FRANCHISE DISCLOSURE DOCUMENT

Spice & Tea Merchants®

Spice Merchants Entities Corp.
a Michigan corporation
3150 Blue Star Highway
P.O. Box 130
Saugatuck, Michigan 49453
Phone: (616) 366-6958
E-mail: spicemerchants@msn.com
Website: www.spicemerchants.biz

As a franchisee you will operate a retail business offering spices, teas and related items using our prescribed methods under the trade name, Spice & Tea Merchants.

The total investment necessary to begin operations of a Spice & Tea Merchants franchise ranges from $90,000 to $191,500 as more fully described in ITEM 7. This amount includes $25,000 or $30,000 as an initial franchise fee that must be paid to the franchisor or affiliate as more fully described in ITEM 5.

This disclosure document summarizes certain provisions of your franchise and license agreement and other information in plain English. Read the disclosure document and all 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 government agency has verified the information contained in this document.**

You may wish to receive your disclosure document in another format that is more convenient to you. To discuss the availability of disclosures in different forms, contact Spice Merchants Entities Corp. at 3150 Blue Star Highway, Saugatuck, MI 49453 by mail or (616) 366-6958.

The terms of you or contract will govern your franchise relationship. Do not rely upon the disclosure document alone to understand your contract. Read all of your contract carefully. Show your contract and this disclosure document to an advisor, like a lawyer or an accountant.

Buying a franchise is a complex investment. The information in this disclosure document can help you make up your mind. More information on franchising, such as "A Consumer 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, DC 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.

Issued: March 31, 2026

How to Use This Franchise Disclosure Document

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

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

What You Need to Know About Franchising *Generally*

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

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

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

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

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

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

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

Some States Require Registration

Your state may have a franchise law, or other law, that requires franchisors to register before offering or selling franchises in the state. Registration does not mean that the state recommends the franchise or has verified the information in this document. To find out if your state has a registration requirement, or to contact your state, use the agency information in Exhibit E.

Your state also may have laws that require special disclosures or amendments be made to your franchise agreement. If so, you should check the State Specific Addenda. See the Table of Contents for the location of the State Specific Addenda.

Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration and/or litigation only in Michigan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Michigan than in your own state.
2. **Spousal Liability**. 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 your and your spouse's marital and personal assets, perhaps including you house, at risk if your franchise fails.

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

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Item Number and Name, Exhibits

NOTE: STATE ADMINISTRATORS MAY REQUIRE ADDITIONAL INFORMATION ABOUT THEIR STATE. WE MAY USE AN EXHIBIT TO INCLUDE SUCH INFORMATION IN THIS DISCLOSURE DOCUMENT OR MAY CHOOSE TO INCLUDE SUCH INFORMATION IN THE TEXT ITSELF.

ITEM 1. THE FRANCHISOR AND ITS PARENTS, PREDECESSORS AND AFFILIATES

To simplify the language in this Franchise Disclosure Document "Spice & Tea Merchants," "it," "our," "us," or "we" refers to Spice Merchants Entities Corp., the franchisor. "You" means the person who buys the franchise.

The franchisor, Spice Merchants Entities Corp., has a principal business address of 3150 Blue Star Highway, Saugatuck, Michigan 49453. We were incorporated in the state of Michigan on April 20, 2010. We conduct business under the names Spice Merchants and Spice & Tea Merchants and do not use any other names in our business. While we originally only offered franchises using the trade name, Spice Merchants, we decided to change the trade name for new franchises to only Spice & Tea Merchants around 2016 given the increased emphasis on offering various teas for sale. The existing franchises were given the option to remain as Spice Merchans or change to Spice & Tea Merchants. Our agent for service of process is Lisa Freeman, 3150 Blue Star Highway, Saugatuck, Michigan 49453. Exhibit E provides other information about state administrators and agents to receive service of process.

We offer franchises for retail businesses that sell spices, spice blends, teas and related items. You will use the trade name,"Spice & Tea Merchants." You can expect to compete with other independent and franchised businesses offering similar products and services to your potential customers including businesses that specialize in the sale of spices and teas. In addition, health food stores, discount chain retailers and grocery stores also might sell spices and teas in varying types and quantities. You should be aware that you may have to obtain a license from your county health department or Department of Agriculture in your state prior to opening for business. We are not aware of any other industry specific factors or legal requirements that you have to know about as part of running your business such as particular licenses or governmental regulations pertinent only to the sale of spices, spice blends and teas. We began franchising in May of 2010. We do not operate any outlets and do not offer franchises in any other lines of business.

We have an affiliated company, Spice Merchants, LLC, a Michigan limited liability company, operating at 3150 Blue Star Highway, Saugatuck, Michigan 49453. It originally operated retail locations similar to franchised locations but sold its remaining two locations as franchises in 2025. As a result the affiliated entity no longer operates retail locations as of the date of issuance of this Franchise Disclosure Document. We have another affiliated entity, STM Packaging LLC, a Michigan limited liability company, that sells to you the various spice, spice blends and teas you offer in your franchised business. Neither we nor our affiliated companies have any predecessors. We do not have a parent company.

ITEM 2. BUSINESS EXPERIENCE

Lisa Freeman, President, Secretary, Treasurer and Director.

Lisa Freeman is our sole shareholder which is a Michigan corporation, incorporated on April 20, 2010. She has served as our President, Treasurer, Secretary and sole Director since that date. Our principal place of business is in Saugatuck, Michigan. She has also been the sole owner and managing member of our affiliated entities, Spice Merchants LLC, since it began operations in 2003 and STM Packaging LLC which began operations in 2018. Her employment with its affiliates is at its principal office in Saugatuck, Michigan.

Diane Corrinne Buck, Director of Marketing & Business Operations, Spice Merchants Entities Corp.

Diane Buck has performed a variety of management functions for the franchisor since 2021 in addition to having an important role with the affiliated company, Spice Merchants LLC. Previous to that time she was an owner of a Spice and Tea Merchants franchise in Downers Grove, Illinois from 2013 to 2021.

ITEM 3. LITIGATION

Litigation Against Franchisees.

Spice Merchants Entities Corp et al vs Pretty Colorado LLC et al, No. 24-cv-00371 (USDC Colorado 2024). On July 10, 2025, the parties to this litigation entered into a Confidential Settlement Agreement and Mutual Release with respect to the franchise termination obligations of each party prior to a trial scheduled to take place in 2025. Other than this action, no litigation is required to be disclosed in this Item.

ITEM 4. BANKRUPTCY

No bankruptcy is required to be disclosed in this Item.

ITEM 5. INITIAL FEES

You must pay to us an initial franchise fee of $25,000. You must pay a non-refundable deposit of $1,000 to us when you submit a franchise application to us. You must pay the remaining $24,000 when you sign the Franchise and License Agreement. We will refund all of the initial franchise fee except the initial ONE THOUSAND DOLLAR ($1,000.00) deposit if a suitable site does not exist in the proposed trade area as determined by us in our sole discretion. Such refund will be made to you after expiration of the ninety (90) day period for finding a suitable site as provided in Section 5.1 of the Franchise and License Agreement. Apart from the royalty reduction election, the initial franchise fee is uniform for all franchisees.

You may elect to reduce your monthly royalty percentage by paying us an additional $5,000 for a one (1) percentage point reduction in monthly royalty payments. This election must occur no later than the date you become obligated to pay royalties in the fourth complete month of operation. If you make this election, your initial franchisee fee will increase $5,000 to $30,000. In addition to the above royalty reduction plan the franchisor also offers a ten (10%) percent discount to military members and veterans and police and fire first responder families. The franchisor has the right to require automatic bank transfer of payments for all fees in its sole discretion.

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ITEM 6. OTHER FEES

NAME OF FEE	AMOUNT	DUE DATE	REMARKS
Royalty(1)	7% or 8% of gross sales	By 5th day of succeeding month	Payable to Franchisor
Grand Opening Advertising Expenditures (2)	$1,000 to $2,000	Due during initial 6 months of operation	Payable to Franchisor or Franchisor approved vendors
Monthly Advertising Expenditures (3)	2% of monthly gross sales or $150 per month whichever is greater	As incurred	To approved vendors unless the Spice Merchants Ad Fund is established in which case the payments shall be made directly to the Fund by the 10th day of each succeeding month
Additional Assistance (4)	$50 per hour training offered by phone or $250 per day plus reasonable meal, travel and lodging expenses	If and when performed	Paid to Franchisor
Late Charge (5)	1.5% per month or maximum legal rate, whichever is the lesser amount	When billed	Paid to Franchisor
Audit	Cost of audit plus late charge	If sales audit reveals 5% understatement of gross sales	Payable to Franchisor
Transfer	$1,000	Prior to completion of sale	Paid to Franchisor
Training if Transfer (6)	$2,000	Prior to completion of sale	Paid to Franchisor
Renewal	$0		
Attorney's Fees (7)			See Footnote 7
Indemnification (8)			See Footnote 8

Footnotes:

(1) We charge a monthly royalty on gross sales of 8% starting with the 4th full month you are open for business. Gross sales are defined as all revenues derived from the business including the value of any barter transactions less any sales tax you have collected. You may elect to buy down or reduce the royalty percentage by paying us $5,000 for a one (1) point royalty percentage reduction by electing such option on or before the date you become obligated to pay royalties in the foruth complete month of operation. You may also earn a semi-annual royalty credit of 1 percent of gross sales for each 6-month period beginning with the seventh month you are open for business. You must be in strict compliance with all terms of the Franchise and License Agreement during each pertinent 6-month period in order to qualify for this royalty rebate. We will either pay you this amount or credit future royalty payments for this amount at our discretion.

(2) You must spend between $1,000 and $2,000 as approved by the Franchisor for Grand Opening Advertising during the initial 6 months of operation. We reserve the right to collect this amount from you to be spent on your behalf or we may have you pay the media directly that we have approved prior to the expenditure.

(3) You are obligated to spend at least 2% of your monthly gross sales or $150, whichever is the greater amount, commencing with the 7th full calendar month of operation for ongoing, approved advertising or marketing activities. You will spend this amount on approved media and retain evidence of such expenditure. In the alternative, we may require you to pay this amount directly to the Spice Merchants Ad Fund if the Franchisor determines establishing such Fund will best promote the Spice Merchants Franchise System products and services. The Franchisor has no immediate plans to establish this Fund as of the date of this Disclosure Document.

(4) You can have us perform additional on-site training after completion of the initial training only if we agree to do it and only at those times we choose in our sole discretion. We cannot assess you for additional assistance unless you request this type of help. We also offer training support by phone for which we charge a minimum $50 fee per hour in our sole discretioin.

(5) Interest begins after the due date for payment.

(6) We may waive the training fee imposed upon a transferee if the transferee does not need such training. We have the sole right to make that determination.

(7) The Franchise and License Agreement (Article 23) says the losing party in any dispute shall pay the prevailing party's attorney's fees.

(8) The Franchise and License Agreement (Article 15 and Article 20.3) says you must indemnify us for losses we incur that are your fault.

(9) All ongoing fees are imposed by and are payable to us or approved vendors and are non-refundable.

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ITEM 7. ESTIMATED INITIAL INVESTMENT

TYPE OF INVESTMENT	AMOUNT	PAYMENT METHOD	WHEN DUE	TO WHOM PAYMENT IS MADE
Initial Franchise Fee (1)	$25,000 or $30,000	$1,000 deposit with franchise application	Remainder due when Franchise and License Agreement is signed	Franchisor
Grand Opening Advertising Expenditures (2)	$1,000 to $2,000	As incurred	During initial 6 months	Franchisor or third parties
Site Preparation (3)	$0 to $32,000	Lump sum or monthly payments	Prior to opening or during term of lease	Third parties
Fixtures and Signage (4)	$11,000 to $37,000	Lump sum payments	$9,000 deposit with order with remainder due upon delivery	Franchisor or its affiliated company
Security Deposit for Premises (5)	$2,000 to $5,000	Lump sum	Signing of lease for premises	Landlord
Inventory (6)	$35,000 to $45,000	Lump sum payments	$20,000 deposit with order with remainder due upon delivery	Franchisor or its affiliated company
Computer Equipment (7)	$2,500 to $6,000	Lump sum or monthly payments	Prior to opening or during term of purchase	Third party vendors
Computer Software (8)	$2,500 to $6,000	Lump sum	$1,000 deposit with order and remainder due upon delivery	Franchisor, its affiliated company or third party vendors
Initial Training Expenses (9)	$1,000 to $3,500	Lump sum or payments for travel, lodging and meals	As incurred	Third parties
Additional Funds (10)	$10,000 to $25,000	As incurred	As incurred	Third parties
TOTAL: $90,000 to $191,500				

Footnotes:

(1) Initial Franchise Fee: See ITEM 5 for a complete discussion of the initial franchise fee. We do not refund the initial franchise fee for any reason after you sign the Franchise and License Agreement.

(2) Grand Opening Advertising Expenditure: The Franchisor will assist you during the first 6 months in selecting the appropriate media and marketing activities to create initial awareness of your new business. We have the right to collect from you this amount and spend it on your behalf or simply approve your selection and payment of appropriate media in our discretion.

(3) Site Preparation: Your costs of site preparation will be affected by the condition of the leased premises and local building and health codes that may have special requirements for your intended use of the premises. For example, you may have to install a certain type of wash sink or have to meet certain code requirements for water and floor drains. Other anticipated costs of site preparation include possible interior wall construction, flooring, lighting, electrical and painting. We have the right to approve any leasehold plans before your start construction. We do not provide any financing for site preparation. We anticipate any payments to third party construction firms will be nonrefundable.

(4) Fixtures and Signage: We or our affiliate will supply the fixtures that comprise our trade dress that you must use. These fixtures are various tables, shelving and other interior décor items. We also supply a wood sign and vinyl window signs that are part of our franchise image.We retain ownership of these trade dress items. You are obligaed to make a monthy use payment for their use. Payment to us for these items is nonrefundable. We or our affiliated entity will derive income from providing these items to you.

(5) Security Deposit and Other Premises Information: You will normally lease a site rather than purchase it. A suitable site can be a stand lone building, a strip center location, an urban storefront, a specialty mall or other location. You should expect to have 800 to 1,500 square feet of available space. As part of signing a lease you should expect to pay a security deposit ranging from $2,000 to $5,000.

(6) Inventory: We or our affiliate is the supplier of spices, teas, related supplies and glass display jars you will use in the franchised business. You must pay a deposit of $20,000 upon placing the order with the remaining balance due upon delivery. Payment to us for these items will be nonrefundable. We or our affiliated entity will derive income from the sale of these items to you.

(7) Computer Equipment: You will need to have a computer, printer, appropriate computer software (i.e. Microsoft Office) for general office use, NiceLabel software for printing labels and a telephone that meet our specifications for use in your business apart from the Point-of-Sale system described below. These items can be purchased from any reputable supplier of your choosing if you do not already have them. Payments made to such suppliers will likely be nonrefundable.

(8) Point-of-Sale System: You are required to purchase a point-of-sale system to record all customer transactions from an unaffiliated, designated supplier. This system consists of hardware and software. The software must be serviced by the point-of-sale system provider if a problem arises. The initial cost of this Point-of-Sale system can be $2,000 or more once fully installed. In addition, you will need to use desktop or Online QuickBooks for keeping financial records

(9) Initial Training Expenses: You will incur these expenses during your initial training for up to 5 days at a location we select for this purpose which at present will be in the state of Michigan.

