless the transferee will be able to perform the Franchisor's obligations under the Franchise Agreement, in Franchisor's good faith judgment, so long as it remains subject to Article 33 of the General Business Law of the State of New York.

Section 23.7 of the Franchise Agreement is hereby modified by adding the word "apply to" in the first sentence thereof after the word "to" and before the word "obtain."

Notwithstanding Sections 23.1 and 23.4 of the Franchise Agreement, the choice of law and venue provisions should not be construed as a waiver of any right conferred upon Franchisee by the provisions of Article 33 of the General Business Law of the State of New York.

ADDENDUM REQUIRED BY THE STATE OF WISCONSIN

Section 13 of the Franchise Agreement is hereby modified to add the following subsection after the last subsection therein:

> Wisconsin Law. The conditions under which this Agreement can be terminated or not renewed may be affected by Wisconsin law, Chapter 135, Wisc. Stats., the Wisconsin Fair Dealership Law.

Section 23.1 of the Franchise Agreement is hereby modified by adding the following language after the last sentence thereof:

> "The Wisconsin Fair Dealership Law supersedes any provision of this Agreement which is inconsistent with that law."

FOR RESIDENTS OF ALL STATES LISTED IN THIS ADDENDUM

Notwithstanding any provision in the Franchise Agreement to the contrary, this Addendum shall not be merged with or into, or superseded by, the Franchise Agreement. In the event of any conflict between the Franchise Agreement and this Addendum, this Addendum shall be controlling. Except as otherwise expressly set forth herein, no other amendments or modifications of the Franchise Agreement are intended or made by the parties.

Applicable State: ____________________________

IN WITNESS WHEREOF, the parties hereto have duly executed and delivered this Addendum on the day and year first above written.

FRANCHISEE	**FRANCHISOR**
[INSERT FRANCHISEE NAME]	**THE COFFEE BEANERY, LTD.**
By: ________________________________ [Name], [Title]	By: ________________________________ [Name], [Title]

EXHIBIT J
TO FRANCHISE
DISCLOSURE DOCUMENT

RECEIPTS

(Intentionally Blank)

RECEIPTS (OUR COPY)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Coffee Beanery, Ltd. offers you a franchise it must provide this Disclosure Document to you within 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.

New York and Rhode Island require that we give you this disclosure document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If The Coffee Beanery, Ltd. 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 administrator identified in Exhibit A of this Franchise Disclosure Document. A list of our agents registered to receive service of process is listed as Exhibit A to this Franchise Disclosure Document.

The Issue Date of this Disclosure Document is October 31, 2019

I have received a Franchise Disclosure Document with an issue date of October 31, 2019 which contained the following Exhibits:

A.	Franchise Agreement and Attachments	E.	Miscellaneous Contracts
B.	List of Current Franchisees and Franchisees that Left the System	F.	List of State Administrators
		G.	Agents for Service of Process
C.	Financial Statements	H.	Compliance Certification
D.	Table of Contents to Manuals	I.	State Addenda/Riders

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows: Kevin Shaw, c/o The Coffee Beanery, Ltd., 3429 Pierson Place, Flushing, MI, (810) 733-1020; ____
____.

If an individual:

By: ______________________________

Name: ____________________________

Date: _____________________________

Telephone Number: _________________

If a Partnership, Corporation or Limited Liability Corporation:

Name: __________________________________

Title: ___________________________________

Name of Entity: ___________________________

Address: ________________________________

Date: _________________________________

(Intentionally Blank)

RECEIPTS (YOUR COPY)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If The Coffee Beanery, Ltd. offers you a franchise it must provide this Disclosure Document to you within 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.

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____.

If an individual:

By: ______________________________

Name: ____________________________

Date: _____________________________

Telephone Number: _________________

If a Partnership, Corporation or Limited Liability Corporation:

Name: ___________________________________

Title: ___________________________________

Name of Entity: ___________________________

Address: _________________________________

Date: _________________________________