

FRANCHISE DISCLOSURE DOCUMENT



Sweetwaters Group LLC
(a Michigan limited liability company)
123 W Washington Street
Ann Arbor, Michigan 48104
Telephone (734) 769-2331
www.sweetwaterscafe.com
info@sweetwaterscafe.com

We offer qualified individuals and entities a franchise for the right to independently own and operate a gourmet coffee and tea retail store and cafe (each, a "Cafe" or "Sweetwaters Location") utilizing our proprietary marks, including the mark SWEETWATERS, and the proprietary business system that we have developed. We also offer qualified parties the right to own and operate multiple Cafes within a development area that we designate.

The total investment necessary to begin operation of a single Cafe is \$244,476 to \$393,174. This includes a minimum of \$59,500 to \$64,400 that must be paid to the franchisor or affiliate prior to opening.

The total investment necessary to operate multiple Cafes under our form of area development agreement depends on the number of franchises we grant you the right to open. The total investment necessary to enter into a development agreement for the right to develop three (3) Cafes is \$314,076 to \$443,174 and \$364,076 to \$493,174 (5) Cafes. These figures include (i) a development fee that is paid to us in the amount of \$99,500 for three (3) Cafes or \$149,500 for five (5) Cafes, and (ii) the estimated initial investment to begin operation of your initial SWEETWATERS Cafe within your development area.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact our Franchise Administration team c/o Franworth, 106 E Liberty Street, #310, Ann Arbor, Michigan 48104 or (734) 619-0919.

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

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

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

Issuance date of this Franchise Disclosure Document: July 15, 2016 as amended October 28, 2016.

STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit F for information about the franchisor, or about franchising in your state.

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

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

- 1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY LITIGATION OR ARBITRATION ONLY IN MICHIGAN. OUT-OF-STATE LITIGATION OR ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO LITIGATE OR ARBITRATE WITH US IN MICHIGAN THAN IN YOUR OWN STATE.
- 2 THE FRANCHISE AGREEMENT STATES THAT MICHIGAN LAW GOVERNS THE AGREEMENT, AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

Effective Date _____

STATE EFFECTIVE DATES - 2016

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise registration and disclosure laws if an effective date is noted below for the state

State	Effective Date
California	Pending
Florida (exemption)	Pending
Illinois	Pending
Indiana	Pending
Kentucky (one-time filing)	Pending
Maryland	Pending
Michigan	Effective as amended October 28, 2016
Minnesota	Pending
Nebraska (one-time filing)	Pending
New York	Pending
Texas (one-time filing)	Pending
Utah (exemption)	Pending
Virginia	Pending
Washington	Pending
Wisconsin	Pending

**THE FOLLOWING APPLIES ONLY TO TRANSACTIONS GOVERNED BY
THE MICHIGAN FRANCHISE INVESTMENT LAW**

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

- (a) A prohibition on the right of a franchisee to join an association of franchisees.
- (b) A requirement that a franchisee assent to a release, assignment, novation, waiver, or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
- (c) A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than 30 days, to cure such failure.
- (d) A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures, and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures, and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if (i) the term of the franchise is less than 5 years, and (ii) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising, or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least 6 months advance notice of franchisor's intent not to renew the franchise.
- (e) A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
- (f) A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
- (g) A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
 - (i) The failure of the proposed franchisee to meet the franchisor's then current reasonable qualifications or standards.
 - (ii) The fact that the proposed transferee is a competitor of the franchisor or subfranchisor.
 - (iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

If the franchisor's most recent financial statements are unaudited and show a net worth of less than \$100,000, the franchisor shall, at the request of a franchisee, arrange for the escrow of initial investment and other funds paid by the franchisee or subfranchisor until the obligations to provide real estate, improvements, equipment, inventory, training, or other items included in the franchise offering are fulfilled. At the option of the franchisor, a surety bond may be provided in place of escrow.

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

Any questions regarding the notice should be directed to

State of Michigan
Consumer Protection Division
Attention: Franchise
670 G Mennen Williams Building
525 West Ottawa
Lansing, Michigan 48909
Telephone 517-373-7117

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

To simplify the language in this Disclosure Document, “you” means the person who buys the franchise. If you are a corporation, partnership, limited liability company or other entity, certain provisions of the Franchise Agreement also will apply to your owners.

THE FRANCHISOR AND ITS PARENT, PREDECESSORS AND AFFILIATES

The Franchisor is Sweetwaters Group LLC (“we”), a Michigan limited liability company formed on December 4, 2003. Our principal business address is 123 W. Washington Street, Ann Arbor, Michigan 48104. We do not conduct business under any other name.

We have no parent company or predecessors.

We have two affiliates, each of which shares our principal address, namely: (i) Sweet Waters Cafe, Inc., a corporation formed in Michigan in September 1992, that operates a SWEETWATERS Cafe, and (ii) Sweetwaters Brands LLC, a limited liability company formed in Michigan on May 12, 2012, that designs and sells branded products such as bottled tea, retail products, labels and printed materials.

Both affiliated entities may sell certain products used in the operation of SWEETWATERS cafes to franchisees.

AGENT FOR SERVICE OF PROCESS

Our agents for service of process are listed on Exhibit F.

PRIOR EXPERIENCE

Our owners formed Sweet Waters Cafe, Inc. in Michigan in September 1992 and began operating the first SWEETWATERS cafe in April 1993.

We were formed for the purpose of offering franchises under the SWEETWATERS name and began doing so in May 2004. We currently manage a SWEETWATERS cafe for a franchisee, but we have not otherwise operated our own SWEETWATERS cafe. We do not offer franchises in any other line of business and, except as described in this Item, we are not involved in any other substantive business activity.

Our affiliates have never offered franchises under the SWEETWATERS name or otherwise.

THE FRANCHISED BUSINESS

We offer you the opportunity to develop, own and operate, under the SWEETWATERS name and using the SWEETWATERS intellectual property and operating systems, a Cafe that offers for retail sale gourmet coffees, teas, cafe style food items and related products and accessories that we authorize (collectively, the “Approved Products”) to the general public (each, a “Franchised Business”).

Your Franchised Business will be operated (a) using the proprietary marks, trade names, logos, trade dress and other indicia or origin that we designated now or in the future for use in connection with our franchise system (collectively, the “Proprietary Marks”), and (b) in accordance with our proprietary operating system, which includes our valuable know how, information, trade secrets, methods, confidential operations manual.

(the “Operations Manual”) and other proprietary manuals we may loan to you (collectively, the “Manuals”), standards and specifications, marketing and sales programs, fixture and furniture selection, interior and exterior design and decor, staffing guidelines and other research and development connected with the establishment and operation of a Cafe (collectively, the “System”), which we may modify from time to time as we deem appropriate in our sole discretion

Your Franchised Business will have between approximately 1,100 to 1,800 square feet of leased or owned space, and we believe your Franchised Business will typically be located in a retail shopping center or similar commercial space that meets our System standards

In order to own and operate a Franchised Business, you must enter into our current form of franchise agreement that is attached as Exhibit B to this Disclosure Document (the “Franchise Agreement”) If the franchisee is a business entity (for example, a corporation, partnership or limited liability company), then all of the individuals that have any type of ownership interest in the franchisee entity, as well as their spouses, must sign our form of personal guaranty (attached as an Exhibit to the Franchise Agreement) where each owner agrees to be personally bound by, and personally guarantee the entity’s obligations under, all terms of the Franchise Agreement (the “Personal Guaranty”) If the franchisee is an individual, then the franchisee’s spouse will be required to execute the Personal Guaranty unless the spouse also signs the Franchise Agreement directly

When you enter into your Franchise Agreement, we will assign you a geographical area wherein you will be required to locate a site for your Franchised Business that we approve (a “Site Selection Area”) Once we agree on the location of your Franchised Business (the “Premises”), we will designate a geographical area around the Premises where we will not own or operate, or license a third party the right to own or operate, a Cafe that utilizes the Proprietary Marks and System (your “Designated Territory”)

MULTI-UNIT OFFERING

We also offer qualified individuals and entities the right to open and operate multiple Franchised Businesses within a designated Site Selection Area under our current form of area development agreement that is attached to this Disclosure Document as Exhibit C (the “Development Agreement”), which will also outline a schedule or defined period of time in which you must open and commence operating each Franchised Business (a “Development Schedule”)