(10) Additional Funds: This amount includes additional startup expenses such as licenses, permit fees, professional fees and security deposits for utilities and phone as well as additional funds for a minimum of 3 months and possibly for several more months after you start your business to cover fixed expenses you will incur. This dollar amount will vary widely among franchisees depending on a variety of factors. We assume no sales given the difficulty of predicting what your level of sales will be and what effect such sales will have on your needs for additional funds during the 3 month or longer period of time. Your fixed expenses will normally include insurance, telephone, utilities, rent and other similar expenses. How you manage the business will affect this figure if you hire employees to assist you or hire a full-time manager if you are not actively involved on a daily basis. These figures relate to 1 franchise. Your costs will increase if you own more than 1 franchise.

(10) We used general business information to estimate each component of the initial investment. We do not guarantee you will spend the same amount. You should review these figures carefully with a business advisor before making a decision to purchase the franchise. We do not offer financing to franchisees for any items.

ITEM 8. RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

As mentioned in ITEM 7, we require you to purchase from us or our affiliated the inventory that we have approved for use in your business. Also the trade dress items mentioned in ITEM 7 will be supplied by us for your use but shall remain the property of our affiliated company. You must buy single spices, spice blends, loose leaf teas, tea hardware, various salts, soup packages and product labels from us or our affiliate. We or our affiliated company will derive revenue from such sales to you. You must also purchase the point-of-sale system from an unaffiliated designated supplier.

We have not made any sales of products to franchisees as of the end of fiscal year 2025 as indicated in Exhibit A to this Franchise Disclosure Document. Our affiliated company, STM Packaging LLC, did have sales of $552,583 to franchisees during 2025. We estimate that these required purchases from us or our affiliate will be between 50% and 70% of your startup costs and between 75% and 90% of your ongoing monthly purchases of inventory and supplies.

You may offer for sale additional products we or our affiliate do not supply to you as long as you have our written approval beforehand. Generally speaking these products are locally sourced items of special interest to that market area and are consistent with the image of the Spice & Tea Franchise System. The sale of these products normally are less than 10% of expected gross sales. You will have to submit samples to us for examination before we approve a proposed product or supplier. We do not have a formal list of specifications, criteria or standards related to additional product or supplier approvals. We reserve the right in our sole discretion to approve or deny such proposed product or supplier after receiving the supplier information from you. We estimate such approval or denial will be communicated to you within 30 days either in writing or by electronic messaging. We may earn income or get other material benefits from purchases from other suppliers we permit you to use. We do not provide you with material benefits such as additional franchise rights based upon your purchase of particular products or using particular suppliers. We do not currently require that you belong to a purchasing cooperative. We negotiate purchase arrangements with our affiliate, STM Packaging LLC, including price terms for the benefit of franchisees.

ITEM 9. FRANCHISEE'S OBLIGATIONS

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

OBLIGATION	ARTICLE AND SECTION NUMBER IN AGREEMENT	ITEM NUMBER IN DISCLOSURE DOCUMENT
a. Site selection and acquisition/lease	Section 6.6	Items 7 and 11
b. Pre-opening purchases/leases	Section 6.1	Item 8
c. Site development and other pre-opening requirements	Section 6.6	Items 7 and 11
d. Initial and ongoing training	Sections 6.2 and 6.4	Item 11
e. Opening	Section 14.2(d)	Items 11 and 17
f. Fees	Sections 4.1-4.7, 8.1 and 10.2	Items 5, 6 and 7
g. Compliance with standards and policies/Operations Manual	Sections 5.7, 6.7, 6.14 and 9.3	Item 11
h. Trademarks and Proprietary Information	Sections 1.1-1.5, 2.1-2.2, 6.13, 6.19, 9.1-9.5 and Nondisclosure Agreement	Items 13 and 14
i. Restrictions on products/services	Section 6.17	Items 8 and 16
j. Warranty and customer service requirements	Not applicable	

OBLIGATION	ARTICLE AND SECTION NUMBER IN AGREEMENT	ITEM NUMBER IN DISCLOSURE DOCUMENT
k. Territorial development and sales quotas	Section 6.11	Item 12
l. Ongoing products/services purchases	Section 6.1	Item 8
m. Maintenance, appearance and remodeling requirements	Section 3.5	Item 11
n. Insurance	Sections 6.16	Item 7
o. Advertising	Sections 4.2, 4.3 and 10.1-10.5	Item 6 and 11
p. Indemnification	Sections 1.5 and 20.3	Item 6
q. Owner's participation/management and staffing	Sections 6.3 and 6.4	Items 11 and 15
r. Records/reports	Sections 6.9 and 7.1	Item 6
s. Inspection/audits	Sections 6.7 and 8.1	Item 11
t. Transfer	Sections 11.1-11.13	Item 17
u. Renewal	Sections 3.1-3.5	Item 17
v. Post-termination obligations	Sections 16.1 and 17.1-17.8	Item 17
w. Non-competition covenants	Sections 6.8 and 18.1-18.3	Item 17
x. Dispute Resolution	Sections 1.5, 19.1-19.4, 22.1-22.4 and 23.1	Item 17
y. Other Guarantee of franchisee obligations	Sections 13.1 and 13.2 and Guaranty Agreement	

ITEM 10. FINANCING

We do not offer direct or indirect financing. We will not guarantee your note or other debt obligation.

ITEM 11. FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

Except as listed below, we are not required to provide you with any assistance.

Pre-opening Assistance. Before you open your business, we will

1. Designate your exclusive territory (Franchise and License Agreement, Section 1.1 and Schedule B).

2. Assist you in locating a suitable suit for your business. We take into account demographic information, traffic patterns, site visibility, type of community, type and condition of premises and other similar factors in approving an appropriate site. A typical site should between 800 and 1,200 square feet in size. We will make a visit to your territory to view proposed sites you and/or your real estate agent have identified for us to review. We will bear the cost of that visit. You will bear our costs of travel, lodging and meals for any additional visits you request us to make in the site selection process (Franchise and License Agreement, Section 5.1). We expect franchisees should be able to open for business within 90 to 120 days after signing the Franchise and License Agreement or the initial payment of consideration, whichever first occurs. Such opening date is dependent upon the availability of suitable sites, extent of leasehold improvements, access to financing if necessary, and completion of required initial training. We have the discretionary right to terminate the franchise relationship if you do not open for business within 90 days after signing the lease for the premises unless you are prevented from doing so by circumstances beyond your control (Franchise and License Agreement, Section 14.2.d). In this instance we must give you 30 days written notice of our intention toterminate within which time you must open for business to avoid termination (Franchise and License Agreement, Section 15.1). Neither we nor our affiliate owns premises that we lease to you. We will refund all but the initial deposit if a suitable site does not exist in your proposed trade area as determined by the franchisor. Such refund will be made to you after site selection efforts fail to identify a suitable site within 90 days of signing the Franchise and License Agreement.

3. Supply an itemization of the equipment and supplies you must use together with a designation of any suppliers of such equipment and supplies (Franchise and License Agreement, Section 5.2). See ITEM 8 of this offering circular for a more detailed discussion about these matters.

4. Coordinate such initial training as we feel appropriate as more fully described in a separate heading in this ITEM (Franchise and License Agreement, Section 5.3 and Section 5.4).

5. Loan such manuals or other informative materials as well deem appropriate in our sole discretion to advise you about franchise standards, policies and procedures (Franchise and License Agreement, Section 5.7).

Ongoing Assistance: After you open your business we will:

1. Provide you with a source of supply for teas, spices and related inventory items that we require you to purchase from us or from suppliers we approve (Franchise and License Agreement, Section 5.2). See ITEM 8 of this offering circular for a more detailed discussion about these matters.
2. Loan to you any updates to our manuals or other informative materials to reflect current practice in the industry as well as our own business methods and procedures (Franchise and Licenses Agreement, Section 5.7).

3. Evaluate marketing and advertising programs and advise you regarding their use as we deem appropriate in our sole discretion (Franchise and License Agreement, Section 5.8).
4. Provide a continuing consultation service to you in such manner as we may determine whether it be by personal visits, by phone, by electronic communication, or by other written means (Franchise and License Agreement, Section 5.6).

Optional Assistance: After you open your business we may:

1. Provide additional assistance at your request in your territory. We have the right to charge you a $250 fee per day and our out-of-pocket expenses in our sole discretion. We reserve the right to schedule such assistance at our convenience. We also reserve the right not to give such additional assistance in your territory (Franchise and License Agreement, Section 5.5).

<u>Training</u>. The Franchise and License Agreement requires us to train you. We have complete discretion to determine the length of training, the manner of training and the content of your training. We prefer such training occurs as close as possible to the opening of your business and will last up to 5 days prior to opening your business at our or at one of our affiliated locations and a minimum of 3 days at your franchised location at or near the opening of your business. Generally, the curriculum includes general business procedures; marketing your business; nature of the franchised business; and effective methods and techniques for servicing customers.

TRAINING PROGRAM			
Subject	Hours of Classroom Training	Hours of Training On-the-Job	Location
Administration	6	4	Grand Rapids, MI (7 hrs.) & at Franchisee (3 hrs.)
Opening Procedures	1	8	Grand Rapids, MI (1 hr.) & at Franchisee (8 hrs.)
Operations	24	11	Grand Rapids, MI (29 hrs.) & at Franchisee (6 hrs.)
Customer Service	2	8	Grand Rapids, MI (6 hrs.) & at Franchisee (4 hrs.)

We do not charge you for the initial training program since your initial franchise fee compensates us for training you. You are responsible for all personal costs associated with training such as travel, lodging and meals. You must attend the training program unless we waive this requirement in writing. Receiving a waiver requires you to demonstrate to our satisfaction you have substantial familiarity with our business methods and systems. The training program is conducted by Lisa Freeman with likely assistance from Diane Corrinne Buck. Lisa Freeman has has 23 years of experience running a business similar to the franchise business being offered. Diane Corrinne Buck has more than 11 years of experience. Lisa may use additional staff to assist them with training.

We may offer refresher courses and seminars to update you. You must attend these refresher courses, which will be at no extra charge to you. You, however, will be responsible for all personal expenses. We agree to reasonably limit the number of such meetings per year to avoid undue interference with the operation of your business and to avoid imposing excessive financial commitments on your business.

Advertising. You are obligated to spend between $1,000 and $2,000 for approved advertising and marketing for the initial grand opening period of time lasting the first 6 full months in operation. The franchisor will decide whether you should pay that amount to the Franchisor to be spent on such promotional programs or to pay vendors that amount directly. Starting with the 7th full month of operation the Franchisee and License Agreement requires you to spend the greater of 2% of monthly gross sales or $150 on promotional programs approved by us. You must obtain our prior approval for all marketing ideas, materials or media before use that are not created for your use by us. Currently, we recommend you use local print media (i.e. newspaper or direct mail programs) rather than other forms of advertising to promote your business.

We reserve the right to require franchisees to contribute the required monthly expenditure, the greater of $150 or 2% of gross sales, to the Spice & Tea Merchants Advertising Fund if such Fund is established once a sufficient number of franchises have opened for business, and it makes sense to engage in cooperative advertising to enhance the Spice & Tea Merchant's brand. We have the discretion to implement the Fund or not even when a sufficient number of franchises exist to consider creating the Fund as we may decide in our sole discretion that franchises should simply continue to advertise in their respective local markets without contributing to a cooperative advertising fund. If the Fund is established, the Fund is under no obligation to spend monies in your trade area that are equivalent to your contributions or that you will benefit directly or proportionately from the placement or use of any marketing programs. No formal advertising council advises us on promotional matters at this time although the Franchise and License Agreement does provide for the creation of such an entity to assist us once the franchise system reaches a sufficient size to engage in regional and/or national programs. It is anticipated that such Fund will select an entity of its choosing to assist in advertising material preparation that has our approval before use. It is anticipated that print media such as trade journal, newspaper and magazine advertisements will be the likely types of approved advertising given the cost of radio and television and the nature of this retail business. An independent certified public accountant will prepare an annual, unaudited statement of fund balances and expenses, the cost of which shall be the obligation of the fund. Any amount not expended in the year collected will be retained for future use. Other details of the Fund management such as the selection of members to the Advisory Board have not been determined as of this date given the current stage of development of the franchise system. The locations operated by our affiliated entity will also participate on the same terms as franchisees if such an advertising fund is established.

Computers, Software and Electronic Cash Register Systems. You can use computer hardware and software of your choosing for general office use that is separate and apart from the Point-of- Sale system and QuickBooks desktop or Online that we require as part of the Spice & Tea Merchants Franchise System. Your general office computer system will normally be compatible with a Windows operating system and Microsoft Office Professional for general office use. You must also use NiceLabel software for creating and printing labels. You must purchase the Point-of-Sale software and related hardware from a supplier we designate who will fully install it for you. You agree we have the right to directly access your computer to verify financial information related to your business.

The Point-of-Sale system will be installed remotely prior to the opening of your business so that you will have the product pricing information that we suggest. You will receive training on its use after it is installed. You can expect to spend $2,000 or more for the Point-of-Sale system.

You will be required to update your software, both accounting and Point-of-Sale, if either one becomes incompatible with updated software such that you unable to conduct business. We are aware the Point-of-Sale software we use is being updated and may require you to upgrade it or use a different software program in the foreseeable future. We are not aware of any current plans by our supplier for such an upgrade as of the date of this Franchise Disclosure Document.—There are no contractual limitations on the frequency or cost of such software updates. At present there is no required maintenance that you must pay for on a regular basis.

<u>Operations Manuals</u>. At noted above, we will loan to you the confidential Operations Manual(s) to assist you in the operation of this franchise business only after you have signed the Franchise and License Agreement. You will have the right prior to purchasing the franchise, however, to examine the confidential Operations Manual(s) at our principal place of business in the presence of a franchise representative. We will not permit you to make copies of the Operation Manual(s) nor take them from the premises while you are making your franchise purchase decision. Currently our manual has 111 pages.

ITEM 12. TERRITORY

We grant to you the rights to an exclusive, protected territory within which we contractually agree to refrain from locating ourselves or other franchises. We agree on such exclusive, protected territory at the time you execute the Franchise and License Agreement. You should be aware, however, that customers are free to purchase products from whomever they choose. This means franchises are under no obligation to refer customers to other franchises even though the customer lives or works in another franchisee’s territory. Your exclusive, protected territory is not a fixed size such as a certain mile radius or a minimum number of people; rather we take into consideration the size of the population, the demographic nature of the population, natural or political boundaries, promotional concerns and other factors in determining an appropriate exclusive geographic area. At present there are no restrictions on our right or our affiliate to fulfill online orders when contacted directly by its customers in a franchisee’s exclusive territory when they visit the affiliate’s website. In these instances there is no revenue sharing with the franchisee by us or our affiliate.

You must obtain our approval to move the franchised business if the site becomes unusable or you wish to operate at a different location. We agree not to unreasonably withhold our consent after reviewing how the proposed move might affect the rights of existing Spice Merchants' locations (Franchise and License Agreement, Section 6.6.c). Each Franchise and License Agreement is for a single location and does not give you the right to open additional locations, contain purchase options or have any right of first refusal.

The Franchise and License Agreement (Section 6.11) requires you to use your best efforts to maximize your net sales in your protected territory. The Franchise and License Agreement does not provide that continuation of your franchise is dependent upon achievement of certain sales volumes, market penetration or other contingencies. The Franchise and License Agreement does not provide that your exclusive, protected territory may be altered if you fail to achieve a certain sales volume or market penetration or fail to meet some other contingency.

ITEM 13. TRADEMARKS

The Franchise and License Agreement grants to you a right to use our existing trademarks, service marks, and related names and marks as well as any future trademarks we develop which are part of our franchise system. By executing the Franchise and License Agreement you acknowledge you will not assert any ownership rights to any licensed trademarks, service marks or trade names as well as to any associated goodwill. We have the right to sublicense to you the use of the trademarks, "Spice Merchants," and "Spice & Tea Merchants," as part of a trademark license we have executed with the owner of the trademark, Lisa Freeman, our owner.