You will have the right to find and secure locations from which to operate your Franchised Businesses from within the Site Selection Area, but – similar to the Site Selection Area assigned in connection with a single-unit Franchise Agreement – you will not receive any territorial exclusivity within this area

At our option, you will be required to sign a Franchise Agreement for your initial Franchised Business at the same time you sign your Development Agreement, but we also have the option of waiting until you have found an approved Premises for that initial Franchised Business before you are required to sign the corresponding Franchise Agreement Regardless, you will need to sign our then-current form of franchise agreement for each of the Franchised Businesses before you open that Franchised Business as required under your Development Schedule

You will be required to pay us a one-time development fee that will be calculated based on the number of Franchised Businesses we grant you the right to open under the Development Agreement (the “Development Fee”), but you will not be required to pay any other initial franchise fee at the time you execute your franchise agreements for each Franchised Business we permit you to open under your Development Agreement

MARKET AND COMPE TITION

You will compete with other coffee shops and cafes and with franchisors and franchisees of similar facilities as well as with large and mid-sized retail chains and local brands offering similar products and services. If we choose to do so, we (and our affiliates) may also utilize mail order, wholesale, grocery and specialty stores, and the internet to sell our branded coffees, teas, and related products, so you will also potentially compete with us in connection with the sale of these types of products through these alternative channels of distribution. Additional competition could materially affect sales. You should be aware that global coffee prices fluctuate and could affect your Cafe's sales and profitability. Your Cafe will offer products and services to the general public throughout the year. The market for products and services like those offered by SWEETWATERS Cafes is well-developed in many areas given the intense competition in the industry.

APPLICABLE REGULATIONS

Certain aspects of the cafe business are subject to and are heavily regulated by federal, state and local laws, rules and ordinances, including the American with Disabilities Act, Federal Wage and Hour Laws, the Immigration Reform and Control Act of 1986, and the Patient Protection and Affordable Care Act. The U S Food and Drug Administration, the U S Department of Agriculture, and various state and local departments of health and other agencies have laws and regulations concerning the preparation of food and sanitary conditions and disclosure of nutritional information. State and local agencies routinely conduct inspections for compliance with these requirements. Compensation of hourly and salaried employees (including minimum wage, overtime and tip-related compensation requirements) is governed by both federal and state laws. You will need to understand and comply with these laws in operating the Cafe. There may be other laws applicable to your business.

The United States enacted the "Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001" (the "USA Patriot Act"). We are required to comply with the USA Patriot Act. To help us comply with the USA Patriot Act, we ask you in the Franchise Agreement to confirm for us that neither you nor your directors, officers, shareholders, partners, members, employees, or agents are suspected terrorists or persons associated with suspected terrorists or are under investigation by the U S government for criminal activity.

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

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

Item 2 Business Experience

LISA CHIN-BEE, PRESIDENT

Ms. Chin-Bee co-founded the SWEETWATERS concept. In September 1992, she began serving as president of Sweet Waters Cafe, Inc., our affiliate, a position which she continues to hold. She is also our co-founder and has served as our president since we were formed in December 2003.

WOEI BEE CHIEF OPERATING OFFICER

Mr Bee has been our Chief Operating Officer since we were formed in December 2003. He also co-founded Sweet Waters Cafe, Inc., our affiliate, and has served as that entity's chief operating officer since its formation in September 1992. He is also our co-founder and has served as our chief operating officer since our formation in December 2003.

The following individuals work with Franworth, an unaffiliated company that we have engaged to provide franchise development and administration services (and may have managerial responsibility with regards to certain aspects of our franchise system)

JOHN ROTCHE FRANWORTH, CHIEF EXECUTIVE OFFICER

Mr Rotche has been Chief Executive Officer of Franworth in Ann Arbor, MI since March 2015. Mr Rotche has been President of TBC International, LLC, located in Overland Park, Kansas, since April 2012. From July 1, 2007 to April 2012, he was President of Belfor Franchise Group, LLC, located in Ann Arbor, Michigan.

MICHAEL SKITZKI FRANWORTH, CHIEF OPERATIONS OFFICER

Mr Skitzki has been Chief Operations Officer of Franworth in Ann Arbor, Michigan since March 2015. Mr Skitzki has been Vice President of TBC International, LLC, located in Overland Park, Kansas, since April 2012. From October 2010 to April 2012, he was Vice President of Franchise Administration for Belfor Franchise Group located in Ann Arbor, Michigan.

TIM O'CONNOR FRANWORTH, VICE PRESIDENT OF FRANCHISING

Mr O'Connor has served as a Vice President of Franchising for Franworth in Ann Arbor, MI since February, 2016. Prior to that time, Mr O'Connor served as the Director of Operations for Advantaclean Systems, located in Huntersville, North Carolina, from January 2014 through February 2016. From August 2012 to December 2011 he was Director of Training for ERS Systems located in Livonia, Michigan. From July 2004 to August 2012 he was Director of Operations and Training for Belfor Franchise Group located in Ann Arbor, Michigan.

Item 3 Litigation

No litigation is required to be disclosed in this Item.

Item 4 Bankruptcy

No bankruptcy information is required to be disclosed in this Item.

Item 5

Initial Fees

THE FRANCHISE AGREEMENT

Initial Franchise Fee

You must pay us an initial franchise fee of \$49,500 (the “Initial Franchise Fee”) in connection with your purchase of a single Franchised Business, which must be paid in full upon the execution of your Franchise Agreement. The Initial Franchise Fee is deemed fully earned upon execution of your Franchise Agreement and is not refundable under any circumstances. Except as provided in this Item, the Initial Franchise Fee is uniform for those purchasing a single franchise.

Initial Training Fee

You must also pay us an initial training fee amounting to \$5,000 (the “Initial Training Fee”), which will cover the tuition associated with you (the Franchisee) and two (2) other individuals attending our proprietary initial training program (the “Initial Training Program”) including the on-site assistance we provide at your Franchised Business on or around the time it opens for business, which is described more fully in Item 11 of this Disclosure Document. The Initial Training Fee does not cover costs and expenses incurred in attending training, such as travel, lodging, meals or salaries. This fee is due prior to you or any of your designated personnel attending our Initial Training Program and is deemed fully earned and non-refundable upon payment.

In addition to the Initial Training Fee, you will be responsible for the costs that you and your designated trainees incur in connection with attending the portions of the Initial Training Program that are conducted at our headquarters or designated training facility (as described more fully in Item 11 of this Disclosure Document).

Initial Inventory

Before opening your Franchised Business, you must purchase from us or our affiliates your required opening inventory of branded products (including tea packaging, mugs, apparel, packaged items, labels, brochures, operational forms, and proprietary products) and your required in-store product signage. The cost of these initial purchases will range from \$5,000 to \$9,900. We or our affiliates may require advance deposits for some or all of these purchases. Otherwise, the amounts will be due upon or shortly after delivery. Payments for these items are nonrefundable, except in the case of defects in the items sold. This payment is uniform for all franchisees and is required to be made paid in a lump sum.

VetFran Discount

We are a member of the International Franchise Association (“IFA”) and participate in the IFA's VetFran Program, which provides a \$1,500 discount on the Initial Franchise Fee to honorably discharged veterans of U.S. Armed Forces who otherwise meet the requirements of the VetFran program. This discount is only applicable for the first Franchised Business awarded to you.

DEVELOPMENT AGREEMENT

If we grant you the right to open multiple Franchised Businesses under a Development Agreement, you must pay us a one-time Development Fee upon executing your Development Agreement. Your Development Fee will depend on the number of Franchised Businesses we grant you the right to open within the Site Selection Area and is calculated as follows: (i) \$99,500 for the right to open three (3) Franchised Businesses (“3-Pack”), and (ii) \$149,500 for the right to open five (5) Franchised Businesses (“5-Pack”).

You will be required to enter into our then-current form of Franchise Agreement for each Franchised

Business you wish to open under your Development Agreement, but you will not be required to pay any additional Initial Franchise Fee at the time you execute each of these Franchise Agreements. If you enter into a Development Agreement, you must typically execute our current form of Franchise Agreement for the first Cafe we grant you the right to open within your Site Selection Area concurrently with the Development Agreement (unless we agree otherwise in writing).

Your Development Fee will be deemed fully earned upon payment, and is not refundable under any circumstances. The Development Fee described above is calculated and applied uniformly to all of our franchisees.