As of the date of this Franchise Disclosure Document, the following trademarks, service marks, trade names, logotypes and other commercial symbols registered on the Principal Register with the United States Patent and Trademark Office which you have a license to use:

Spice & Tea Merchants
Registered: September 27, 2016
Registration Number: 5,048,478

There are no currently effective material determinations of the patent and trademark office, trademark trial and appeal board, or the trademark administrator of this state or any court; nor are there any pending infringement, opposition or cancellation proceedings or any other pending material litigation involving the principal trademarks.

You must use all names and marks in full compliance with our rules. You can use any licensed name or mark except as part of your corporate name if you observe our regulations in the operations manuals and Franchise and License Agreement governing such use. In addition, you may not use any name or mark in connection with the sale of any unauthorized product or service unless we explicitly authorize such use in writing.

There is a Coexistence Agreement in effect between The Spice Merchant and Company, a Kansas corporation, and Lisa Freeman regarding the concurrent use of the name, Spice Merchant. On October 3, 2008, each party agreed not to contest the right of the other to have a federal registration of this trademark that can be used in retail locations. We have the right to use this trademark in all states except Kansas, Oklahoma, Texas, Missouri and Nebraska. The Spice Merchant and Company cannot use this trademark in retail locations in the remaining states.

This agreement does not preclude the sale of products by other means outside the agreed upon territories. There are no other agreements currently in effect significantly limiting our rights to use or license the use of such trademarks, service marks, trade names, logotypes or other commercial symbols in any manner material to the franchise. We are not otherwise aware of any infringing uses which could materially affect your use of such trademarks, service marks, trade names, logotypes or other commercial symbols.

We are not contractually obligated to protect any rights you have to use such trademarks, service marks, trade names, logotypes or other commercial symbols or to protect you against claims of infringement or unfair competition with respect to such trademarks; rather, we have discretion to determine under what circumstances we will defend or prosecute trademark disputes. You are obligated, however, to inform us of any claim, demand or cause of action based upon or arising from any attempt by any other person to use any trademarks, logos or service marks licensed pursuant to the terms of the Franchise and License Agreement and to abide by whatever decision we make, including the right to control the litigation or administrative proceeding, with respect to such competing use.

ITEM 14. PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

You do not receive the right to use an item covered by a registered patent or copyright, but you can use the proprietary information in our manual(s). Although the Franchisor or its affiliates have not filed an application for a copyright registration for the manual(s) or other franchise information as of the date of this Franchise Disclosure Document, we claim the information given to you is proprietary. You agree to refrain from disclosing any information we designate as proprietary and confidential to unrelated third parties to the Spice Merchant's Franchise System unless we first publish such information without restriction or we first consent in writing to such disclosure. Articles 1, 6 and 9 of the Franchise and License Agreement (pages 1, 2, 5, 6 and 8) describe your rights, duties and limitations related to the use of our proprietary information.

ITEM 15. OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

While we permit you to hire a manager to run the day-to-day operations of the franchised business, we do require that you be sufficiently familiar with the business so that you ensure compliance with the Franchise and License Agreement. You are obligated to attend the initial training program. Any manager you hire must also attend our training program to ensure familiarity with franchise standards. You are free to decide if you want managers or employees to have an ownership stake in your business as a condition of employment. Your Franchise and License Agreement requires that you have your key employees, such as managers, sign a nondisclosure agreement which mandates confidentiality of information and may contain, at your option, a covenant not to compete.

ITEM 16. RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

The Franchise and License Agreement provides you may not directly or indirectly operate a competitive business to that of the franchise. Further, you may only sell only those products and services that we permit which we can change or add to in our sole discretion without limitation (Section 6.17 of the Franchise and License Agreement). You are not limited in the customers to whom you sell our authorized products and services.

ITEM 17. RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION THE FRANCHISE RELATIONSHIP

This table lists certain important provisions of the franchise and related agreements. You should read these provisions in the agreement attached to this disclosure document.		
Provision	**Section in franchise or other agreement**	**Summary**
a. Length of the franchise term	Section 3.1	10 years
b. Renewal or extension	Sections 3.1-3.3	If you are in good standing upon expiration of the current term of your franchise, you will have the opportunity to renew the franchise relationship for another 10 year period of time. You must give us written notice 90 days before the expiration of the current franchise term of your intention to renew. We have 30 days to respond with any deficiencies you must correct within 60 days in order to be in good standing.

	Provision	Section in franchise or other agreement	Summary
c.	Requirements for you to renew or extend	Sections 3.4-3.5	You must execute the then current Franchise and License Agreement which may have terms materially different than your current agreement. You must make any alterations to the premises at your expense to conform to the then current franchise image. There is no renewal fee.
d.	Termination by you	Section 15.2	You must be in full compliance. You must give us a written notice of any material breaches we have committed and give us a 30 day period of time to cure them before being able to terminate this franchise.
e.	Termination by us without cause	None.	
f.	Termination by us with cause	Section 15.1	We can only terminate you if you are in material default.
g.	"Cause" defined – curable defaults	Section 14.2	30 days to cure after receipt of written notice for: non-payment of any fees or products, failure to comply with governmental regulations, failure to be open for business within 30 days after completion of initial training or other breaches set forth in Section 14.2
h.	"Cause" defined – non-curable defaults	Section 14.1	Upon notice without opportunity to cure: bankruptcy, ceasing to operate from the premises, conviction of a crime, material misrepresentation regarding the franchise application process, intentional misuse of proprietary information or franchise trademarks, unauthorized transfer of business or intentional misrepresentation of gross sales of your business.
i.	Your obligations on termination or non-renewal	Sections 17.1-17.8	Obligations include complete de-identification and payment of all amounts due. See also r.
j.	Assignment of contract by us	Section 12	No restrictions
k.	"Transfer" by you defined	Section 11	Includes transfer of 50% or more of ownership interest to third party who agrees to become a franchisee, change of entity holding ownership and rights of survivorship held by related family members
l.	Our approval of transfer by you	Section 11	We have the right to approve all transfers of ownership interests. We will not unreasonably withhold consent if purchaser agrees to become a franchisee.

Provision		Section in franchise or other agreement	Summary
m.	Conditions for our approval of transfer	Sections 11.1-11.6	Purchaser qualifies as franchisee, transfer and training fees are paid, purchaser agrees to sign Franchise and License Agreement then in effect for new franchisees, training arranged, and you sign a release.
n.	Our right of first refusal to acquire your business	Section 11.13	We have the right to match the offer you receive except we can substitute cash equivalents for non-cash forms of payment.
o.	Our option to purchase your business	Section 16.1.B	We have the option of purchasing your business for fair market value if you are in the process of being terminated for breaching the Franchise and License Agreement.
p.	Your death or disability	Sections 11.9-11.11	Your representative has 120 days to transfer the franchise to a qualified person.
q.	Non-competition covenant during the term of the franchise	Section 18.1	No involvement competing businesses.
r.	Non-competition covenant after franchise terminates or expires	Section 18.1	Cannot own competing business for 2 years within 15 miles of your business or within 15 miles of any other Spice Merchants business.
s.	Modification of agreement	Section 24.2	Only by subsequent written agreement signed by both parties.
t.	Integration/merger clause	Section 24.2	Only the terms of the Franchise and License Agreement and related written agreements are binding subject to state law; any representations outside of this Disclosure Document and those agreements may not be enforceable.
u.	Dispute resolution by arbitration or mediation	Section 19.1-19.4	Except for certain claims regarding injunctive relief or other equitable relief or tort claims, the parties agree to first use the services of a mediator and then absent a settlement agreement the services of an arbitrator selected using the American Arbitration Association.
v.	Choice of forum	Sections 19.3 and 22.4	Litigation in Michigan unless stated otherwise in state specific addendum page in this Franchise Disclosure Document
w.	Choice of law	Section 22.2	Michigan law applies unless stated otherwise in state specific addendum page in this Franchise Disclosure Document

NOTE: Certain states may have statutes or court decisions which supersede the terms of the Franchise and License Agreement you sign with us. You should consult with your advisors regarding your rights.

ITEM 18. PUBLIC FIGURES

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

ITEM 19. FINANCIAL PERFORMANCE REPRESENTATIONS

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

Historic Performance

The information presented here represents historical information for the 12-month period ending December 31, 2025, for the 12 franchised locations that have been open for at least one full calendar year. The 12 franchised locations included in the 2025 gross sales figures exhibit diverse market characteristics ranging from resort locations to suburban locations in large metropolitan areas. These franchised locations have been open for a period ranging from 1 full calendar year ending December 31, 2025, to 23 years as of that date.

The average gross sales for calendar year 2025 for the 12 franchised outlets was $354,459 with 6 outlets exceeding that average amount. Such gross sales ranged from $112,875 to $902,074. The median gross sales for the franchised outlets was $298,586/$355,408. We will provide written substantiation of such gross sales figures upon request. Some outlets have sold this amount. There is no assurance you will do as well. If you rely upon our figures, you must accept the risk of not doing as well.

Other than the preceding financial performance representation, Spice Merchants Entities Corp. does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lisa Freeman at 3150 Blue Star Highway, P.O. Box 130, Saugatuck Michigan 49543 or by telephone at 616-366-6958, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20. OUTLETS AND FRANCHISEE INFORMATION

ITEM 20 contains historical information about the status of franchised and company or affiliated owned outlets as well as information about projected additional outlets to be opened in the next fiscal year.

Table No. 1 - Systemwide Outlet Summary for Years 2023 to 2025

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2023	9	10	1
	2024	10	9	(1)
	2025	9	13	4
Affiliate Owned	2023	3	2	(1)
	2024	2	2	0
	2025	2	0	(2)
Total	2023	11	12	1
	2024	12	11	(1)
	2025	11	13	2

Table No. 2 – Transfers of Outlets by Franchisees to New Owners (Not Franchisor) for Years 2023 to 2025

State	Year	Number of Transfers
Michigan	2023	0
	2024	0
	2025	0
Total	2023	0
	2024	0
	2025	0

[CONTINUED ON NEXT PAGE]

Table No. 3 – Status of Franchise Outlets for Years 2023 to 2025								
State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of Year
Colorado	2023	0	1	0	0	0	0	1
	2024	1	0	1	0	0	0	0
	2025	0	0	0	0	0	0	0
Illinois	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	1	0
	2025	0	0	0	0	0	0	0
Kentucky	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Michigan	2023	4	0	0	0	0	0	4
	2024	4	1	0	0	0	0	5
	2025	5	2	0	0	0	0	7
Mississippi	2023	0	1	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
North Carolina	2023	2	0	0	0	0	1	1
	2024	1	0	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Rhode Island	2023	0	0	0	0	0	0	0
	2024	0	1	0	0	0	0	1
	2025	1	0	0	0	0	0	1
Texas	2023	1	0	0	0	0	0	1
	2024	1	0	0	0	0	0	1
	2025	1	1	0	0	0	0	2
Total	2023	9	3	0	0	0	2	10
	2024	10	1	1	0	0	0	10
	2025	10	3	0	0	0	0	13

ble No. 4 – Status of Company or Affiliated Owned Outlets for Years 2023 to 2025							
State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisees	Outlets Closed	Outlets Sold to Franchisees	Outlets at End of Year
Michigan	2023	3	0	0	0	1	2
	2024	2	0	0	0	0	2
	2025	2	0	0	0	2	0
Mississippi	2023	1	0	0	0	0	1
	2024	1	0	0	0	1	0
	2025	0	0	0	0	0	0
Total	2023	4	0	0	0	1	3
	2024	3	0	0	0	1	2
	2025	2	0	0	0	2	0

Table No. 5 – Projected Openings as of December 31, 2026			
State	Franchise Agreements Signed but not Opened	Projected new Franchised Outlets in the next Fiscal Year	Projected new Company or Affiliated Owned Outlets in the next Fiscal Year
Indiana	0	1	0
Michigan	0	1	0
Total	0	2	0

When you buy a franchise, your contact information may be disclosed to other buyers when you leave the franchise system. During the last three fiscal years, no current or former franchisees have signed confidentiality clauses that restrict them from discussing with you their experiences as a franchisee in our franchise system except as discussed in ITEM 3, Litigation in this Franchise Disclosure Document. We have not signed any other confidentiality agreements with franchisees apart from the Confidential Settlement Agreement and Mutual Release regarding that litigation. We are not aware of any trademark specific franchisee organizations associated with the franchise system being offered.

ITEM 21. FINANCIAL STATEMENTS

Attached hereto as Exhibit "A" are audited financial statements for the fiscal years ending December 31, 2025, December 31, 2024, and December 31, 2023.

ITEM 22. CONTRACTS

Attached as Exhibits "B" through "D" are the following agreements which may be executed between us:

Exhibit B - Franchise and License Agreement
Exhibit C - Nondisclosure and Noncompetition Agreement
Exhibit D - Guaranty Agreement

ITEM 23. RECEIPTS

Exhibit G of this Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Disclosure document by a prospective franchisee. You should sign both copies of the Receipts. You should retain one signed copy for your records and return the other signed copy to: Spice Merchants Entities Corp., 3150 Blue Star Highway, P.O. Box 130, Saugatuck, MI 49453, ATTN: Lisa Freeman.

SPICE MERCHANTS ENTITIES CORP
FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

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INDEPENDENT AUDITOR'S REPORT

March 26, 2026

To the Board of Directors and Shareholders
Spice Merchants Entities Corp
Saugatuck, Michigan

Opinion

We have audited the accompanying financial statements of Spice Merchants Entities Corp. (the Company) which comprise the balance sheets as of December 31, 2025 and 2024, and the related statements of income and retained earnings and cash flows for the years ended December 31, 2025, 2024, and 2023, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Spice Merchants Entities Corp. as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years then ended and the year ended December 31, 2023 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Spice Merchants Entities Corp. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise a substantial doubt about Spice Merchant Entities Corp.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Ph: 616.396.0500 | Fax: 616.396.4170
460 S Waverly Rd | Holland MI 49423
CPAHOLLAND.COM

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Spice Merchants Entities Corp.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered in the aggregate that raise substantial doubt about Spice Merchants Entities Corp.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

DeLong & Brower, PLLC

DeLong & Brower, PLLC

Certified Public Accountants

SPICE MERCHANTS ENTITIES CORP
BALANCE SHEETS
DECEMBER 31, 2025 AND 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash	$ 127,172	$ 398,327
Investments	455,237	-
Accounts receivable, net of allowance of $ 0 and $20,025 in 2025 and 2024, respectively	26,489	20,438
Prepaid expenses	800	800
Total Current Assets	609,698	419,565
EQUIPMENT, net of accumulated depreciation	-	6,998
OTHER ASSETS		
Related party receivable	94,000	94,000
Notes receivable	92,353	25,000
Total Other Assets	186,353	119,000
TOTAL ASSETS	$ 796,051	$ 545,563
LIABILITIES AND SHAREHOLDER'S EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 25,680	$ 106,929
Related party payable	57,836	15,001
Current portion of long-term debt	-	5,742
Total Current Liabilities	83,516	127,672
LONG-TERM DEBT, net of current portion	-	-
SHAREHOLDER'S EQUITY		
Common stock, $1 par value; 60,000 shares authorized, 8,000 shares issued and outstanding	8,000	8,000
Retained earnings	704,535	409,891
Total Shareholder's Equity	712,535	417,891
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 796,051	$ 545,563

The accompanying notes are an integral part of these financial statements.

SPICE MERCHANTS ENTITIES CORP
STATEMENTS OF INCOME AND RETAINED EARNINGS
YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	2025	2024	2023
REVENUES			
Royalties	$ 256,323	$ 202,852	$ 191,771
Franchise build-out services	4,992	-	-
Initial franchise fees	50,000	47,500	50,000
Total Revenues	311,315	250,352	241,771
OPERATING EXPENSES			
General and administrative	87,233	257,099	117,495
Franchise build-out	8,680	-	2,168
Total Operating Expense	95,913	257,099	119,663
OTHER INCOME (EXPENSES)			
Interest income	-	200	-
Settlement Proceeds	104,900	-	-
Investment Return	4,956	-	-
Unrealized Gain (Loss) on Investments	271	-	-
Miscellaneous Income	7,579	-	-
Interest expense	(29)	(207)	(402)
Total Other Income (Expenses)	117,677	(7)	(402)
NET INCOME (LOSS)	333,079	(6,754)	121,706
Retained earnings, beginning of year	409,891	495,996	396,790
Shareholder distributions	(38,435)	(79,351)	(22,500)
RETAINED EARNINGS, END OF YEAR	$ 704,535	$ 409,891	$ 495,996

The accompanying notes are an integral part of these financial statements.

SPICE MERCHANTS ENTITIES CORP
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	$ 333,079	$ (6,754)	$ 121,706
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	6,998	10,497	11,562
Unrealized (Gain) Loss on Investments	(271)	-	-
Decrease (increase) in:			
Accounts receivable	(6,051)	720	(163)
Prepaid expenses	-	(800)	-
Note receivable	(67,353)	-	-
Increase (decrease) in:			
Accounts payable	(81,249)	89,766	2,238
Related party payable	42,835	8,721	4,469
NET CASH PROVIDED BY OPERATING ACTIVITIES	227,988	102,150	139,812
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Investments	(454,966)	-	-
NET CASH USED FOR INVESTING ACTIVITIES	(454,966)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Shareholder distributions	(38,435)	(79,351)	(22,500)
Repayment by related party	-	-	735
Repayment of long-term debt	(5,742)	(11,317)	(11,122)
NET CASH USED FOR FINANCING ACTIVITIES	(44,177)	(90,668)	(32,887)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(271,155)	11,482	106,925
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	398,327	386,845	279,920
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 127,172	$ 398,327	$ 386,845

The accompanying notes are an integral part of these financial statements.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business
Spice Merchants Entities Corp (the Company) is engaged primarily in the franchising and support of retail stores which offer spices, teas, and related items using prescribed methods. The number of franchises in operation is summarized as follows:

Franchises:	2025	2024	2023
Beginning of year	10	10	9
New franchises	3	1	3
Closed franchises	-	1	2
End of year	13	10	10

Revenue Recognition
The Company's revenues consist primarily of fees from stores operated by franchisees. Fees from franchised stores consist of certain "up-front" fees and on-going royalties. The portion of an initial fee related to distinct pre-opening services such as site selection and training are recognized as revenue at the time such services are fully performed based upon the value of such services. The remainder of the initial fee is recognized at the time a franchised unit commences operations. Any portion of the initial fee that is not recognized in a given fiscal year is treated as deferred revenue. Royalties are recognized in the year earned in an amount that reflects the consideration the Company expects to be entitled to. Royalties are assessed to franchisees beginning with the fourth full month after they have opened for business. These fees, along with operating rights, are stipulated in franchise agreements that have ten-year terms. Deposits on franchise fees, which are non-refundable, are recognized as income in the year received. Franchisees also have the option to reduce the on-going royalty fee by a maximum of two percentage points by paying an optional $2,500 per percentage point reduction at the onset of the franchise agreement. These royalty reduction payments are non-refundable and are recognized as income in the year received.

The Company, at the request of the franchisee, may provide additional pre-opening assistance not covered by the initial franchise fee, for which the Company charges the franchisee on a negotiated time and materials basis.

Basis of Accounting
Assets, liabilities, revenues, and expenses are recognized on the accrual basis of accounting.

Cash and Cash Equivalents
For the purpose of reporting cash flows, the Company considers all short-term investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of demand deposits in a bank. Management does not believe the Company is exposed to any significant interest rate or other financial risk as a result of those deposits.

Investments
Investments are carried at fair value. Investment securities are exposed to various risks such as interest rate, credit, and overall market volatility. Unrealized gains and losses are included in the change in net assets in the accompanying statements of activities. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Balance Sheets.

NOTE 1 – NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment and Depreciation

Acquisitions of property and equipment in excess of $2,500 are recorded at cost. For both financial reporting and income tax purposes, depreciation is computed using the straight-line method over the useful life of the asset. The cost of repairs and maintenance is charged to operations as incurred, while significant improvements are capitalized.

Accounts Receivable

Royalty charges are typically received from franchisees in the month following the period in which they are earned. If necessary, the Company records an allowance for credit losses based upon the level of past due amounts, information known about specific customers with respect to their ability to make payments, and future expectations of conditions that might impact the collectability of accounts. Past due accounts are written off when it is reasonably determined that amounts will not be collected. Credit losses arising from royalties have historically not been significant and generally have not exceeded management's expectations. The allowance for credit losses was $0 and $20,025 as of December 31, 2025 and 2024, respectively.

Leases

The Company has elected to exclude leases with terms of twelve months or less from the determination of the right-to-use asset and lease liability. Management believes not recording the de minimis leases will not have an impact on the user of these financial statements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – INCOME TAXES

The Company has elected to be taxed as an "S" Corporation under the provisions of Internal Revenue Code Section 1362 whereby taxable income and certain tax credits are passed directly to the shareholder for inclusion in her personal tax return. Some states and localities assess income taxes at the entity level for "S" Corporations. Though federal income taxes are not provided in these financial statements, applicable state and local income taxes are provided.

The Company analyzed its income tax filing positions in the state jurisdictions where it is required to file income tax returns for the years 2022 to 2025, the years which remain subject to examination by major tax jurisdiction as of December 31, 2025. The Company concluded that there are no significant uncertain tax positions requiring recognition in the Company's financial statements. Interest and penalties attributable to income taxes, to the extent they arise, are reflected as a component of operating expenses.

NOTE 3 – CONCENTRATION OF RISK

The Company maintains its cash in bank deposit accounts at financial institutions. The balance, at times, may exceed insured limits. The balance exceeded insured limits at December 31, 2025 and 2024 by $0 and $148,327, respectively.

NOTE 4 – EQUIPMENT

Equipment comprised of the following for the years ended December 31:

	2025	2024	2023
Equipment and machinery	$ 21,685	$ 21,685	$ 21,685
Vehicles	52,484	52,484	52,484
	74,169	74,169	74,169
Accumulated depreciation	(74,169)	(67,171)	(56,674)
Equipment, net of depreciation	$ 0	$ 6,998	$ 17,495

NOTE 5 – LONG-TERM DEBT

The Company had a loan payable to Blue Ox Credit Union requiring monthly principal and interest payments of $960 with a fixed interest rate of 1.74%. The loan matured in June 2025 and was secured by a vehicle. The loan was paid in full in June 2025.

NOTE 6 – RELATED PARTY TRANSACTIONS

Spice Merchants, LLC (“the LLC”) is a limited liability company affiliated through common ownership and ultimate management control which operated zero retail locations in 2025 (three in 2024 and three in 2023) which sell products similar to those of the Company’s franchisees. The stores operated by the LLC are not franchisees of the Company and, as such, are not responsible for franchise fees or royalties. In the course of business operations, certain expenditures are paid by the LLC on behalf of the Company, or funds are deposited into one company’s bank account on behalf of the other. At December 31, 2025 and 2024, there was $57,659 and $3,664, respectively, due to the LLC.

STM Packaging LLC is a limited liability company affiliated through common ownership and ultimate management control. At December 31, 2025 and 2024, there was $177 and $11,337, respectively, due to the LLC.

STM Properties LLC is a limited liability company affiliated through common ownership and ultimate management control. The Company rents office space from STM Properties LLC on a month-to-month basis at a rate of $800 per month. Rental expense was $9,600 and $9,600 for the years ended December 31, 2025 and 2024, respectively.

NOTE 7 – NOTES RECEIVABLE

The Company has notes receivable from franchisees outstanding as of December 31, 2025 and 2024. These notes are interest free and are not collateralized. Remittances begin upon full repayment of an additional note due to the related LLC. The Company has determined that imputed interest to reflect the time value of money would be immaterial; accordingly, no interest income is recorded in the financial statements for these notes. At December 31, 2025 and 2024, the balance on the notes receivable was $92,353 and $25,000 respectively.

NOTE 8 – INVESTMENTS AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are significant unobservable inputs reflecting management's own assumptions about the inputs used in determining the fair value.

Assets measured at fair value on a recurring basis at December 31, 2025:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Investments:				
Cash & Alternatives	$ 251,611	$ -	$ -	$ 251,611
Mutual Funds	203,626			203,626
Total	$ 455,237	$ -	$ -	$ 455,237

Assets measured at fair value on a recurring basis at December 31, 2024:

	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance
Investments:				
Cash & Alternatives	$ -	$ -	$ -	$ -
Mutual Funds	-	-	-	-
Total	$ -	$ -	$ -	$ -

NOTE 9 – SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest during the years ended December 31, 2025 and 2024 was $29 and $207, respectively.

NOTE 10 – LEGAL MATTER

The Company was in a dispute with a former franchise owner. The franchise was terminated in November 2023. The Company sought legal counsel during 2023 and 2024 and incurred legal fees in excess of $175,000. These legal fees are included in general and administrative expenses on the statement of income and retained earnings. The Company reached a favorable settlement with the former franchise owner in July 2025. The Company received settlement proceeds totaling $104,900.

NOTE 11 – SUBSEQUENT EVENTS

The Company has evaluated all subsequent events through March 26, 2026, the date the financial statements were available to be issued.

FRANCHISE AND LICENSE AGREEMENT

EXHIBIT "B"

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FRANCHISE AND LICENSE AGREEMENT

THIS AGREEMENT is made and entered into this _____ day of_________________, 20___, by and between Spice Merchants Entities Corp., a Michigan corporation, with business offices at 3150 Blue Star Highway, Saugatuck, Michigan 49453 (alternatively referred to as "Franchisor" ,"us", "we" or "it"; it being understood the terms "we" and "us" refer only to the Franchisor) and___________________________
____
____________________________________(alternatively referred to as "Franchisee" or "you").

WHEREAS, Lisa Freeman, the owner of the trademark, "Spice & Tea Merchants," has granted a license to the Franchisor to use that trademarked name and any other commercial symbols that become associated with such trademark (also collectively referred to as "Names") in its development, establishment and continued operation of a franchise system using those Names in the operation of a retail business offering spices, teas and related items; and

WHEREAS, Franchisor has developed and will continue to develop proprietary programs, systems, formats and techniques (hereinafter also referred to as "Methods" or "Franchise System") as part of the operation of a retail franchise system offering spices, teas and related items; and

WHEREAS, You wish to purchase a Spice& Tea Merchants franchise using such Names and Methods that currently exist as well as those which the Franchisor subsequently decides to incorporate into the Spice & Tea Merchants Franchise System subject to the terms of this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, covenants and undertakings herein contained and other valuable consideration, the parties agree as follows:

ARTICLE 1. GRANT AND TRADEMARK USE

1.1 We grant to you a non-exclusive license to use the Names and the associated Methods in the operation of retail franchise offering spices, teas and related items within an exclusive territory granted to you as defined in Schedule B to this Agreement.

1.2 You agree to use such Names and any related identifying marks associated with the Spice & Tea Merchants Franchise System only as we authorize in writing and not to infringe upon our rights to use and license others to use such Names and any related identifying marks licensed as part of the Spice & Tea Merchants Franchise System. You also agree not to claim any ownership right to the goodwill associated with such Names. You further acknowledge this Agreement does not grant you any right to use such licensed Names at any other location or for any other purpose. You must get our approval for any additional authorized use. Such approval must be in writing in order to be effective.

1.3 You acknowledge goodwill associated with such Names results from uniformity in operation and quality service. This quality and uniformity can be achieved only by the adherence by all Franchisees to a consistent plan of operation. To this end, you agree to follow those operating procedures communicated to you in the initial training program, ongoing assistance and the Manual(s) we provide you.

1.4 You acknowledge that from time to time we may reasonably change or modify the Franchise System including, but not limited to: (i) the implementation of new or modified operating procedures and standard franchise policies or (ii) the modification or adoption of new or modified trade names, trademarks, service marks or copyrighted material. You further agree to adopt, use and display any such changes as if they were a part of the Franchise System at the time we executed this Agreement. You also agree that we shall be free to make such changes or modifications without incurring any liability to you.

1.5 You must promptly notify us of any attempt by any unauthorized person or business entity to use the trademarks, trade names, service marks, logos, proprietary information, copyrighted material or other confidential information licensed to you once you become aware of such use. You also agree to notify us of any litigation instituted by any person, business entity or governmental agency against you or us if such litigation involves the Spice & Tea Merchants Franchise System's trademarks, trade names, service marks, logos, proprietary information, copyrighted material or other confidential information. You acknowledge the Franchisor has complete discretion to determine what legal action to take in relation to matters referred to in this Article. You agree to do such acts and things as may, in the opinion of our counsel, be reasonably necessary to carry out such defense or prosecution if we undertake the defense or prosecution of any litigation or administrative proceeding relating to these matters. The Franchisor will be responsible for all costs of such litigation or administrative proceeding unless such dispute arises out of your actions. In this latter instance you must indemnify us and our affiliated entities for all costs and damages you caused.

ARTICLE 2. BUSINESS NAME

2.1 You may not use the name, "Spice & Tea Merchants," in any corporate, limited liability company or partnership name. You must register your business under an assumed name having our written approval. You must give us a copy of any registration certificate.

2.2 You further agree not to deliberately use the Spice & Tea Merchants Franchise System's Names in any manner which the public might confuse such Names with another business that is not part of the Spice & Tea Merchants Franchise System. You also consent to the use of the Spice & Tea Merchants Franchise System's Names by other Franchisees as well as by the Franchisor and its affiliated entities that we license as part of the Spice & Tea Merchants Franchise System.

ARTICLE 3. TERM

3.1 This Agreement has a term of ten (10) years beginning on ___________________ and ending on ___________________ unless one of us terminates this Agreement prior to its expiration for good cause in accordance with the procedures described in this Agreement. You have the right to renew this franchise at the expiration of the initial term of the franchise and each subsequent ten (10) year period for additional terms of ten (10) years each provided you comply with the renewal conditions prior to the expiration of the initial term of this Agreement and each renewal term thereafter.

3.2 You must conduct your business in the manner prescribed in this Agreement in order to qualify for renewal. We cannot unreasonably deny your renewal rights as long as you properly comply with the terms of the franchise relationship. We have the right, however, to refuse renewal for the same reasons we can terminate this Agreement during its term. Article 14 describes these reasons.

3.3 You must give us written notice regarding your intention to renew at least ninety (90) days prior to the expiration date of this Agreement. We must respond in writing within thirty (30) days after receiving your renewal request and set forth any alleged violations which might be grounds for denying you the right to renew. You will have you sixty (60) days to cure all alleged violations. We may rightfully decline to renew the franchise relationship if you fail to cure such violations within the sixty (60) day period. The franchise relationship will then automatically terminate on the date specified in Section 3.1.

3.4 If you qualify for renewal, then the parties will execute the franchise and license agreement then in effect for new franchisees as part of the renewal process. The new franchise and license agreement may contain terms that are materially different from this Agreement. You agree to surrender this Agreement to us upon its expiration. In addition, you agree to execute a mutual release of claims agreement that the Franchisor prescribes which forever discharges any claims either party may have against the other with respect to this expiring Agreement. We will not charge a fee for the issuance of a new franchise and license agreement upon the expiration of this Agreement.

3.5 We may also require you to make such modifications to your business as reasonably necessary to coincide with the format being utilized at the time the parties execute the new franchise and license agreement as a condition to franchise renewal. Such modifications will be at your expense.