Item 6 Other Fees

Type of fee⁽¹⁾	Amount	Due Date	Remarks
Royalty	6% of weekly Net Sales ⁽²⁾	Thursday following week ending the preceding Saturday	Completed accounting forms are due with Royalty payment, we will debit your bank account for amounts due ⁽³⁾
National Advertising Fund and Contributions	Up to 2% of Net Sales (your "Fund Contribution") Currently, no Fund Contribution collected	Weekly, at the same time and in the same manner as your Royalty	If we establish a national advertising fund designed to promote our System, Proprietary Marks and brand generally (a "Fund"), then you may be required to make this type of contribution to the Fund. As of the Issue Date of this Disclosure Document, we have yet to establish a Fund or collect any Fund Contributions.
Local Advertising Requirements	1% of Net Sales	As incurred	You must spend at least 1% of your Net Sales each month on the local advertising and promotion of your Franchised Business within your Designated Territory. All advertising materials must be approved by us prior to use/publication. We may require you to provide us with monthly reports detailing your local advertising expenditures.
Additional Training Fee	Our then-current training tuition fee, which is currently \$300/day for each trainer we provide (the "Additional Training Fee")	As incurred	In addition to our then-current Additional Training Fee, you must reimburse us for any expenses we incur in providing on-site or other special assistance to you or your personnel. This fee will not be charged in connection with minor, day-to-day assistance that we provide over the phone or via email, subject to our availability. Please see Item 11 of this Disclosure Document for additional information.
Annual Convention	Then-current enrollment fee, which is currently \$500		If we establish and hold an annual conference, you will be required to pay our then-current enrollment fee, which is currently \$500. If you choose not to

Type of fee ⁽¹⁾	Amount	Due Date	Remarks
			attend the annual conference, you will be required to pay a fee of \$1,000
Transfer Fee	\$10,000	Payable prior to obtaining our consent to your proposed transfer	There are other conditions that you and the proposed transferee must meet in order for us to approve any proposed transfer/assignment
Renewal Fees	FA \$10,000 DA Not applicable	Prior to renewing a given franchise agreement	There are other conditions that you must meet in order for us to approve your renewal request
Technology Fee	Our then-current fee, currently, \$149/month	On or before the 5 th of each month	Payable to us once you are open as consideration for (a) email hosting, (b) web-hosting, and (c) other website-related services
POS Fee/Credit Card Processing Fee	Then-current fee charged by our approved supplier which is currently based on the credit card processing fees	As incurred	We currently have an Approved Supplier from which you must purchase the POS System (as described in Item 11) for use with your Franchised Business, as well as other related software If you request additional support, you may be required to pay the Approved Supplier's then-current support fee
Gift Card and Loyalty Program Fee	\$55 per month	As incurred	This fee is imposed by us but paid to a third party vendor
Inventory Management Software Fee	\$195 per month	As incurred	This fee is imposed by us but paid to a third party vendor
Advertising Cooperative Fee ⁽⁴⁾	Up to 1% of Net Sales, unless the Cooperative votes for an larger amount to be expended as part of the Cooperative	Upon Demand	Payable to us if we assign your Franchised Business to a Regional Advertising Cooperative Any payment for a Regional Advertising Cooperative will be credited against your Local Advertising Requirement ⁽⁵⁾ Upon a majority vote of the Cooperative members, this monthly fee may be increased to up to 1% of Net Sales (unless the all Cooperative members unanimously vote for a higher amount) If there is an Affiliate-Owned Cafe in your Cooperative, then our Affiliate will be able to vote on all matters that you and the other Cooperative members have the right to vote on If the number of affiliate-owned Cafes in your Cooperative area is such that the affiliate will have controlling voting power within the Cooperative, then the minimum amount you might be required to pay to the Cooperative will remain at \$1,250 and the maximum monthly contribution will \$3,000

Type of fee ⁽¹⁾	Amount	Due Date	Remarks
Interest on Past Due Amounts	1 5% per month or highest commercial contract interest rate applicable laws permit ⁽⁶⁾	Immediately	Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full
Assessment for Understatement of Revenues	Amount, plus interest, plus cost of audit if understatement is more than 2% of Net Sales	Upon receipt of invoice	
Late Reporting Fees	\$10 per day, starting the 11 th day after a report is due to us	Upon demand	Payable in addition to other payments to us
Cost of Enforcement	Reasonable attorneys fees, plus costs	Upon receipt of invoice	Due only if we are successful in enforcing the agreements and are awarded costs by the court
Indemnification	Will vary under circumstances	As incurred	You must reimburse us if we are held liable for claims related to your Cafe's operation or incur costs in defending them
Insurance Premiums	Will vary under circumstances	As incurred	If you do not pay your rent or insurance premiums, we can pay them for you and you must reimburse us
Testing	Costs of Testing	When billed	This covers the costs of testing new products or inspecting new suppliers you propose
Relocation Fee	\$2,000 if you decide to relocate your Franchised Business	When you submit a letter requesting consideration of a new location	Payable to us to defray our costs associated with evaluating and approving/rejecting your relocation proposal
Management Fee	\$200 per day plus our expenses	As incurred	Due if we manage Cafe for you if you cannot do so in compliance with Franchise Agreement
Correction of Cafe Deficiencies	Will vary under circumstances	As incurred	You must reimburse us if we pay to correct Cafe deficiencies because you do not do so
Dishonored Check Charge	\$50	Upon demand	Payable if a check you provide to us is returned or dishonored by the bank, or if your EFT Account does not have sufficient funds to cover amounts you owe under the Franchise Agreement as they become due and owing to us

- (1) Fees payable to us are not refundable Except as noted, all fees are imposed and collected by and payable to us All fees currently are uniformly imposed
- (2) "Net Sales" is defined as the gross amount of all sales of any kind for all services or products from or through the Store, including any sale of services or products made for cash or credit, or partly for cash or credit, regardless of collection of charges for which credit is given, and regardless of

whether such sale is conducted in compliance with or in violation of the terms of this Agreement, but exclusive of discounts, sales taxes or other similar taxes or credits. Net Sales also includes (a) any proceeds from insurance policies covering loss or interruption of business as a result of an act, event or damage to the Store or other event or casualty which prevents you from conducting business for any period of time, (b) proceeds from approved carts, and (c) proceeds from any other approved off-site locations and events

- (3) Before opening your Cafe, you must sign and deliver to us and your bank all documents needed to permit us to debit your bank account for each week's royalty fees, contributions to national and regional advertising funds (when formed), and other payments due under the Franchise Agreement. However, we may require you to pay all amounts due by means other than automatic debit whenever we deem appropriate.
- (4) We reserve the right to establish regional advertising cooperatives that are comprised of multiple Cafe owners located within a geographical region that we designate (each, a "Cooperative"). If we establish a Cooperative and designate you as a member, you may be required to contribute to the Cooperative in an amount not to exceed the Local Advertising Requirement each month, unless approved by a unanimous vote of the Cooperative members. All amounts paid to a Cooperative will be credited towards your Local Advertising Requirement (if any). We will have the right to specify the governing rules, terms and operating procedures of any Cooperative.
- (5) There are no advertising cooperatives in our system as of the Issue Date of this Disclosure Document.
- (6) The maximum rate under Michigan law is 18% per annum.