ARTICLE 4. FEES

You will pay to us or persons approved by us the required fees and make any other expenditures required by this Agreement as follows:

4.1 An initial fee amounting to TWENTY-FIVE THOUSAND DOLLARS ($25,000.00) except a ten percent (10%) discount from the standard initial franchise fee to franchisees who are retired military, police officers or firemen. We require you to pay us a non-refundable deposit of ONE THOUSAND DOLLARS ($1,000.00) upon submission of a franchise application for our consideration. We will credit this deposit against the total initial fee due if we approve your application after evaluating your suitability for our franchised business. You must pay the remaining balance of TWENTY-FOUR THOUSAND DOLLARS ($24,000.00) to us on the date you sign the Franchise and License Agreement. We will refund all of the initial franchise fee except the initial ONE THOUSAND DOLLAR ($1,000.00) deposit if a suitable site does not exist in the proposed trade are as determined by the Franchisor in its sole discretion. Such refund will be made to you after expiration of the ninety (90) day period for finding a suitable site as provided in Section 5.1.

The initial fee pays for your right to use our Names and Methods which comprise the Spice & Tea Merchants Franchise System, our expenses incurred in assisting you open your franchised business, our general working capital requirements of maintaining and further developing our Spice & Tea Franchise System and the lost opportunity to enfranchise others in the exclusive territory we grant to you.

4.2 An initial grand opening advertising expenditure ranging from ONE THOUSAND to TWO THOUSAND DOLLARS ($1,000.00 to $2,000.00) for the media placement we have approved during the initial six (6) month period you are open.

4.3 An advertising expenditure of equal to the greater of ONE HUNDRED FIFTY DOLLARS ($150.00) per month or TWO PERCENT (2%) of monthly gross sales starting with the seventh full month of operation. The policies and procedures relating to advertising are more fully described in Article 10 of the Agreement.

4.4 A royalty of EIGHT PERCENT (8%) of monthly gross sales that will commence starting with the fourth (4th) full month after you have opened for business. We must receive your royalty payment by the fifth (5th) day of the next calendar month after you make such gross sales subject to the payment terms of Section 6.10. Your payments to us may be affected by the following factors:

{A} You have the right to exercise an option to buy down one (1) royalty percentage point by paying an extra FIVE THOUSAND DOLLARS ($5,000.00) when signing this Agreement. This option will expire on the date described in Section 4.4 regarding royalty payment obligations.

{B} You will earn a semi-annual royalty rebate of ONE PERCENT (1%) of gross sales beginning with the seventh month as long as you are in strict compliance with the terms of this Agreement during each pertinent six (6) month period for which that semi-annual royalty rebate is earned. We will either credit your next royalty payment that amount or send you a check for that amount at our discretion.

4.5 Transfer and training fees as set forth in Article 11 of this Agreement when there is a transfer, directly or indirectly, of at least fifty percent (50%) of the ownership interest in the franchised business unless Article 11 specifies otherwise.

4.6 A late charge of ONE and ONE-HALF PERCENT (1.5%) per month, or if less, the maximum legal rate of interest in the state where you are located, on any balance due when you fail to pay on time. You acknowledge that the inclusion of this Section in this Agreement does not mean we agree to accept or condone late payments, nor does it indicate we have any intention to extend credit to otherwise finance your operation of the franchised business.

4.7 Any payments due for initial franchise fees, royalties, advertising fees or otherwise shall be absolute and unconditional. You agree we may apply any payment to any balance due in our sole discretion regardless of any designation you give the payment. You also agree not to delay or withhold the payment of all or part of such fees for any reason or attempt to set-off against any alleged claims you may assert against us. If legal action occurs between the parties, you agree to pay us the fees owed or pay such fees to our attorney who shall deposit the fees in a trust account pending the resolution of the dispute. You acknowledge we are entitled to a court order requiring such payments be made if you fail to comply with such payment obligations.

ARTICLE 5. OUR OBLIGATIONS TO YOU

We will provide the following services to you during the term of this Agreement:

5.1 Assistance in finding a suitable site meeting our criteria within your exclusive territory within ninety (90) days after execution of this Agreement by both parties. Both parties must approve the site before a lease for the premises can be signed. The type and amount of assistance remains in our sole discretion although we will make one visit at our expense to your exclusive territory to review proposed locations prior to approving your location. You will be responsible for our travel and lodging expenses if we must make more than one visit at your request.

5.2 Supply an itemization of the necessary equipment and supplies that you must use. We retain the right to designate various suppliers and various brands of the items we require you to purchase. You acknowledge the Franchisor may in its sole discretion require you to purchase products from either the Franchisor or its affiliated entities which you must use in the operation of the franchised business. You also acknowledge the Franchisor or its affiliated entities can make a profit from such sales to you.

5.3 Coordinate such pre-opening training as we feel is appropriate in our sole discretion. We have absolute discretion as to the timing, length and place of pre-opening training as well as the information taught during any pre-opening training you receive.

5.4 Provide a minimum of three (3) days of on-site training to coincide with the opening of your franchised business. The length of time we spend is in our sole discretion if we elect to stay more than the required three (3) days. We will be responsible for our travel, lodging and meal costs during that period of time.

5.5 Provide additional on-site training and assistance beyond that specified in Section 5.4 at your franchised location anytime after you are open for business upon your request provided we agree to do so in our sole discretion. You acknowledge nothing in this Agreement obligates us to honor your request. We have the right to determine whether our visit will last a part or all of the requested time. If we decide to honor your request, then you agree to pay us TWO HUNDRED FIFTY DOLLARS ($250.00) per person per day in addition to reimbursing us for reasonable expenses incurred by our personnel for travel, meals and lodging during any on-site assistance. We can adjust this fee at any time during the term of this Agreement without further notice to you.

5.6 Provide a continuing consultation service in such manner as the Franchisor shall select in its sole discretion after you open for business. We may provide such assistance verbally by telephone, in writing by means of e-mail or other written documentation, or in person. If you request remote or virtual assistance from us, you may be assessed a minimum of a FIFTY DOLLAR ($50.00) per hour fee in our sole discretion.

5.7 Loan to you whatever manual(s) we use in the franchised business. We may also provide other confidential information from time to time which is designed to explain our standards for operation of the franchised business. The Manuals(s) and other confidential information may be developed by us, our affiliates or unrelated third parties.

5.8 Evaluate advertising and marketing programs as we determine in our sole discretion and advise you regarding such programs, all of which are more fully described in Article 10 of this Agreement.

5.9 Refrain from selling similar franchises to other franchisees within your exclusive territory without your written consent during the term of this Agreement and any subsequent renewals hereof.

ARTICLE 6. YOUR OBLIGATIONS TO US

You agree to abide by the following contractual requirements:

6.1 Purchase all equipment and supplies under such brands, in such amounts and from such suppliers the Franchisor designates or approves in its sole discretion. You acknowledge and agree we may require you to purchase all equipment, supplies and related items from us or our affiliated entities. You recognize we and/or our affiliated entities may derive income from your purchases as well as requiring that you pay us or our affiliate the required deposit as determined by the Franchisor upon placing the initial order of inventory with the remaining balance due prior to shipment to you as part of the opening process. You agree all payments for purchases from us or our affiliated entities are subject to the requirements of Section 6.10 of this Franchise and License Agreement.

6.2 Attend whatever initial training program we provide whether conducted by us or by third parties we choose to use. You will also be solely responsible for all personal expenses related to the training program for all your attendees. You acknowledge successful completion of training is a prerequisite for opening your business. You further acknowledge we can terminate your franchise if you fail to complete such initial training to our satisfaction or fail to take any additional training we deem necessary after you open for business. You then agree to observe the provisions of this Agreement contained in Articles 16 and 17 regarding termination if we terminate you for this reason.

6.3 Be responsible for the day to day management of the franchised business to ensure compliance with the policies and procedures of the Franchise System.

6.4 Attend or have designated employees acceptable to Franchisor attend such general franchise meetings that we may offer in our sole discretion. We may hold such general franchise meetings at places of our own choosing. We agree to bear the cost of speakers, hand-out materials, room rent and other similar expenses related to such general franchise meetings. You agree to assume all expenses related to travel, lodging, meals and other incidental expenses of attendance. We agree to reasonably limit the number of such meetings each year to avoid undue interference with the day-to-day operations of your business and to avoid imposing excessive financial commitments on your business.

6.5 Sign and have key employees sign the Nondisclosure and Noncompetition Agreement which mandates confidentiality of all proprietary information disseminated in the training program or through other means such as Manual(s) and Technical Bulletins. Article 9 further describes these confidentiality requirements you must observe.

6.6 Operate the franchised business at a specific location which the parties have mutually agreed to. You further acknowledge the following:

{A} You have the ultimate responsibility for making sure any site improvements comply with the Spice & Tea Merchants Franchise System requirements as well as requirements of the lessor and local governing bodies. You may have to obtain zoning and other use and building permits during the site improvement process to ensure compliance with local laws and ordinances. Any such improvements will be at your expense. We have the right to prohibit the opening of your business until the site improvements meet our standards.

{B} You acknowledge our approval of a site does not guarantee you a certain level of gross sales or that you will be successful in the franchised business given the many factors that affect the performance of any business.

{C} You must obtain our approval to move the franchised business if the site becomes unusable or you wish to operate at a different location. We agree not to unreasonably withhold our consent after reviewing how the proposed move might affect the rights of existing Spice & Tea Merchants' locations.

6.7 Permit our representative(s) to enter your premises without prior notice. During these visits we may conduct a compliance audit to determine whether you are complying with the terms of this Agreement and conforming to our standards of operation. You will have thirty (30) days to correct any material deficiencies from the date we advise you in writing of such material noncompliance if you want to prevent termination of the franchise relationship pursuant to Articles 14 and 15 of this Agreement.

6.8 Observe restrictions on ownership of other businesses as well as respecting the territorial rights of other Franchisees, the Franchisor and its affiliates as set forth in Article 17 of this Agreement. Furthermore, you agree you shall not represent any other person, business entity or activity in a similar business while this Agreement is in effect.

6.9 Use and submit to us, where required, such standardized reports and informational forms according to the specifications contained in Article 7 of this Agreement, the Manuals(s) or other information we supply to you.

6.10 Punctually pay all sums owed to us or our designees when due whether for royalties, advertising, services, products or otherwise as set forth in Articles 4, 5, 6, 8 and 10. You unconditionally agree the franchisor may require in its sole discretion that all payments be made by electronic funds transfer by arrangement with your bank. You further agree to execute whatever documents your bank requires to permit us the right to have such funds transferred automatically when payments are due.

6.11 Use your best efforts to maximize the gross sales in your exclusive territory. You acknowledge the franchise granted hereby requires a full-time commitment to fully develop the franchise opportunity and as such is not to be construed as a part-time business.

6.12 Notify us of any claims asserted against us once you become aware of such claims whether they involve matters of a general nature or matters such as those described in Article 1.

6.13 Comply with the requirements regarding trademark usage set forth in Article 1 and business name usage in Article 2 of this Agreement. You must also obtain our approval for any business e-mail addresses used in electronic communication for franchise purposes and any domain names if you use an Internet website in association with your franchised business. You acknowledge Franchisor has the right to enter onto the premises to police the use of all trademarks and social media to ensure compliance with this Agreement.

6.14 Comply with any restrictions we communicate to you regarding the Methods used in the operation of your business. You also agree to adhere to the highest ethical and legal standards of business conduct in your relations with your customers, your vendors and Franchisor personnel.

6.15 Comply with all local, state and federal laws pertaining to the operation of your business. You agree to immediately notify us of any actions taken which allege you are in violation of a local, state or federal law.

6.16 Maintain such insurance as we may require from time to time, including but not necessarily limited to, casualty and personal liability insurance, workmen's compensation insurance and other forms of typical insurances for the business. You agree to name us as a co-insured on each policy at your sole expense if we make such a request.

6.17 Refrain from selling any products or services we have not approved whether at the retail location or through online sales. We may withhold approval in our sole discretion, but if granted, then any revenue derived from such activity must be included in your monthly gross sales figure.

6.18 Permit us to contact your customers to conduct compliance audits and to conduct satisfaction surveys among other activities as we may deem appropriate in our sole discretion to ensure compliance with this Agreement and to gather pertinent market information.

6.19 Utilize any proprietary computer software and hardware we require in the conduct of your business as more fully described in Article 9.

6.20 Abide by any other requirements set forth in this Agreement although not specifically enumerated in this Article 6.

ARTICLE 7. REPORTING REQUIREMENTS

7.1 You agree to use the standardized bookkeeping forms and other financial forms as we may develop from time to time to ensure uniform accounting and record keeping procedures for all franchised units. In addition, you agree to supply the following information to us:

{A} Monthly reports generated by your point-of-sale software system including the Detailed Item Summary, Department Summary and Tax Summary as well as any state sales tax returns filed on a periodic basis.

{B} Annual business income tax returns whether your franchise is a sole proprietorship, partnership, limited liability company or corporation with business related schedules from personal income tax returns when filed with state and federal agencies.

{C} You give consent to your accountant or bookkeeper to forward copies of tax returns directly to us when we make such a request to your accountant or bookkeeper.

ARTICLE 8. RIGHT OF ACCESS AND AUDIT

8.1 Our representative(s) are entitled to enter upon your business premises without prior notice during reasonable business hours in order to inspect and audit all aspects of your business including, but not limited to: books, records, cash register tapes, facilities, business equipment, materials and any other matters relating to your obligations set forth in this Agreement. Additionally, you hereby agree the Franchisor shall have direct electronic access to view your point of sale account from a remote location. You further agree to pay the cost of the audit if we audit your business because you have failed to supply reports at such times as required by this Agreement even though we find no errors in reporting. You will bear the entire cost of the audit plus all applicable late charges if our audit of your gross sales calculation reveals more than a five percent (5%) understatement. If such audit reveals a five percent (5%) or less understatement of gross sales, then you shall only be subject to the monthly late charge set forth in Article 4. The imposition of a late charge and assessment for audit costs, when applicable, will not be the exclusive remedies available to us if you repeatedly fail to accurately report sales results or if you deliberately misrepresent gross sales results. We may decide to terminate this Agreement pursuant to the provisions of Article 14 in these instances.

ARTICLE 9. CONFIDENTIAL INFORMATION

9.1 You acknowledge we may disclose to you from time to time certain proprietary information and other confidential information which we will designate as such. You agree to keep such information confidential until such time as: (a) we publish the information without restriction; (b) you receive the information independently from a third party who is not a member of the Spice & Tea Franchise System; or (c) you independently acquire the information as a matter of right. You further agree not to disclose either the proprietary or confidential information without our express, written consent.

9.2 You may disclose proprietary information to any of your employees, agents or representatives only to the extent necessary for such people to carry forth their intended employment role. You will first advise such individuals of the proprietary nature of the information before you make any disclosure to your employees, agents or representatives,. Such people are then obligated to the terms, conditions and requirements of receiving such information. You agree the Nondisclosure Agreement you and your key employees sign supplements the terms of this Agreement. You further acknowledge the failure to sign such Agreement does not render unenforceable the confidentiality requirements described herein.

9.3 In particular, you acknowledge any Manual(s) we provide you in our sole discretion contains confidential information which remains our sole property. As such, you acknowledge that such Manual(s) are being loaned to you for use during the period you are a franchisee. You agree not to duplicate or reproduce any part of the Manual(s) or otherwise disclose the contents to anyone without our express, written approval. You will maintain an up-to-date version of the Manual(s) on the premises in a secure area. We will maintain the master copy of the Manual(s) at our principal business office. Such master copy will be the controlling version if there is any dispute with respect to the contents of the Manual(s).