Item 7
Estimated Initial Investment

A Franchise Agreement

YOUR ESTIMATED INITIAL INVESTMENT

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Initial Franchise Fee ⁽¹⁾	\$29,900 - \$49,500	Lump Sum	Upon execution of Franchise Agreement	Us
Initial Training Fee ⁽²⁾	\$5,000	Lump sum	Upon execution of the Franchise Agreement	Us
Initial Training Expenses ⁽³⁾	\$2,365 - \$3,065	As Incurred	Before opening	Transportation, Hotels, Meals, etc
Pre-Construction ⁽⁴⁾	\$16,000	As Agreed	As agreed before opening	Third-Party Approved Supplier
Permits/ Architectural Fee ⁽⁵⁾	\$2,000 - \$4,000	Lump Sum	As incurred before opening	Architect, General Contractor
Leasehold Improvements ⁽⁶⁾	\$80,027 - \$127,811	Lump Sum	As incurred before opening	General or Sub-Contractor or other Vendors
Exterior Signage ⁽⁷⁾	\$8,000 - \$11,675	As Agreed	As incurred before opening	Third-Party Approved Supplier
Utility Deposits	\$0 - \$300	Lump Sum	As incurred before opening	Utilities
Fixtures and Equipment (including interior signage) ⁽⁸⁾	\$58,822 - \$113,663	Lump Sum	As incurred before opening	Approved Supplier or other Third-Party Vendor(s)
POS System, including license fee and gift card system	\$2,547 - \$2,660	Lump Sum	Upon purchase of POS system before opening	Vendors
Organizational Costs	\$800 - \$1,500	As Incurred	As incurred before opening	Lawyers, Accountants
Opening Inventory, Supplies and Cafe Set-Up Expenses	\$15,000 - \$17,000	Lump Sum	As incurred before opening	Us or our Approved Supplier, Third-Party Suppliers
Site Selection Assistance/Consulting ⁽⁹⁾	\$0 - \$2,000	As agreed	As incurred	Third-Party Approved Supplier
Insurance – Liability and Workman’s Comp (3 months)	\$950 - \$1,200	Installment	Quarterly or semi-annually	Insurance Company
Real Estate Costs – 3 month’s rent plus security deposit ⁽¹⁰⁾	\$8,065 - \$22,800	Lump Sum	Upon signing lease or sublease	Landlord

Type of expenditure	Amount	Method of payment	When due	To whom payment is to be made
Grand Opening Advertising (3 Months) (11)	\$5,000	As Incurred	As incurred before opening	Vendors
Additional Funds (12)	\$10,000	As Incurred	As incurred before and after opening	Employees, Vendors & Others
TOTAL (13)	\$244,476 – \$393,174			

Explanatory Notes to Chart 7(A)

- (1) The high value of the Initial Franchise Fee is based on entering into one franchise agreement for a single unit. Initial Franchise Fee is based on the average unit cost of entering into an Area Development Agreement for 5 units with a total cost of \$149,500.
- (2) You must pay us the Initial Training Fee amounting to \$5,000, which will cover the tuition associated with you and any other individuals that attend and otherwise participate in our proprietary Initial Training Program, so long as all of these individuals attend at the same time. The Initial Training Fee does not cover costs and expenses incurred in connection with attending or otherwise participating in any part of our Initial Training Program, which may include travel, lodging, meals or salaries. This fee is due prior to you or any of your designated personnel participating in our Initial Training Program, and the fee is deemed fully earned and non-refundable upon payment.
- (3) This is our estimated range of costs to cover the travel and living expenses, including airfare, lodging and meals, which you will incur when you and your employees attend the Initial Training Program. The cost you incur will vary depending upon factors such as distance traveled, mode of transportation, travel preferences (such as air travel or ground transportation), nature of accommodations, per diem expenses actually incurred, and the number of persons who attend training. This estimate does not include any wages or salary for you or your trainees during training. The low estimate assumes that you will attend the Initial Training Program while the high estimate assumes that a total of two (2) individuals will be attending this initial training.
- (4) Pre-Construction costs include the amounts typically paid to our approved supplier for certain construction consulting, pre-construction management services and architectural drawings, as well as the amounts paid to any other third-party suppliers in connection with pre-construction services and products.
- (5) You are required to obtain all business licenses, permits, certificates or approvals before you start business. Local, municipal, county, and state regulations vary on what licenses and permits are required by you to operate. You are solely responsible for researching all laws applicable to where your Franchised Business is operated to determine whether or not you must obtain such a bond under such laws.
- (6) As previously noted, we estimate that a typical Cafe will be between 1,100 sq ft and 1,800 sq ft in size. Based on our experience and the experience of our franchised locations, the range in the Item 7 Chart above for leasehold improvements assumes that you will incur costs on a “per square foot” basis to construct and/or build-out your Cafe in accordance with our specifications (taking into account the range of Tenant Finish Allowance or Landlord Contribution described in this Note).

below) Your costs might be more or less than this estimate depending on many factors including where you plan to operate your Facility and the condition of the facility prior to construction. This estimate is based on our experience as of the Issuance Date of this Disclosure Document and presumes that the facility is in general “white box” condition prior to construction. A facility in white box condition generally includes a finished exterior, the minimal plumbing necessary for gas and water service, functioning bathrooms, an installed electrical panel, basic lighting, and a central air conditioning and heating system with concealed ductwork.

You may be able to negotiate various terms with your landlord, including paying for some or all of the build-out costs for your space. Also, you may seek to finance some or all of your build-out costs through your landlord or other financing sources. A variety of factors may affect the availability of landlord and other financing, the monthly overall costs of the financing, and other terms relevant to your decision whether to pay or finance the build out costs. Your landlord may also agree to provide you with a “Tenant Improvement Contribution” (or similar term) whereby the landlord reimburses certain costs and expenses associated with your construction and build-out of your Facilities at the Premises. The low end of the estimated range for leasehold improvements assumes that your Cafe will be approximately 1,100 square feet in size and that your landlord will provide a Tenant Improvement Contribution of five dollars per square foot. The high end of this estimated range assumes that your Cafe will be around 1,800 square feet in size and that your landlord will provide a Tenant Improvement Contribution of five dollars per square foot ten dollars per square foot.

When preparing a budget for the build-out/improvement of your Café, we strongly recommend that you consult with a business advisor with experience in real estate and leasing where you intend and expect to locate your Cafe to evaluate whether such concessions might be made available to you, all prior to entering into any agreement with us.

- (7) The cost of signage and graphics will vary from location to location depending on lease requirements, local ordinances and restrictions, location frontage, and related factors. The final design must be submitted to us for review and approval, which will not be unreasonably withheld so long as you comply with our standards and specifications for these items. The figures provided in the chart reflect a location one exterior sign or a location with one exterior and one interior sign respectively.
- (8) You will need to purchase furniture and fixtures that meet our specifications as well as the supplies that we designate. You may decide to lease the furniture and/or equipment needed rather than purchasing it with a lump sum payment. A variety of factors (such as the condition of the national and regional economy, availability of credit, number of suppliers leasing products in your area, the interest rates offered by suppliers, duration of leases offered, security requirements, and your credit history) may affect the availability of leased products, the monthly and overall costs of the leases, and other terms relevant to your decision whether to purchase or lease the furniture and/or equipment. The amounts listed are an estimate and may vary per your location and market.
- (9) We currently have an approved supplier that you must use in connection with securing the Premises of any Franchised Business you wish to open (whether pursuant to a single franchise purchase or to fulfill your development obligations under your Development Agreement). Typically, the party that owns or leases the Premises at issue pays our approved supplier’s fee for providing you with site selection assistance, but there may be rare instances where you may be required to cover the fees charged by our approved supplier.

- (10) Real estate costs depend on various factors, including Cafe location, the type of location (for example, free-standing, within a shopping mall or shopping center, etc), Cafe size, whether the landlord requires a security deposit, whether the landlord grants any tenant improvement allowances, and whether there is a percentage rent factor. The estimate is based on a Cafe that is between 1,100 to 1,800 square feet. Payment is typically made directly to the lessor or lessor's agent. If the Cafe is located within a shopping center, the landlord typically assesses additional charges to pay for the expenses associated with the center's operation. These charges typically average between \$1,000 and \$4,500 (based on our experience).
- (11) You must conduct a grand opening advertising and promotional program, which we must approve, prior to opening your Cafe (previously defined as the "Grand Opening Advertising Requirement"). The Grand Opening Advertising Requirement must commence prior to when your Cafe opens, and you must expend at least \$5,000. You may be required to expend all or some portion of your Grand Opening Advertising Requirement on marketing, advertising or public relations materials/services that are purchased from one (1) or more of our Approved Suppliers.
- (12) This item estimates the funds needed to cover your initial expenses for the first 3 months of operation (other than the funds identified separately in the table). It includes payroll costs but not any draw or salary for you. However, this is only an estimate, and it is possible that you will need additional working capital during the first 3 months you operate your Cafe and for a longer time period after that. This 3-month period is not intended, and should not be interpreted, to identify a point at which your Cafe will break even. We cannot guarantee when or if your Cafe will break even. Your costs will depend on whether you follow our methods and procedures, your management skill, experience, and business acumen, local economic conditions, the nature of the local market for your products and services, the prevailing wage rate, competition, and your Cafe's sales during the initial period. These figures are estimates based upon, and are consistent with, our past experience.
- (13) The amounts in this table are estimates of the total initial investment required to develop and open a Cafe. Your actual investment and expenditures may vary considerably from the figures in the table set forth below depending on many factors, including geographical area, the shopping center, if any, in which your Cafe is to be located, the amount of space you lease, quantity of merchandise for sale, the extent of leasehold improvements, and the capabilities of any particular management and service team. Payments made to us are not refundable, payments made to third parties might or might not be refundable depending on arrangements you make with those third parties.

B Development Agreement (3-Pack or 5-Pack)

YOUR ESTIMATED INITIAL INVESTMENT¹

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee ²	\$99,500 (3-Pack) to \$149,500 (5-Pack)	Lump Sum	Upon execution of Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business ³	\$214,576 - \$343,674	See Chart A of this Item 7		
TOTALS	\$314,076 to \$443,174 (3-Pack) \$364,076 to \$493,174 (5-Pack)	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three (3) to five (5) Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three months (as described more fully in Chart A of this Item 7) See Note 3		

Explanatory Notes to Chart 7(B)

- 1 All fees and payments are non-refundable, unless otherwise stated or permitted by the payee. This Chart details the estimated initial investment associated with executing a Development Agreement for the right to own and operate three (3) to five (5) Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.
- 2 The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and this Development Fee is for the right to open and operate a total of three (3) or five (5) Franchised Businesses (provided you comply with your development obligations under the Development Agreement).
- 3 This figure represents the total estimated initial investment required to open the initial Franchised Business you agreed to open and operate under the Development Agreement. You will be required to enter into our then-current form of franchise agreement for initial Franchised Business you open under your Development Agreement, most likely once you have found a Premises for the business that we approve. The range includes all the items outlined in Chart 7 A of this Item, except for the Initial Franchise Fee (because you are not required to pay any Initial Franchise Fee for those Franchised Businesses you open under the Development Agreement). It does not include any of the costs you will incur in opening any additional Franchised Business(es) that you are granted the right to open and operate under your Development Agreement.

Item 8
Restrictions on Sources of Products and Services

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

APPROVED PRODUCTS AND SERVICES

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

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

We reserve the right to modify the Approved Products at any time in our sole discretion, including the right for us or our affiliate(s) to develop (a) proprietary coffee and tea blends (including private-label brands), and (b) a customized/proprietary roaster or other equipment.

REQUIRED PURCHASES OF GOOD AND SERVICES

You are required to purchase equipment (including espresso machines and other coffee brewing equipment), fixtures, food and beverage products, ingredients, furnishings, decor items, supplies and signage for your Cafe that meet our specifications for quality and design and from suppliers that we approve which may include us or our affiliate(s).

We must approve in writing in advance products and other items offered for sale at the Cafe. All requests for approval must include fresh samples, a copy of applicable vendor licenses, appropriate health certificates and proof of liability insurance by the vendor. There is no time limitation imposed upon us within which approval must be granted, but a decision can usually be made within 21 days after our receipt of all information and samples.

REQUIRED AND APPROVED SUPPLIERS

We have the right to require you to purchase any items or services necessary to operate your Franchised Business from a supplier that we approve or designate (each, an "Approved Supplier"), which may include us or our affiliate(s). We will provide you with a list of our Approved Suppliers in writing as part of the Manuals or otherwise in writing, and we may update or modify this list as we deem appropriate.

You may generally buy or lease original and replacement equipment, fixtures, and supplies meeting our specifications from any source, including us and our affiliates, although some items may be obtained only from our Approved Suppliers.

You are required to use our Approved Supplier for site selection assistance and pre-construction management. There is no upfront fee for this service. The Approved Supplier's fees are paid for by the landlord of the premises you select. Additional services are offered by our site selection Approved Supplier, but are not required.

Currently, we have Approved Suppliers for the following items that must be used to establish and/or operate your Franchised Business: (i) an accountant, for the first twelve (12) months of operation to ensure accurate preparation of required reports and financial statements and in our desired format, (ii) certain initial and ongoing advertising, marketing and public relations materials/services that we designate, (iii) the point-of-sale system you must use in connection with your Franchised Business, (iv) branded products and supplies, including our branded coffees and all branded tea products, (v) certain other food and beverage products.

proposed to be sold at the Franchised Business, (vi) site selection assistance and pre-construction management, (vii) exterior signage, and (viii) certain furniture, fixtures, equipment and interior signage that must be purchased to outfit and equip your Franchised Business. We may also be a recommended supplier for insurance. Please note that certain branded coffee might be available on a direct bill, direct ship relationship through certain authorized coffee roasters, in which case we must first authorize in writing the direct bill, direct ship relationship between you and the authorized roaster.

See Item 11 for computer system requirements. Any purchases from us and our affiliates, whether required or voluntary, generally will be at cost or at prices exceeding our costs so that we can make a profit (plus applicable taxes and shipping charges) (specific pricing depends on the particular item involved). We restrict your sources of certain products to protect our trade secrets, assure quality, assure a reliable supply of products that meet our standards, achieve better terms of purchase and delivery service, control usage of the trademarks by third parties, and monitor the manufacture, packaging, processing, and sale of these items.

We are a supplier of many of the other approved products and supplies, and periodically we may be the sole supplier of some or all of these items. Any product or supply item we have not previously approved must be approved in writing by us before you may sell or use it at the Cafe. We will issue and modify standards and specifications based on our, our affiliates', and franchisees' experience in operating SWEETWATERS Cafes in our Manuals or otherwise in writing. Standards and specifications may impose minimum requirements for production, performance, reputation, prices, quality, design, and appearance.

We will provide certain standards and specifications for approved products and services and will identify approved suppliers in our Manuals or other communications. Otherwise, we are not required to provide our specifications to you.

We and our affiliates have the right not to sell you any products and not to provide you with services, or to do so only on a "COD" or other basis, if you are in default. You may not use any unapproved products as replacements.

Other than Lisa Chin-Bee and Woei Bee, our President and Chief Operating Officer (respectively), owning interests in our affiliates who may from time to time sell products to you, none of our other officers owns an interest in any Approved Supplier.

APPROVAL OF ALTERNATIVE SUPPLIERS

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

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

If you wish to undertake either of these actions, you must request and obtain our approval in writing before (i) using or offering the non-approved product or service in connection with your Franchised Business, or (ii) purchasing from a non-approved supplier. You must pay our then-current supplier or non-approved

product evaluation fee when submitting your request. We do not currently charge any evaluation fee, but reserve the right to do so in the future (in an amount not to exceed \$500 per request). We may ask you to submit samples or information so that we can make an informed decision whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within 21 days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve of must comply with our usual and customary requirements regarding insurance, indemnification and non-disclosure. If we approve any supplier, we will not guarantee your performance of any supply contract with that supplier under any circumstances. We may re-inspect and/or revoke our approval of a supplier or item at any time and for any reason to protect the best interests and goodwill of our System and Proprietary Marks. The revocation of a previously-approved product or alternative supplier is effective immediately when you receive written notice from us of revocation and, following receipt of our notice, you may not place any new orders for the revoked product, or with the revoked supplier.

REVENUE FROM FRANCHISE PURCHASES

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 95% to 100% of your total costs incurred in establishing your Franchised Business, and approximately 60% to 80% of your ongoing costs (but 100% of your coffee and tea purchases) to operate the Franchised Business after the initial start-up phase. Please be advised that these percentages do not include your lease payments you make in connection with your Premises.

We reserve the right to derive revenue from any of the purchases (items or services) that our System franchisees are required to make in connection with the Franchised Business. In our past fiscal year ending December 31, 2015, we did not derive any revenue in connection with franchisees' required purchases. In its past fiscal year ending December 31, 2015, our affiliate, Sweetwaters Brands LLC, generated \$23,113.64 in revenue in connection with franchisees' required purchases. In its past fiscal year ending December 31, 2015, our affiliate, Sweetwaters Cafe, Inc., generated \$20,901.99 in revenue in connection with franchisees' required purchases.

COOPERATIVES

Currently, there are no purchasing cooperatives, but we may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the Cafes in our System. If we do establish those types of alliances or programs, we may (i) limit the number of Approved Suppliers with whom you may deal, (ii) designate sources that you must use for some or all products, equipment and services, and (iii) refuse to approve proposals from franchisees to add new suppliers if we believe that approval would not be in the best interests of the System.