9.4 You acknowledge we are not under any obligation to develop proprietary software programs for the Spice & Tea_Franchise System. If we do develop proprietary software programs, you agree to lease them at the price we charge or at the price our affiliates charge for proprietary software programs we require that you use. As such, you acknowledge you have no ownership interest in such proprietary software programs. You agree to adhere to those policies and procedures regarding the use of proprietary software programs which we communicate to you in Manual(s) or other appropriate means in our sole discretion. You also agree not to copy or distribute such proprietary software programs for the benefit of others or disclose to others any information regarding such proprietary software programs. Any telephone assistance we provide with respect to the use of such proprietary software programs will result in a minimum charge of a FIFTY DOLLAR ($50.00) per hour fee.

9.5 You consent to the issuance of an injunction prohibiting further violations and also agree to pay damages awarded to us together with all our court costs and attorneys' fees if you violate the terms of this Agreement concerning trademark usage or disclosure of proprietary information. You further agree the court should not require us to post a bond if we must seek an injunction to enforce our legal rights.

ARTICLE 10. ADVERTISING

10.1 Due to the inherent importance and value of advertising and the need for standardization of the promotion of the Spice & Tea Franchise System, you agree to abide by the advertising requirements set forth in this Agreement, the Manuals(s), identify standards and other communications from us. You must submit any promotion or advertising program to us and receive prior, written approval from us with respect to trademark usage, actual content and media implementation. You further agree to respect the exclusive territories granted to other Franchisees when implementing marketing and promotional programs and to abide by our directives to avoid conflicts with other Spice & Tea Merchants locations. Failure to comply with these terms shall be considered a material breach of this Agreement resulting in possible termination of this Agreement as provided for in Section 14.2(b).

10.2 You agree to spend the greater of ONE HUNDRED FIFTY DOLLARS ($150.00) or TWO PERCENT (2%) of your gross sales each month for advertising and promotion of your business in your local trade area after the initial six (6) month period during which the initial advertising fee indicated in Section 4.2 will be spent. We have the right, however, in our sole discretion to establish a Spice & Tea Merchants Advertising Fund if the Spice &_Tea Franchise System grows to such a size where cooperative advertising on behalf of the Spice & Tea Merchants Franchise System is desirable to promote the Spice & Tea Merchants brand name. You will then make this payment of this advertising fee by separate check on or before the tenth (10th) day of the succeeding month and name the "Spice & Tea Merchants Advertising Fund" as the depositor. We agree to set up a Franchisee Advertising Advisory Council to assist us in the management of the Fund.

10.3 You acknowledge those charged with managing the Fund have complete discretion to use the Fund monies in such ways they feel will best promote the products and services offered by the Spice & Tea Franchise System. They are under no obligation to make expenditures in your trade area which are equivalent or proportionate to your contribution nor do they guarantee you will benefit directly or proportionately from the placement or use of any advertising. They do agree, however, to act in good faith and in a reasonably prudent manner with respect to your contributions.

10.4 We agree we cannot use the amounts contributed to the Fund for any other purpose. Your monthly contribution becomes the property of the Fund upon deposit and is not subject to refund to you. Any amount not expended in the calendar year in which contributed shall be applied and used for the Fund's expenses in the following year. Although we have the right to terminate the Fund in our sole discretion, such termination cannot occur as long as there is any amount still left in the Fund account. We agree to provide an annual accounting of the Fund account to all Franchisees. An independent certified accountant of our choosing will prepare an unaudited statement of Fund balances and a statement of collections and expenses. The Fund will bear the cost of such annual accounting. The Fund will also reimburse the Franchisor for any taxes that might be due on the Fund if we have to pay such taxes.

10.5 You also agree not to create and/or use a website related in any way to the Spice & Tea Merchants Franchise System or your franchised business in particular without permission from the Franchisor. You agree to abide whatever terms and conditions the Franchisor may set for websites if approval is granted to you with respect to website use, including, but not limited to online sales of any merchandise.

ARTICLE 11. TRANSFER BY YOU

You cannot freely sell the rights to your business and its related assets. You must obtain our prior, written consent which we agree not to unreasonably withhold as long as such sale is to a proposed Franchisee. You acknowledge we have the right to withhold our consent to a proposed sale of assets to a party who does not intend to become a Franchisee or does not otherwise qualify as a Franchisee. The procedures set forth in the remainder of this Article shall govern any situation where you propose to transfer control of your franchised business. What constitutes transfer of control may vary depending upon the circumstances, but in all instances it shall occur where at least fifty percent (50%) or more of your interest in the franchised business changes ownership through one or more transactions. You will comply with the following prerequisites to the extent they are pertinent to this transaction:

11.1 You will pay Franchisor a ONE THOUSAND DOLLAR ($1,000.00) transfer fee excepting certain types of transfers described in Sections 11.1, 11.7 and 11.9. You must pay this fee at the time the new Franchisee signs a franchise and license agreement conforming to the contract then in use. There will be no transfer fee charged if you merely change your legal entity (i.e. sole proprietorship to corporation) or change ownership interests amounting to less than fifty percent (50%). Any such change of legal entity or change in any ownership interests of less than fifty percent (50%) shall nonetheless require our written approval. We agree not to unreasonably withhold our consent.

11.2 Our consent to a transfer relates only to the specific terms and conditions you present to us in the approval request. Such consent is not our approval for a transfer containing any other terms or conditions, other parties or other changes from the original approval request. In addition, you must get our prior, written approval for any other subsequent proposed transfer of your interest. We may withhold consent until such time as you are in compliance with all terms of this Agreement, including adopting all subsequent trademarks and other indicia of the Spice & Tea Franchise System in such form as we have directed, whether it be for signage, general advertising or otherwise. Subject to the provisions of Section 11.13, you may proceed with the transfer if we do not notify you of our disapproval within thirty (30) days after our receipt of notice of the proposed transfer.

11.3 The transfer fee will compensate us for our costs associated with approving the transaction and the new owner. The purchaser must also pay a training fee of TWO THOUSAND DOLLARS ($2,000.00) to cover our costs associated with the initial training program held at premises we designate unless such training is not necessary according to the terms of Section 11.5(c). The purchaser is responsible for all personal costs of training such as travel, lodging and meals.

11.4 We must approve the purchaser which involves the meeting of a number of criteria that are the same for all new Franchisees. Included in the evaluation among other things is our assessment of the purchaser's character, financial strength and reputation as well as business ability and experience.

11.5 The purchaser must execute a new franchise and license agreement with us in the same form as the franchise and license agreement then currently in use with the following exceptions:

(a) We will modify the then current standard franchise and license agreement to state the purchaser does not owe any initial franchise fees apart from the training fee;

(b) In appropriate cases, we will modify the then current standard franchise and license agreement to indicate the new franchised business is contingent upon the purchaser successfully completing the terms of the purchase agreement with you; and

(c) We will not waive the training requirements for the purchaser unless we have previously trained the purchaser to our satisfaction.

11.6 Prior to issuing a new franchise and license agreement, we will require:

(a) An executed copy of the purchase agreement between the purchaser and you;

(b) An executed copy of the real estate lease transfer approval of the lessor;

(c) An executed copy of the Franchise and License Surrender Agreement we supply which among other things requires you maintain your personal guarantee on the rent for the premises and other payments due to us or our affiliates by your purchaser; and

(d) An executed receipt of a form provided by us indicating the purchaser received such documents as are required by applicable state and federal disclosure laws.

11.7 As indicated by Section 11.1, we will permit the assignment of this Agreement to a corporation or to a limited liability company you own or a transfer to family members (limited to spouse and children) without the payment of any transfer fees or training fees. You agree, however, we have the right to assess your spouse or children our out-of-pocket expenses for training if we must train such children or spouse as part of the transfer. We have the right to terminate the franchise if the heirs are unacceptable to us.

11.8 If the purchaser is in the form of a corporation or limited liability company, the purchaser further must agree as follows:

(a) Each shareholder or member and spouse agrees to be personally liable for all debts and other obligations of the corporation or limited liability company owed to us and guarantees payment of such debts and obligations as if they were his or her own; and

(b) All stock certificates of a corporation or evidences of membership interest in a limited liability company must make reference to transfer restrictions set forth in this Agreement in such form as to make them binding restrictions in accordance with the laws of the state pertinent to the business.

11.9 If the proprietor or any partner or shareholder owning fifty percent (50%) or more of the franchised business dies or becomes totally and permanently disabled, then such person or the legal representative of such proprietor, partner, member or shareholder shall within thirty (30) days of such death or disability set forth in writing and deliver to us a description of the proposed gift, bequest, sale or other disposition of such interest in accordance with the procedures set forth in this Agreement. This Section shall also apply to divorce proceedings if the spouses each have an ownership interest.

11.10 You or your legal representative have one hundred twenty (120) days after your death or disability to transfer your interest in a manner acceptable to us. We may elect to give notice of intent to terminate this Agreement pursuant to Section 14.2(e) unless you give us adequate, written assurances the provisions of this Agreement can be satisfactorily complied with during the time needed to effectuate the proposed transfer. We have the option, but not the obligation, to offer management services during the time it takes to properly transfer ownership to another party in lieu of terminating the franchised business. We are entitled to retain all fees collected from your accounts during such management period less expenses paid in the normal course of business.

11.11 The parties will each select one doctor to examine the individual at issue for purposes of determining whether you are permanently disabled. The parties agree to submit such determination to mandatory arbitration in accordance with the procedures set forth in Article 18 if the doctors are unable to agree as to whether you are permanently disabled. The decision of the arbitrator will be binding upon the parties to this Agreement.

11.12 We may deem any transfer a material breach of this Agreement according to Section 14.1(i) if you transfer your franchised business without getting our written approval. You agree we are entitled to injunctive relief preventing valid completion of such transfer until you satisfy the transfer provisions of this Article.

11.13 You acknowledge we have a right of first refusal if you want to sell your franchise to an unrelated third party. We must exercise our right of first refusal within fifteen (15) days after you provide us with a signed copy of the purchase agreement and franchise deposit. We need only agree to purchase the business on the same terms and conditions as contained in the purchase agreement to properly exercise our right, except we may substitute cash equivalent for any portion of the purchase price not in the form of cash or a promise to pay money. This right of first refusal applies to each purchase proposal you execute with potential buyers.

ARTICLE 12. TRANSFER BY FRANCHISOR

12.1 We may assign or transfer all of any part of this Agreement in connection with the sale or other disposition of our interest in the Spice & Tea Franchise System without your consent. You acknowledge you must still honor the terms of this Agreement if we assign our interest in this Agreement. We will only remain liable for any obligations accrued through the date of such transfer and will not be liable if successor franchisor commits subsequent breaches of this Agreement.

ARTICLE 13. PERSONAL GUARANTEES

13.1 Each shareholder, partner, member and sole proprietor, and his or her respective spouse, if any, agree to guarantee and be personally liable for all debts and obligations owed to us. Such debts and obligations may take the form of royalties, advertising fees, equipment and real estate leases with the Franchisor or affiliated entities, Yellow Page contracts for which the Franchisor or affiliated entities are the primary contract holder, purchases of products and supplies from the Franchisor or affiliated entities, or other possible debts and franchise obligations. Each person agrees to execute our standard form Guaranty Agreement. You acknowledge the failure to execute the Guaranty Agreement will not render the personal guarantee contained in this Agreement void or unenforceable.

13.2 All stock certificates of the corporate franchise holder or membership certificates in limited liability companies shall make reference to stock transfer restrictions set forth in this Agreement in such appropriate form as to make them binding restrictions in accordance with the laws of the state where the franchised business is located.

ARTICLE 14. REASONS FOR TERMINATION OF THIS FRANCHISE

We may terminate this Agreement for the following reasons:

14.1 Immediately and without complying with the notice requirements set forth in Article 15 in these circumstances:

(a) If you are adjudicated a bankrupt or become insolvent;

(b) If a court of competent jurisdiction appoints a receiver, permanent or temporary, with respect to your property that is subject to this Agreement;

(c) If you make a general assignment for the benefit of your creditors;

(d) If you dissolve or liquidate the franchised business;

(e) If you indicate a clear intention to cease operations, abandon the business or commit a material default of your lease such that you lose occupancy of the premises;

(f) If you or one of your principal officers, directors, members or partners pleads guilty or is convicted of any violation of law or ordinance which will render operation of the franchised business impossible or will have a significant adverse impact on the image of the Spice & Tea Franchise System;

(g) If we have issued two (2) notices of intent to terminate to you in the prior twelve (12) month period as of the date of a third (3rd) notice of intent to terminate even though you may have cured the previously cited deficiencies;

(h) If you intentionally misuse proprietary and/or confidential information or fail to conform to authorized use of trademarks;

(i) If you transfer this Agreement without our consent;

(j) If you commit any material misrepresentation with respect to the information you give us that we use in deciding whether to grant you a franchise; or

(k) If you make an intentional and material misrepresentation of gross sales when reporting the gross sales amounts to us.

14.2 We also may terminate this Agreement in accordance with the notice procedure set forth in Article 15 for the following reasons including, but not limited to, the following:

(a) If you fail to make payments or supply reports to us in a timely manner;

(a) If you fail to comply with advertising requirements and procedures for the franchised business;

(c) If you fail to comply with any appropriate national, state or local governmental regulations pertaining to the operation of the franchised business, the failure of which an arbitrator or a court of law rules is a material breach of this Agreement;

(d) If you fail to open your business within thirty (30) days after completion of the initial training program or ninety (90) days after you sign the lease for the premises, whichever is the earlier date, unless prevented from doing so by circumstances beyond your control;

(e) If your legal representative fails to transfer your franchise to new ownership within one hundred twenty (120) days of your death or permanent disability or of the majority owner of stock in a corporation or majority membership interest in a limited liability company except as otherwise provided in Section 11.10;

(f) If you fail to submit to us executed copies of the Nondisclosure and Noncompetition Agreement on the form we provide bearing the signature of each owner and spouse or key employee upon execution of this Agreement; or

(g) If you fail to correct any other material breach of this Agreement or other agreements incorporated herein by reference within thirty (30) days' after written notice, except if notice occurs as part of the renewal procedure described in Article 3.

ARTICLE 15. NOTICE REQUIRED FOR EFFECTING TERMINATION FOR BREACH

The parties will use the following procedures for termination of this Agreement for alleged breaches by either party:

15.1 We may terminate this Agreement after we send written notice of our intent to terminate to you. Our notice must specify the reason or reasons for such termination. The date of termination will be at least thirty (30) days from the date such notice is postmarked or the date of personal service as the case may be except in those instances where nonpayment of fees is involved in which case we need not give you more than ten (10) days written notice. The notice must contain the precise date termination will automatically take effect should you fail to cure the alleged defaults set forth in the notice. We do not have to provide any further notices in order to enforce our rights to terminate this Agreement.

15.2 You may terminate this Agreement after written notice to us only if you are in full compliance with all material terms of this Agreement. Such notice must specify the alleged material breaches we have committed and give us at least thirty (30) days to cure such alleged material breaches before termination can take effect. Such notice must contain the date termination will take effect if we fail to cure the alleged material breaches within the cure period.

ARTICLE 16. TERMINATION OPTIONS

16.1 This Agreement offers you the following exit options should you face mandatory termination by us because you breached the terms of this Agreement or you decide you no longer wish to be a franchisee. These options are as follows:

{A} Sell to a third party of your choosing who has our approval in accordance with Article 11of this Agreement. Such sale is subject to our rights of first consideration set forth in Section 11.13. You agree as part of such sale to a third party that your personal guarantee of franchise obligations and to other parties remains in effect; or

{B} Cease operations thereby terminating this Agreement. In such instance you must accept our offer to purchase the assets associated with your business if we elect in our sole discretion to make such an offer. We have fifteen (15) days after the termination date to make an offer. You must accept any offer we make if the purchase price is at least equal to the fair market value of your business assets taking in account any amortization and/or depreciation you have taken but not including any amount for goodwill. You will still be responsible for all liabilities, whether contingent or not, except those continuing liabilities for assets you purchased such as equipment and fixtures which we are purchasing from you. You agree to assign any purchase contracts for such assets to us. You also agree we are entitled to deduct from our cash payment to you the remaining balance due on such contracts as well as any amounts you owe us.