We and/or our affiliate(s) may receive payments or other compensation from Approved Suppliers or any other suppliers on account of these suppliers' dealings with us, you, or other Franchised Businesses in the System, such as rebates, commissions or other forms of compensation. We may use any amounts that we receive from suppliers for any purpose that we deem appropriate. We and/or our affiliates may negotiate supply contracts with our suppliers under which we are able to purchase products, equipment, supplies, services and other items at a price that will benefit us and our franchisees. We reserve the right to establish more purchasing cooperatives in the future. Our affiliate, Sweetwaters Cafe, Inc., currently receives a rebate of 5% on purchases made by franchisees from our third-party supplier of cleaning supplies and related items.

NEGOTIATED PRICES

We currently negotiate purchase arrangements (including prices in some cases) with suppliers for food products, beverages, coffees and syrups, and paper supplies. In doing so, we seek to promote the overall interests of the SWEETWATERS system and affiliate-owned operations and our interests as the franchisor. You will buy some of these items directly from us and others directly from the suppliers.

MATERIAL BENEFITS

We do not provide material benefits to you based on your buying particular products or services or using particular suppliers.

FRANCHISEE COMPLIANCE

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

ADVERTISING

All advertising and promotional materials and other items we designate must bear the Proprietary Marks in the form, color, location and manner we prescribe. In addition, all your advertising and promotion in any medium must be conducted in a dignified manner and must conform to the standards and requirements we prescribe in the Manuals or otherwise. You must obtain our approval before you use any advertising and promotional materials or plans in connection with your Franchised Business if we have not prepared or approved them during the 12 months prior to the date of your proposed use.

APPROVED LOCATION AND LEASE

You must obtain our approval of the Premises for your Franchised Business before you acquire the site. You must also obtain our approval of any contract of sale or lease for the Premises before you execute the contract or lease, and we may condition our approval of any such lease on you and your landlord's execution of our prescribed form of Collateral Assignment of Lease (attached as an Exhibit to our current form of Franchise Agreement). You must also ensure that you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at the Premises. We currently require the use of our Approved Suppliers for site selection assistance.

If we grant you the right to open and operate multiple Franchised Businesses under a Development Agreement, you may not enter into your Franchise Agreement for each Franchised Business opened under your Development Schedule until you have found a Premises for that Franchised Business that we approve.

INSURANCE

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, including a general liability policy with \$2,000,000 in total coverage and \$1,000,000 per incident, all of which we may modify from time to time as we deem appropriate in our reasonable discretion. We do not have an Approved Supplier for insurance, but you must furnish us with certificates of insurance (or, at our request, copies of all insurance policies), evidencing the existence and continuation of the insurance coverage required by the Franchise Agreement. All policies must contain a waiver of subrogation in our favor, and must name us and any additional parties we designate (which may include Franworth) as additional insureds (except with regards to workers' compensation insurance).

COMPUTER SYSTEM

You must purchase any and all computer hardware, software and peripherals in accordance with our System standards and specifications. We may require you to purchase any of these items from one of our Approved Suppliers. Your Premises must have Internet Wi-Fi access that the guests of the Franchised Business can access. We may require you to purchase any of these items from one of our Approved Suppliers.

Item 9 Franchisee's Obligations

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

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
a Site selection and acquisition/lease	Sections 2, 5, and 6	Section 1 and Exhibit A	Item 11
b Pre-opening purchases/leases	Sections 5 and 6	Not Applicable	Items 7, 8, 11
c Site development and other pre-opening requirements	Sections 2, 5, and 6	Section 1 and Exhibit A	Items 6, 7, 11
d Initial and ongoing training	Sections 5 and 6	Not Applicable	Item 11
e Opening	Sections 5 and 6	Section 5 and Exhibit A	Item 11
f Fees	Sections 3, 4, 9, and 13(E)	Section 2	Items 5, 6, 7, 11
g Compliance with standards and policies/operating manual	Sections 5 and 6	Not Applicable	Items 6, 11
h Trademarks and proprietary information	Section 7	Not Applicable	Items 13, 14
i Restrictions on products/services offered	Sections 5 and 6	Not Applicable	Items 8, 11, 16

Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
j Warranty and customer service requirements	Section 6	Not Applicable	Not Applicable
k Territorial development and sales quota	Sections 2 and 6	Sections 1 and 5	Item 12
l Ongoing product/service purchases	Sections 5 and 6	Not Applicable	Items 8, 16
m Maintenance, appearance, and remodeling requirements	Section 6	Not Applicable	Items 8, 11
n Insurance	Sections 6 and 11	Not Applicable	Items 6, 11
o Advertising	Sections 4, 5, 6, and 9	Not Applicable	Items 6, 11
p Indemnification	Section 11	Not Applicable	Item 9
q Owner's participation/management/staffing	Section 6	Not Applicable	Item 15
r Records and reports	Sections 4, 6, and 10	Not Applicable	Items 6, 9, 21
s Inspections and audits	Section 5, 6 and 10	Not Applicable	Items 6, 11, 21
t Transfer	Section 13	Section 8	Item 17
u Renewal	Section 3(B)	Not Applicable	Item 17
v Post-termination obligations	Sections 5, 8, 14 and 16	Nothing in Addition to Franchise Agreement(s) Signed	Item 17
w Non-competition covenants	Section 14	Nothing in Addition to Franchise Agreement(s) Signed	Item 17
x Dispute resolution	Sections 19 and 21	Sections 12, 13, 14 and 15	Item 17

Item 10 Financing

Neither we, nor our affiliates or agents offer direct or indirect financing to franchisees, nor do we guarantee your obligations

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

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

PRE-OPENING OBLIGATIONS

Before you begin operating the Cafe, we will satisfy the following obligations under the Franchise Agreement or, if appropriate, the Development Agreement

1 If you have entered into a Development Agreement for the right to open multiple Franchised Businesses, we will designate your Site Selection Area where you will have the right to locate and secure a Premises (each of which we must approve) for each of your Franchised Businesses (Development Agreement, Section 1),

2 We will provide site selection guidelines and assistance (as described more fully below in this Item 11), as we deem appropriate in our discretion, in connection with selecting the Premises for each of your Franchised Business(es). We will also review, and subsequently approve/reject, any proposed lease or purchase agreement for each location that you propose as a Premises for any Franchised Business (Franchise Agreement, Sections 2(B) and 5(E)),

3 Once you secure a Premises that we approve for a Franchised Business, we will define your Designated Territory for that Franchised Business and include its boundaries in a Data Sheet attached as an Exhibit to your Franchise Agreement (Franchise Agreement, Section 2(D)),

4 We will provide you with online access to, or otherwise loan you, one (1) copy of our confidential and proprietary Manuals. You must operate your Franchised Business in accordance with the Manuals and all applicable laws and regulations. The Manuals may be amended or modified by us to reflect changes in the System. You must keep the Manuals confidential and current, and you may not copy any part of the Manuals. You are required to keep a copy of the Manuals at your Premises, and if there is a dispute relating to the contents of the Manuals, then the master copy (which we maintain at our corporate headquarters) will control. We reserve the right to disclose updates to the Manuals in writing in any manner, including electronic means such as e-mail, our website and any intranet or extranet that we establish in connection with the System. The table of contents for our Operations Manual as of the Issue Date of this Disclosure Document is attached to this Disclosure Document as Exhibit H and is a total of approximately 272 pages. Please note, however, that certain portions of the Manuals will be set forth on the Sweetwaters Team Site and you will be solely responsible for ensuring compliance with these "online" portions of the Manuals as well (Franchise Agreement, Section 5(D)),

5 We will provide you with a list of our Required Items and Approved Suppliers (to the extent we have designated them), either as part of the Manuals or otherwise in writing (Franchise Agreement, Section 5(D)),

6 We will review and approve your signage, the proposed layout and design of your Premises – whether created by our Approved Supplier or other contractor you select (which you may only use if we do not require you to use our Approved Supplier) – as well the equipment, furniture and fixtures used in connection with your Franchised Business, as we deem appropriate and advisable in our discretion (Franchise Agreement, Section 6(D)),

7 Provide you with guidance and/or directives in connection with how to expend the required funds associated with the promotion and advertisement of the grand opening of your Franchised Business (Franchise Agreement, Section 5(F)), and

8 We will provide you and up to two (2) additional individuals you designate with our Initial Training Program (comprised of approximately 3 weeks of instruction), both regarding our System methods and techniques related to the establishment and operation of a SWEETWATERS Cafe. We will provide this training to you and your designated trainees at our then-current Initial Training Fee, and you are solely responsible for all costs and expenses you (and all other attendees) incur in connection with attending the portions of our Initial Training Program that take place at our training facility in Ann Arbor, Michigan (or other training facility we designate), which may include travel, lodging, meals and employee wages (Franchise Agreement, Section 5(A)). Please see below, under the heading "TRAINING PROGRAMS" for additional details regarding the Initial Training Program

CONTINUING OBLIGATIONS

After the opening of your Franchised Business, we (or our designee) will or may, as applicable, provide you with the following assistance

1 We may offer, and require you and your Designated Manager to attend, additional training programs and/or refresher courses, as we deem necessary in our sole discretion ("Additional Training"). While you have the option to attend any Additional Training we offer, subject to the availability of our classes, we may require that you and your Designated Manager attend up to five (5) days of Additional Training each year at our headquarters or other location we designate each year. You will be required to pay our then-current Additional Training Fee for any Additional Training you and your employees attend. You will also be solely responsible for all expenses incurred in attending Additional Training (Franchise Agreement, Section 5(C)),

2 We may provide you with continuing consultation and advice, as we deem necessary in our sole discretion, regarding the management and operation of the Franchised Business. We may provide this assistance by telephone, facsimile, intranet communication, Skype or any other communication channel, as we deem advisable and subject to the availability of our personnel. Certain of this advice and consultation may be provided based on certain reports, guest satisfaction surveys and other brand quality measurements we impose in connection with the operation of your Franchised Business, and such advice/consultation will be subject to your timely provision of any reports we require you to submit (Franchise Agreement, Section 5(G))

3 We may also provide you with additional on-site assistance, subject to the availability of our field representatives and, upon our request, payment of our then-current Additional Training Fee (Franchise Agreement, Section 5(G)),

4 We will approve or deny any advertising/marketing materials you wish to use in connection with your Franchised Business as described more fully below in this Item 11 (Franchise Agreement, Section 5(H)),

5 We may also, as we deem necessary in our discretion, provide you with seasonal signage and marketing templates or materials that you will be required to use in connection with your Franchised Business (Franchise Agreement, Sections 6(M)),

6 We will approve or disapprove your requests to (i) purchase and/or offer non-approved products or services in connection with the Franchised Business, and (ii) make Required Purchases from

suppliers other than our then-current Approved Suppliers (Franchise Agreement, Section 6(K)),

7 We may schedule and hold a franchise conference, as we deem advisable in our sole discretion, to discuss the current state of the System, improvements to the System, hold discussion forums for System franchisees and recognize certain franchisees. In the event we schedule a conference, we may require you to attend for up to five (5) days each year. You will be responsible for the costs and expenses you incur in connection with any franchise conference, but we will not charge any attendance/registration fee (Franchise Agreement, Section 5(P)),

8 We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote the SWEETWATERS brand, our Proprietary Marks and other Cafe locations, provided you are in compliance with the terms of your Franchise Agreement (Franchise Agreement, Sections 5(I) and 9(G)),

9 We may administer and maintain a National Advertising Fund (the "Fund") for the benefit of the System, as we deem necessary in our sole discretion. Currently, we have not established a National Advertising Fund (Franchise Agreement, Sections 5(K) and 9(E)),

10 We may, as we deem appropriate in our discretion, establish and maintain a website portal that will be accessible by SWEETWATERS franchisees, which may be used for purposes of (a) providing updates, supplements and supplemental information that will constitute part of one (1) or more Manual, (b) providing webinars and other training, including portions of our Initial Training Program, (c) providing advertising templates or other marketing/promotional materials, as well as information related thereto, and (d) otherwise communicate with our franchisees regarding the brand, System and/or specific operational/promotional aspects of a Franchised Business (collectively, the "Sweetwaters Team Site") (Franchise Agreement, Section 5(I)),

11 We may conduct, as we deem advisable in our sole discretion, inspections of the premises and audits of the Franchised Business and your operations generally to ensure compliance with our System standards and specifications. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of a SWEETWATERS franchise, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit (Franchise Agreement, Section 5(K)),

12 We may supplement, revise or otherwise modify the Manuals and/or the Sweetwaters Team Site as we deem necessary or prudent in our sole discretion, which may, among other things, provide new operations concepts and ideas. We may provide you with these updates through various mediums, including mail, e-mail and our System-wide intranet (Sweetwaters Team Site) (Franchise Agreement, Section 2(G)), and

13 We may (i) research new gourmet coffee and tea, products and equipment and methods of doing business and provide you with information we have developed as a result of this research, as we deem appropriate in our sole discretion, and (ii) create and develop additional products and services to be offered or provided as Approved Products at SWEETWATERS Cafes, including proprietary products and services that may be sold under the trademarks we designate, such as proprietary coffee roasting machines (Franchise Agreement, Section 5(J))

No other assistance, supervision, or services are provided by us or any affiliate for the Cafe's operation. Neither we nor any affiliate is bound by the Franchise Agreement or any other agreement to provide any other supervisory assistance or services.

TRAINING PROGRAMS

Our training program is supervised by Lisa Bee (see Item 2), who founded the SWEETWATERS brand and has been involved in all aspects of operation since the brand started operating in 2003. There will be additional training personnel that will assist in the provision of the training program. Such instructor(s) will (i) have prior operational experience (which may include working in and/or managing one of our affiliate-owned locations), and (ii) provide instruction on topics with which they have this prior experience.

Julie Depowski and Laurie Vaquera are two of our training instructors and will assist with all in-store operations training subjects. Ms. Depowski has four (4) years' experience with us and/or our affiliates and three (3) years' experience with the training subjects she teaches. Ms. Vaquera has five (5) years' experience with us and five (5) years' experience with the training subjects she teaches. Tim O'Connor may also provide instruction as part of our training program. Mr. O'Connor works for a third party and not us directly, but he has over 20 years of experience in the subject matters he typically provides instruction on.

Ongoing training is provided through our training website that we call Sweetwaters University. You will be given access to the training website in order to train your staff.

Initial Training Program

You and your Designated Manager must successfully complete to our satisfaction our mandatory training program (Initial Training Program), as outlined in the tables at the end of this item, before you open your Cafe for business. All persons attending the Initial Training Program must, before attending, sign and deliver to us all required covenants and agreements regarding confidentiality. The instructional materials you will receive and use at Initial Training Program include handout materials, an instructional manual, and visual aids. The Initial Training Program is offered as needed, and we will attempt to accommodate you by scheduling additional training times if we are able to do so.

We bear the cost of maintaining our training facility in Ann Arbor, Michigan, including the overhead cost of training, staff salaries, and training materials. You must pay our then-current Initial Training Fee (which is currently \$5,000) and also pay all travel, living, and other incidental expenses you and your employee(s) incur to attend Initial Training Program. Our current Initial Training Program consists of approximately 3 weeks of classroom, online, and in-store training, as described below. We reserve the right to modify the program periodically as we deem appropriate. There is no specific timetable after you sign the Franchise Agreement or before you commence operation by which you must complete the training program. You must, however, complete training before opening the Cafe for business.

We may, in our sole discretion, offer and make available to you supplemental or recertification management training programs. These will take place at our headquarters unless we tell you otherwise. You are responsible for all expenses incurred to attend these programs.