ARTICLE 17. EFFECT OF TERMINATION

You will have the following obligations upon termination or nonrenewal of this Agreement:

17.1 Promptly pay any and all sums owed to us. You recognize your personal guarantee survives termination of this Agreement until you have paid all debts owed to us.

17.2 Cease doing business under the trade names, trademarks and service marks we license to you including the use of the Spice & Tea Merchants Franchise System's names and/or trademarks in any form related to the franchised business including business e-mail addresses and Internet domain names we have approved. You further agree not to use any similar name and/or trademark as those licensed hereby nor use any means to indicate to the public you were ever a licensed user of the Spice & Tea Merchants names and/or trademarks.

17.3 Return to us all stationery, printed matter and advertising materials containing the Spice & Tea Merchants names and/or trademarks. No credit shall be given for these items.

17.4 Immediately, as of the date of termination, you agree to cease using your business telephone number(s) and to sign such instruments or papers and take such other steps as may be appropriate or required to transfer such telephone number to us, or to another franchisee we designate or to discontinue the use of such number. You authorize us under such circumstances to order the telephone company serving you to terminate or transfer the use of such telephone number or to put such number on referral as we direct. You further agree and do hereby hold any such telephone company harmless from any and all claims against it arising out of any orders we give to terminate, transfer or put on referral such telephone service. You acknowledge the Franchisor has complete discretion to control the form of ownership of your business telephone number at all times and therefore has the right and power to take the above enumerated actions.

17.5 Promptly return to us in good condition any Manual(s), proprietary software programs and other confidential information we have given you in connection with the operation of the franchised business. You must also turn over any customer lists in your possession. You agree that we are the exclusive owner of such items and information.

17.6 Promptly execute any instruments we require to recognize our rights to the premises.

17.7 Comply with Articles 16 and 18 of this Agreement.

17.8 Take such other reasonable and necessary steps we require to complete the termination process.

ARTICLE 18. NONCOMPETITION

In order to protect the goodwill associated with the Spice &Tea Merchants Franchise System's Names and proprietary Methods associated with such Names, you will in your individual capacity or if a corporation, limited liability company or partnership, its respective stockholders, officers, directors, members, managers, partners, agents, spouses and key employees in such capacities as may be applicable:

18.1 Neither be associated, directly or indirectly, as an employee proprietor, partner, stockholder, officer, agent, member, manager or otherwise in the operation of any similar business during the term of this Agreement no matter where such similar business may be located; nor be associated, directly or indirectly, as an employee, proprietor, partner, stockholder, officer, agent, member, manager or otherwise of a similar business for a period of two (2) years from termination of this Agreement (termination as used in this Article shall mean either expiration of this Agreement or severance of the franchise relationship pursuant to procedures set forth in Articles 14 - 17) or from the date of entry of a formal judgment enforcing this covenant by a court of competent jurisdiction, whichever is the later date. You further agree you cannot open another similar business under a different name while the post-term covenant is in effect within fifteen (15) miles of your location upon termination of this Agreement and within fifteen (15) miles of any other Spice & Tea Merchants retail location (whether franchised or operated by us or one of our affiliated entities) in operation at the time of termination of this Agreement. We cannot enforce the post-term covenant if you terminate our franchise relationship for good cause in accordance with the terms of this Agreement.

18.2 We cannot prevent you from investing in a business as an owner, partner or stockholder during the term of this Agreement which is not competitive with the franchise granted herein. You must notify us of such additional business interest. We may terminate this Agreement if we determine that such additional business interest has substantially interfered with the effective operation of the franchised business, and you fail to divest yourself of your interest in the other business upon our request.

18.3 An arbitrator or court of competent jurisdiction may by order reduce the scope of these noncompetition covenants contained in this Article and the Nondisclosure Agreement in order to render them enforceable under the prevailing law in lieu of declaring such noncompetition covenants unenforceable as written.

ARTICLE 19. CONFLICT RESOLUTION

19.1 The parties agree to use the mediation services of the American Arbitration Association for all disputes arising between the parties prior to engaging in other forms of litigation provided for in this Agreement unless a party seeks immediate injunctive relief to prevent irreparable harm from occurring prior to being able to have the matter addressed. In this instance the party will not be required to post a bond as part of the injunctive relief proceeding**.** The mediator will not have the power to impose any decision upon either party other than terminating the mediation process. Either party shall then have the right to proceed with other forms of litigation after making a good faith attempt to mediate the dispute.

19.2 If mediation efforts fail to resolve the dispute, then the parties agree to use arbitration as the sole means to resolve any contractual dispute, claim, cause of action or other question that can be reduced to money damages arising out of the performance of the Franchise and License Agreement, the Nondisclosure and Noncompetition Agreement or the Guaranty Agreement. The parties are not obligated to arbitrate claims based on equitable relief such as seeking injunctions, fraud or other tort claims related to the franchise relationship, but are free to do so if they mutually so agree in a separate written document.

19.3 The parties agree to hold mediation or an arbitration hearing at the offices of the American Arbitration Association located in Michigan. The parties also agree to comply with the rules of the American Arbitration Association in the conduct of either mediation or arbitration processes. The parties may engage in pre-hearing discovery in arbitration only if there is mutual consent, and if given, only to the extent provided for in such mutual consent. You acknowledge and agree that any dispute regarding this Agreement is strictly between the parties executing this Agreement, the Nondisclosure and Noncompetition Agreement and the Guaranty Agreement. Claims related to these agreements are not subject to mediation or arbitration on a classwide basis. Upon conclusion of an arbitration hearing, the arbitrator's decision will be binding upon the parties and shall be a condition precedent to the right of subsequent legal action except as otherwise noted in this Agreement. Either party may enter the arbitrator's decision in the court of the forum, state or federal, having jurisdiction for any lawful purpose.

19.4 There will be one third party neutral at the mediation or a subsequent arbitration hearing unless the parties mutually agree to a greater number. The mediator or arbitrator must be a lawyer and must have significant experience and expertise related to franchising. An arbitrator has the power to award only compensatory, monetary damages unless the parties mutually agree in a separate written document to permit the arbitrator to have the power to grant additional relief as specified in that agreement. The arbitrator will not have the power to award punitive or exemplary damages, or any damages excluded by, or in excess of any damage limitations expressed in this Agreement or any subsequent agreement between the parties. Either party may petition a court to hold a separate hearing for the purpose of awarding punitive or exemplary damages after the arbitration award is filed with and accepted by the appropriate court having jurisdiction.

ARTICLE 20. INDEPENDENT CONTRACTOR

20.1 You are an independent contractor with discretion and control of your business and operations, subject only to the conditions and obligations created by this Agreement. You further agree to indicate you independently own and operate your business so that customers will not confuse your business with that of the Franchisor, its affiliated entities or other Franchisees of the Spice & Tea Franchise System.

20.2 Neither party to this Agreement has the authority to act for the other in any manner to create obligations or debts that would be binding on the other. Similarly, neither party is responsible for any obligations or expenses of the other unless specifically agreed to in writing. Neither you nor any persons performing any duties or engaged in any work on your premises shall be considered an employee, agent or representative of ours.

20.3 You agree to indemnify and hold Franchisor and its officers, directors, shareholders, employees, members or managers and affiliated entities harmless against any claims and money damages we incur including, but not limited to, attorneys' fees and court costs, arising out of your operation of your business.

ARTICLE 21. WAIVER

21.1 No delay or omission to exercise a right, power or remedy accruing to one party on any breach or default of this Agreement shall be construed as a waiver of such right, power or remedy of such party unless otherwise provided for in this Agreement. Any waiver, permit, consent or approval of any kind or character on our part of any breach of this Agreement must be in writing and will be effective only to the extent specifically allowed by such writing. All remedies, either under this Agreement, by law or otherwise afforded, shall be cumulative and not alternative.

ARTICLE 22. CONSTRUCTION

22.1 This Agreement becomes binding upon the parties after both parties sign it. This Agreement presumes its performance will involve or is affected by interstate commerce. As such, the parties agree issues of arbitrability are determined in accordance with the federal substantive and procedural laws relating to arbitration as they relate to the interpretation of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.).

22.2 Except as noted in Section 22.1 and to the extent the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.) may apply, the arbitrator shall apply and be bound to follow the substantive laws of the State of Michigan in interpreting the provisions of this Agreement.

22.3 If an arbitrator or court of competent jurisdiction declares any provision of this Agreement is illegal or unenforceable pursuant to a statute, judicial decision or federal or state governmental authority, then the parties to this Agreement agree the arbitrator or court of competent has the right and the duty to modify the offending provision to the extent necessary to eliminate the illegal or unenforceable provisions as long as such modification will not unduly disturb the franchise relationship. The invitation to reform this Agreement assumes such modification will be of a limited nature with all the other terms and conditions of this Agreement remaining in full force and effect.

22.4 Both parties acknowledge any legal action other than arbitration which is required by Article 19 of this Franchise and License Agreement will be heard by Kent County Circuit Court in Grand Rapids, Michigan if a state action or the United States District Court located in Grand Rapids, Michigan if a federal action.

ARTICLE 23. ATTORNEYS' FEES AND RELATED COSTS

23.1 The prevailing party is entitled to reasonable attorneys' fees and other costs of any proceedings if the parties resort to litigation or arbitration regarding any aspects of the franchise relationship.

ARTICLE 24. MISCELLANEOUS

24.1 Neither party is liable for any failure or delay in performance occasioned in whole or in part by force majeure, including an act of God, or any other event beyond the reasonable control of either party if the party asserting an excuse for strict performance of this Agreement has exercised reasonable care and diligence to avoid such occurrence.

24.2 This Agreement is the entire agreement of the parties. Any representations, inducements, promises, and agreements, oral or otherwise, not contained herein shall have no force or effect in the construction of the rights and obligations of the parties created by this Agreement. You acknowledge certain supplementary forms, documents and agreements are incorporated by reference into this Agreement as if set forth herein in their entirety, including but not necessarily limited to, the Nondisclosure Agreement, the Guaranty Agreement, the Franchise Data Sheet (Schedule A), the Location and Territory Designation Form (Schedule B) and any manual(s). This Agreement cannot be altered except by a subsequent written document signed by both parties specifically referring to this Agreement.

24.3 You acknowledge we have not given you assurances or guarantees concerning the profitability of your proposed business.

24.4 Wherever pronouns are used they shall be read and construed in the masculine, feminine or neuter wherever they would so apply. Wherever words, including pronouns, are used in the singular or plural, they shall be read and construed in the plural and singular, respectively, wherever they would so apply.

24.5 Any notice required by this Agreement shall be (a) personally delivered, or (b) transmitted by postage prepaid registered or certified mail to the parties as follows:

<u>If to Franchisor, then to:</u>

Ms. Lisa Freeman
Spice Merchants Entities Corp.
P.O. Box 130
Saugatuck, MI 49453

<u>If to Franchisee, then to:</u>

24.6 The covenants and obligations of either party shall survive the termination or expiration of this Agreement where necessary to carry out the intent of this Agreement.

24.7 You acknowledge we gave you a copy of this Agreement, the attachments hereto, if any, and any other pertinent agreements, if any, at least seven (7) days prior to the date you signed this Agreement. You also acknowledge we gave you a Franchise Disclosure Document required by the Federal Trade Commission Franchise Rule at least fourteen (14) days before you signed this Agreement.

24.8 You further acknowledge and represent that you have conducted an independent investigation of the business franchised pursuant to this Agreement and recognize the business venture contemplated by this Agreement involves the normal business risks associated with beginning a new business. You further acknowledge you have had ample opportunity to consult with advisors of your own choosing about the potential benefits and risks of entering into this Agreement as part of such investigation.

24.9 THE MARKS ARE LICENSED TO YOU ON AN "AS IS**"** BASIS**.** EXCEPT AS EXPRESSLY SET OUT IN THIS AGREEMENT, FRANCHISOR MAKES NO EXPRESS OR IMPLIED REPRESENTATIONS, WARRANTIES OR CONDITIONS OF ANY KIND IN RESPECT OF THE MARKS OR FRANCHISE AND LICENSE AGREEMENT SET OUT HEREIN, INCLUDING IMPLIED OR STATUTORY WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE**.**

24.10 Each party represents it has the authority to execute this Agreement. You acknowledge only those officers or individuals the Franchisor designates have the authority to make binding commitments on our behalf. In particular, our field support personnel cannot contractually bind us by making any verbal or written representations unless such field support personnel are among those individuals we have designated as having the power to make binding commitments to you. Each party further acknowledges this Agreement can be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Each party further agrees all agreements between the parties may use electronic signatures which shall be binding upon the parties in the same manner as if the agreements were manually signed in ink. Each party agrees to execute such other instruments and documents as needed to carry out the intent of the parties, all of which shall be incorporated by reference as if set forth herein.

The parties hereto affix their signatures and execute this Franchise and License Agreement as of the day and year first above written.

FRANCHISOR:
SPICE MERCHANTS ENTITIES CORP.
a Michigan corporation

BY:______________________________

TITLE:____________________________

FRANCHISEE:
INDIVIDUALLY/GUARANTORS:

____

____

If applicable, as an officer/member of

__________________________ a state

of_________corporation/Limited liability company

BY:__________________________________

TITLE:______________________________

FRANCHISE DATA SHEET (Schedule A)

1. Your legal name is____
which conducts business as a /__/ sole proprietorship
/__/ corporation
/__/ partnership
/__/ limited liability company

2. Your assumed name is____.

3. The telephone number used by the franchised business is: ____.

4. The name, home address, phone, title and % ownership of each individual having an ownership interest in the franchise is:

Name	________________	_________________	________________
Home	________________	_________________	________________
Address	_______________	_________________	________________
	_______________	_________________	________________
Phone	_______________	_________________	________________
Title	_______________	_________________	________________
% Owner-ship	_______________	_________________	________________

Evidence of legal form of Franchisee must be submitted to the home office such as articles of incorporation, articles of organization for a limited liability company or partnership registration, whichever apply. In addition, evidence of assumed name registration for a sole proprietorship, corporation, limited liability company or partnership shall also be submitted to Franchisor to verify the trade name you are using.

The undersigned represent and warrant that the information contained in this Franchise Data Sheet is true and correct as of the date indicated by each owner's signature. The undersigned acknowledge any changes in the information set forth in this Franchise Data Sheet, other than the information relating to the home address and home telephone number, require the written approval of the Franchisor. The undersigned further acknowledge we rely upon the accuracy of the information contained in the Franchise Data Sheet and may therefore treat any negligent or willful withholding of pertinent information as a material breach of the Franchise and License Agreement. You agree to reimburse us for any additional costs for printing or other expenses which we may incur as a result of inaccurate information you give us. As such, the information contained in this Franchise Data Sheet shall be incorporated by reference into the Franchise and License Agreement that we signed on ________________, 20____, as if set forth therein for purposes of interpreting the Franchise and License Agreement with respect to the information regarding the owners of the franchised business.

Owner's Signature	Date of Signature
______________________________________	_______________________
______________________________________	_______________________

LOCATION AND TERRITORY DESIGNATION (Schedule B)

The Franchisor gives its approval for you to operate your franchise at the location whose legal address is: ____
____.

The Franchisor grants to you an exclusive territory described below within which the Franchisor agrees to refrain from selling another franchise as long as the Franchise and License Agreement is in effect: ____
____
____
____.

The information contained in this Location and Territory Designation Form shall be incorporated into the Franchise and License Agreement by reference as if set forth therein for purposes of interpreting the Franchise and License Agreement executed by the you and the Franchisor on ________________________________, 20____.

FRANCHISOR:

Dated:_______________ By:_____________________________

Its:_____________________________

SPICE & TEA MERCHANTS

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

(Exhibit C)

In consideration of my training by the Spice & Tea Merchants Franchise System to conduct a franchised business using the trade name licensed to my business by Franchisor, I agree as follows:

1. **PROPRIETARY INFORMATION.** I acknowledge that Franchisor has the right to license to me the right to use proprietary knowledge, techniques, processes or other information relating to the business which forms an integral part of the Spice & Tea Merchants Franchise System. As such, I agree I have no ownership interest in the proprietary knowledge, techniques, processes and information licensed to me. I further agree to hold in strict confidence and secrecy that which has been communicated to me in order to satisfactorily comply with the requirements of my Franchise. I shall also hold in strictest confidence all non technical business, advertising, marketing and customer information. I will not disclose any such information to any other person unless such person is also in a confidential relationship with the Franchisor or is one of its Franchisees. If disclosure is permissible, it shall be made only to the extent necessary.

2. **COVENANT NOT TO COMPETE**. While owning the franchise or a spouse of a person having an ownership interest in the franchise, I shall not be associated with a similar business no matter where such other similar business is located; nor shall I engage in the same or similar business as a Spice & Tea Merchants business within the exclusive territory granted to me for a period of two (2) years from the date of termination of the Franchise and License Agreement (termination as used in this Article shall mean either expiration of the Franchise and License Agreement or severance of the franchise relationship pursuant to procedures set forth in Articles 14-18) or from the date of entry of a formal judgment enforcing this covenant by a court of competent jurisdiction, whichever is the later date. I agree the geographic extent of such post-term covenant shall be fifteen (15) miles from my business address at the time of termination and fifteen (15) miles and from any other Spice & Tea Merchants location existing at the termination date of the Franchise and License Agreement. I shall have the burden of proving that I have not used your proprietary information in such business if I violate either the in-term or post-term covenant not to compete.

3. **SURRENDER OF MATERIAL.** Upon termination of my ownership, I will surrender to you materials, technical or nontechnical, whether or not copyrighted, which relate to the technical or nontechnical information concerning my Spice & Tea Merchants franchise.

4. **CONSTRUCTION.** The laws of the State of Michigan shall govern in either instance, except to the extent the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Section 1051 et seq.) or the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) apply; it being presumed hereby that the contemplated relationship involves interstate commerce.

5. **CONFLICT RESOLUTION.** I acknowledge that Article 19 of the Franchise and License Agreement describes how disputes shall be handled. I agree to abide by the provisions of that Article as if fully set forth in this Agreement.

____
Your Signature

Dated:____________________

____
Franchise Location

GUARANTY AGREEMENT (Exhibit D)

In order to induce Spice Merchants Entities Corp. (hereinafter referred to as "Franchisor") to enter into that certain Franchise and License Agreement dated the __ _______day of_________________, 20___, with ________________, the undersigned shareholder, member, manager, partner or proprietor as may be applicable and respective spouse, if any, (hereinafter referred to as "Franchisee" or "you"), hereby unconditionally agree as follows:

1. To personally guarantee prompt payment when due and at all time thereafter of any and all amounts including, but not limited to, royalties, advertising fees, product purchases, late charges or other obligations arising out of the Franchise and License Agreement between Franchisor and Franchisee. This guarantee shall also specifically apply to any payments which the Franchisor makes to third parties on behalf of Franchisee arising from Franchisee's breach of any agreements with such third parties.

2. To reimburse Franchisor for all costs, attorneys' fees and other expenses incurred by Franchisor in the collection or attempted collection of any amounts due Franchisor from Franchisee pursuant to the terms of this Guaranty Agreement or as may be incurred in enforcing this Guaranty Agreement.

3. To covenant and agree that the liability of the undersigned, if more than one, is joint and several. Further, the undersigned covenant and agree that this Guaranty Agreement shall apply to the undersigned regardless of whether the undersigned are shareholders in a corporation owning the franchise rights, the undersigned are members or managers of a limited liability company owning the franchise rights, the undersigned are partners in a partnership owning the franchise rights or the undersigned is an individual owning the franchise rights.

4. To covenant and agree the liability of the undersigned is independent of, and may be exercised regardless of, the existence of any other security or guaranty at any time in effect with respect to all or a part of the indebtedness and regardless of any failure of the Franchisor to perfect or secure any priority of its rights with respect to any security at any time, given or agreed to be given, by the Franchisee, its owners or other interested third parties, for the indebtedness or for the obligations of the undersigned.

5. To covenant and agree that any indebtedness owed by the Franchisee to the undersigned, whether currently existing or which might hereafter arise, shall at all times be inferior and subordinate to any indebtedness owed by the Franchisee to the Franchisor. Further, the undersigned agree not to accept payment of any amounts owed by Franchisee to the undersigned as long as Franchisee is indebted to Franchisor (excepting only percentage rent and advertising obligations currently due Franchisor with no outstanding past due balances) without Franchisor's written consent.

6. To covenant and agree that Franchisor is authorized from time to time, and without notice to the undersigned, to give and make such extensions, renewals, modifications, indulgences, settlements and compromises as it may choose with respect to the indebtedness without in any manner affecting or impairing the liability of the undersigned. If the undersigned are more than one, Franchisor is authorized to release or modify the obligations of or surrender any security given by or waive any rights against any of the undersigned without in any manner affecting or impairing the liability of any of the other undersigned.

7. To covenant and agree this Guaranty Agreement is made and shall continue as to all indebtedness incurred or arising prior to the receipt of any written notice of termination of this Guaranty Agreement from Franchisor. If the undersigned are more than one, any such notice of termination given by Franchisor shall be effective only to the extent specifically provided for in such notice with any undersigned not affected by such notice remaining fully bound by the terms of this Guaranty Agreement.

8. To waive notice of, the acceptance of the Guaranty Agreement. The undersigned further waive(s) notice of presentment, protest, non-payment and demand or action of any kind with respect to such indebtedness, including the right to require Franchisor to proceed directly against the Franchisee prior to enforcing Franchisor's rights pursuant to this Guaranty Agreement. Franchisor shall be free to proceed against any or all of the undersigned to enforce this Guaranty Agreement as it deems desirable in its sole discretion.

9. To agree that the failure of Franchisor to insist in any one or more instances upon strict performance of any one or more of the provisions of this Guaranty Agreement, or to exercise any right hereunder, shall not be construed as a waiver of any such provision or provisions or the relinquishment of any such rights. Any waivers given by Franchisor must be in writing and signed by Franchisor. Such waivers shall be effective only to the extent provided in such writing with all other provisions of this Guaranty Agreement remaining in full force and effect.

10. To covenant and agree that this Guaranty Agreement embodies the entire agreement between the undersigned and the Franchisor with respect to the subject matter hereof. Any representations, oral or otherwise, not contained herein shall have no force or effect in the construction of the rights and obligations of the parties created by this Guaranty Agreement. This Guaranty Agreement cannot be modified except by a subsequent writing signed by the party being so charged.

11. To covenant and agree this Guaranty Agreement shall be binding upon the undersigned and the undersigned's heirs, executors, administrators, legal representatives, successors and assigns, and each of them respectively, and shall inure to the benefit of Franchisor and its successors and assigns.

12. To covenant and agree this Guaranty Agreement shall be construed according to the laws of the State of Michigan, in which state it shall be performed by the undersigned. The undersigned agree(s) any legal action with respect to this Guaranty Agreement shall be subject to binding arbitration in accordance with the rules of the American Arbitration Association. Such arbitration shall take place in Michigan.

13. To warrant and represent to Franchisor that all financial statements and other information concerning the undersigned furnished to Franchisor are true and correct in all material respects; that the execution, delivery and performance of this Guaranty Agreement by the undersigned will not violate any law, rule, judgment, order, agreement or instrument binding upon the undersigned, nor require the approval of any public authority or other third party; and that this Guaranty Agreement constitutes the valid and binding obligation of the undersigned, enforceable in accordance with the terms hereof.

14. To acknowledge that the terms of this Guaranty Agreement are incorporated by reference into the Franchise and License Agreement executed between Franchisor and Franchisee and shall be construed as if set forth therein. Franchisor has the right to declare any breach of this Guaranty Agreement to be a simultaneous breach of the Franchise and License Agreement subjecting the undersigned to all rights Franchisor may have pursuant to the Franchise and License Agreement.

[CONTINUED ON THE NEXT PAGE]

EACH UNDERSIGNED ACKNOWLEDGES HE/SHE HAS READ ALL OF THE PROVISIONS OF THIS GUARANTY AGREEMENT AND EXECUTES THIS GUARANTY OF HIS/HER OWN FREE WILL.

GUARANTOR(S):

Dated:___________________ ________________________________

Dated:___________________ ________________________________

Dated:___________________ ________________________________

Dated:___________________ ________________________________

SELECT LIST OF

STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS

CALIFORNIA

Department of Financial Protection
and Innovation
Suite 750
320 West 4th Street
Los Angeles, California 90013
Agent for Service of Process:
Commissioner of Financial
Protection and Innovation
(866) 275-2677

CONNECTICUT

Connecticut Department of Banking
Securities and Business
Investment Division
44 Capitol Avenue
Hartford, Connecticut 06106

FLORIDA

Department of Agriculture and
Consumer Services
P.O. Box 6700
Tallahassee, Florida 32314

HAWAII

Department of Commerce and
Consumer Affairs
1010 Richards Street
Honolulu, Hawaii 96813

ILLINOIS

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

INDIANA

Indiana Secretary of State
302 W. Washington Street
Room E-111
Indianapolis, Indiana 46204

IOWA

Iowa Securities Bureau
Second Floor
Lucas State Office Building
Des Moines, Iowa 50319

MARYLAND

Office of the Attorney General
Division of Securities
200 St. Paul Place, 20th Floor
Baltimore, Maryland 21202

MICHIGAN

Department of Attorney General
Corporate Oversight Division
Franchise Section
525 W. Ottawa Street
G. Mennen Williams Bldg., 5th Floor
Lansing, MI 48913

MINNESOTA

Minnesota Department of Commerce
133 East Seventh Street
St. Paul, Minnesota 55101

NEBRASKA

Department of Banking and
Finance
1200 N Street
Suite 311
Lincoln, Nebraska 68509

NEW YORK

Department of Law
Bureau of Investor Protection
and Securities
23rd Floor
120 Broadway
New York, New York 10271
Agent for Service:
New York Secretary of State
162 Washington Street
Albany, New York 12231

NORTH DAKOTA

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

OREGON

Department of Consumer and Business Services
Division of Finance and Corporate Securities
Labor and Industries Building
Salem, Oregon 97310

RHODE ISLAND

Department of Business Regulation
Division of Securities
Suite 232
233 Richmond Street
Providence, Rhode Island 02903

SOUTH DAKOTA

Division of Securities
118 West Capitol
Pierre, South Dakota 57501

TEXAS

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

VIRGINIA

State Corporation Commission
Ninth Floor
1300 E. Main Street
Richmond, Virginia 23219

WASHINGTON

Department of Financial Institutions
Securities Division
P.O. Box 9033
Olympia, Washington 98507-9033

WISCONSIN

Securities Commission
Securities and Franchise Registration
P.O. Box 1768
Madison, Wisconsin 53701

FEDERAL TRADE COMMISSION

Division of Marketing Practices
Bureau of Consumer Protection
Pennsylvania at 6th Street, N.W.
Washington, D.C. 20580

<u>LIST OF FRANCHISEES</u>

Operating as of March 31, 2026

<u>KENTUCKY</u>

807 Euclid Avenue
Lexington, KY 40502
Phone: 859-303-8802
Owner: Nancy and Sonny Sidhu

<u>MICHIGAN</u>

Kerrytown Market
407 North 5th Avenue
Ann Arbor, MI
Phone: 734-332-5500
Owner: Adam and Rachelle Ferman

Downtown Market
435 Ionia Avenue SW
Grand Rapids, MI
Phone: 616-805-3516
Owner: Adam and Rachelle Ferman

245 Kalamazoo Mall
Kalamazoo, MI 49007
Phone: 269-888-2229
Owner: Karen Mox

106 W. Washington Street
Marquette, MI 49855
Phone: 906-235-1887
Owner: Mike and Carolyn Carol

110 N. Center Street
Northville, MI 48167
Phone: 248-735-8300
Owner: Christopher and Christine Raymond

132 Mason Street
Saugatuck, MI 49543
Phone: 269-857-3031
Owner: Eveline and Theodore Foote

145 E. Front Street
Traverse City, MI 49684
Phone: 231-947-7423
Owner: Nicholas Battista

MISSISSIPPI

630A Washington Avenue
Ocean Springs, MS 39564
Phone: 228-215-3239
Owner: Kacie Marvin

NORTH CAROLINA

20 Market Street
Wilmington, NC 28401
Phone: 910-772-2980
Owner: Gary and Sue Coleman

RHODE ISLAND

225 Wayland Avenue
Providence, RI 02906
Phone: 401-424-9858
Owner: Mathew Mazzarella and Jessica Neubauer

TEXAS

110. S. Tennessee
McKinney, TX 75069
Phone: 214-803-6023
Owner: Mark and Jennifer Gerber

229 N. Main Street
Salado, TX 76571
Phone: 254-308-2066
Owner: Rebecca Martinez-Soto and Audalio Soto

State Effective Dates

The following states have franchise laws that require the Franchise Disclosure Document be registered or filed with the state, or be exempt from registration: California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington and Wisconsin

State	Effective Date
Michigan	**June 1, 2025**

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

State	Effective Date of Franchise Exemption
Connecticut	**October 24, 2013**
Florida	**May 5, 2025**
Kentucky	**April 12, 2022**
North Carolina	**May 17, 2014**
South Carolina	**May 2, 2016**
Texas	**October 18, 2016**

RECEIPT

THIS DISCLOSURE DOCUMENT SUMMARIZES CERTAIN PROVISIONS OF THE FRANCHISE AGREEMENT AND OTHER INFORMATION IN PLAIN LANGUAGE. READ THIS DISCLOSURE DOCUMENT AND ALL AGREEMENTS CAREFULLY.

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

If Spice Merchants Entities, Corp. does not deliver this disclosure document on time or of 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 t the state agency for your state listed in Exhibit E, if applicable.

We do not have a general agent for service of process apart from the state agencies listed in Exhibit E. Lisa Freeman as the owner of the franchisor also serves as an agent for service of process upon Spice Merchants Entities Corp. at 3150 Blue Star Highway, Saugatuck, Michigan 49453.

Lisa Freeman is the sole person responsible for selling Spice Merchants franchises to you. Her address is 3150 Blue Star Highway, Saugatuck, Michigan 49453. Her telephone number is 616-366-6958.

ISSUANCE DATE: March 31, 2026.

I have received a Disclosure Document dated ________. This Disclosure Document includes the following exhibits:

A. Financial Statements

B. Franchise and License Agreement

C. Nondisclosure and Noncompetition Agreement

D. Guaranty Agreement

E. State Administrators/Agents for Service of Process

F. List of Franchisees

G. Receipt

Date: __________________ ___________________________

Your Signature

You should return one copy of the signed receipt by signing, dating and mailing it to Lisa Freeman at Spice Merchants Entities, Corp., P. O. Box 130, and 3150 Blue Star Highway, Saugatuck, MI 49453.

RECEIPT

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