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of Online/Home/Phone/ or Other Site Training	Hours of On-the-Job Training	Location
Prior to Training – read all Manuals	0	5	0	On your computer (online)
New Team Member online training	0	1	0	On your computer (online)
Barista online training	0	1	0	On your computer (online)
Team Leader online training	0	1	0	On your computer (online)
Advanced Barista online training	0	1	0	On your computer (online)
Franconnect Training	0	2	0	On your computer (online)
Hireology Training	0	3	0	On your computer (online)
Review and complete Training Progress Sheets	0	2	0	At your location
Review pre-training materials	0	1	0	Over the phone
Orientation and Introduction to SWEETWATERS	6	0	2	Our headquarters in Ann Arbor, MI
New Team Member Training	2	0	6	Our headquarters in Ann Arbor, MI
Opening Shift Training	0	0	5 25	Our headquarters in Ann Arbor, MI
Marketing	4	0	0	Our headquarters in Ann Arbor, MI
Barista Training	0	0	6	Our headquarters in Ann Arbor, MI
GUEST Training	0	0	1	Our headquarters in Ann Arbor, MI
Closing Shift Training	0	0	2	Our headquarters in Ann Arbor, MI

Subject	Hours of Classroom Training	Hours of Online/Home/Phone/	Hours of On-the-Job Training	Location
Training Staff	0	0	3	Our headquarters in Ann Arbor, MI
Team Leader Training	0	0	6	Our headquarters in Ann Arbor, MI
Scheduling, Inventory, Ordering	0	0	3	Our headquarters in Ann Arbor, MI
Restaurant supply, supply orders Opening Schedule Grand Opening	0	3	0	Over the phone
Staffing & Staff pre-training	0	1	0	Over the phone
Planning ordering dates & store set-up check in	0	1	0	Over the phone
In store staff training	0	0	28	At your location
Soft Opening training	0	0	4	At your location
Opening Day support & training	0	0	8	At your location
Totals	12 hours	22 hours	74 25 hours	

SITE SELECTION

Site Selection Area

As previously discussed in Item 1 of this Disclosure Document, we will typically designate a Site Selection Area wherein you must locate your new Franchised Business at the time you enter into a single Franchise Agreement with us, unless you have already secured an approved Premises at that time

If we grant you the right to open multiple franchises under our form of Development Agreement, you will be granted a similar Site Selection Area wherein you will be required to open a certain number of Franchised Businesses as set forth in your Development Schedule. Your Site Selection Area under a Development Agreement may be the same or comparable to the geographic area that we designate for a single-unit franchisee to locate its Franchised Business. The procedure for how you – as well as any other franchisees and developers that have been assigned a given Site Selection Area – designate and select specific locations for the site of a franchise is discussed more fully below

Site Selection Priority in a Given Site Selection Area

Regardless of whether you enter into a single Franchise Agreement or a Development Agreement, the process and procedure for proposing and selecting each Premises within the geographical area designated in your agreement is typically the same

You must use our Approved Supplier to assist you in securing an approved Premises within your designated geographical area

As previously mentioned, your rights within any Site Selection Area are not exclusive. Other franchisees and developers might also be looking for sites in all or some portion of the same Site Selection Area at that same time. In terms of site allocation as sites become available (or as we learn of such sites from our Approved Supplier), we generally award sites to developers based on when they signed their respective franchise agreement for the Franchised Business at issue (a “first signed, first served” basis). As such, you may not get a particular site if there is another developer or franchisee that (a) has the same Site Selection Area as you, and (b) signed a Franchise Agreement to operate a Cafe within the Site Selection Area before you did.

As a general matter, if there are two (2) developers/franchisees searching for locations in the same Site Selection Area and neither franchisee/developer has secured a site for development, the party that initially signed a Franchise Agreement to operate a location within the Site Selection Area will have the first opportunity to review and secure a site within the Site Selection Area that is found by our Approved Supplier or otherwise approved by us. However, the party that signed a Franchise Agreement at a later time will generally be afforded the opportunity to develop a Cafe at an acceptable site within the Site Selection Area before that location is offered to a party that (a) signed a Franchise Agreement at an earlier time, and (b) has already secured a location for the Cafe governed by that Franchise Agreement.

We currently require all of our franchisees to use our Approved Supplier for site selection assistance. Despite any assistance that we or our Approved Supplier agree to provide to you, however, we are not obligated to conduct site selection activities within your Site Selection Area. It is your fundamental and primary responsibility to locate and secure these sites to help ensure compliance with your development obligations.

Site Selection Assistance and Conditions to Approval Generally

While we periodically may also provide direct site selection assistance as we deem appropriate in our discretion, it is your obligation to locate, submit for our approval, and secure (once approved) a site that is suitable for the Cafe. Failure to do so in a timely manner will be a violation of your area development agreement and franchise agreement. We must approve your Cafe’s proposed site (consistent with the priority and procedure disclosures set forth above in this Item) before you take steps to secure it. There is no contractual limit on the time it takes us to approve or disapprove your proposed site or lease, but it will typically take us 21 days from the time that we have all of the necessary documentation for review. In deciding whether to approve or disapprove your proposed site, we will take various factors into account, including location and condition of the shopping mall, the Cafe’s proposed location, customer traffic patterns, demographics, geography, Cafe size, surrounding area, and lease requirements. You may not move forward with a site that we have not approved or have disapproved. (Franchise Agreement, Sections 6(A) and (D))

We must also have the opportunity to review and approve/reject any lease or purchase agreement for a proposed Premises before you enter into such an agreement. We may condition our approval on a number of conditions, including (i) an agreement by you and the landlord of the Premises to enter into our

prescribed form of Collateral Assignment of Lease, and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business, including offering and selling the Approved Products and Services, throughout the term of your Franchise Agreement. Under the Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the lease for the Premises (the "Lease") for all or part of the remaining term of the Lease if you are in material default of your Franchise Agreement and/or Lease and/or fail to timely cure that default (Franchise Agreement, Sections 5(E) and 6(A), Exhibit C to Franchise Agreement)

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within 30 days of the date you provide us with all requested materials. If we determine that an on-site evaluation is necessary, then you must (i) submit to us in the form we specify a description of the site prior to our representative conducting its on-site evaluation, including evidence that the site satisfies our site selection guidelines and any other information and materials that we may reasonably require, including a letter of intent or other evidence that confirms your favorable prospects for obtaining the site, and (ii) reimburse us for the expenses incurred in connection with such an evaluation. If we do not provide our specific approval of a proposed location within this 30-day period, the proposed location will be deemed rejected. Our approval only means that the site meets our minimum requirements for a Franchised Business (Franchise Agreement, Section 5(E))

Time to Secure Premises under Single Franchise Agreement

You must sign a lease or sublease for the Cafe within one (1) year after signing the Franchise Agreement. If you do not have an approved site for the Cafe before you sign the Franchise Agreement, you will look for a site within a general market area upon which we and you will agree. If we and you cannot agree on a site, we will not enter into the Franchise Agreement with you (if it has not yet been signed) or if after a reasonable extension of at least 90 days, we may terminate the Franchise Agreement (if it has been signed) (Franchise Agreement, Sections 6(A) and (D))

Time to Secure Premises in Context of a Development Agreement

If you enter into a Development Agreement, you must ensure that you sign a Franchise Agreement and secure an approved Premises for each Franchised Business you agree to develop so that you have enough time to construct, equip and otherwise undertake all actions necessary to open each Franchised Business in accordance with the timelines set forth in your Development Schedule.

TIME TO OPEN

Franchise Agreement

The typical length of time between the signing of your Franchise Agreement and the opening of your Franchised Business is between nine (9) and 12 months. The specific time period depends on your ability to locate a site, negotiate and sign a lease, and secure financing. It may also be affected by the extent to which you must upgrade or remodel an existing location, timing of required permits, delivery schedules for equipment, inventory and supplies, and completion of training. You must secure a Premises and open your Cafe within one (1) year of executing the Franchise Agreement. Reasonable extensions of 90 days shall be freely granted if you are using good faith best effort to secure a site. Otherwise, we may, at our option, terminate your Franchise Agreement (Franchise Agreement, Section 6(D))

Development Agreement

If you have entered into a Development Agreement to open multiple Franchised Businesses, your Development Agreement will include a Development Schedule containing a deadline by which you must have each of your Franchised Businesses open and operating. Your Development Schedule may depend on the number of Franchised Businesses you are granted the right to open and operate (Development Agreement, Section 5)

ADVERTISING AND MARKETING

All advertising and promotion materials that you use in connection with your Franchised Business must be approved by us and conform to the standards and requirements that we specify. We may make available to you from time to time, at your expense, certain promotional materials, including newspaper mats, coupons, merchandising materials, point-of-purchase materials, special promotions, and similar advertising and promotional materials. You must also participate in certain promotions and advertising programs that we establish as an integral part of our System, provided these activities do not contravene regulations and laws of appropriate governmental authorities (Franchise Agreement, Section 9(A))

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding 12 months, then you must submit the materials you wish to use to us for our prior written approval at least twenty (20) days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within 30 days of the date we receive the materials from you. If you do not receive our written approval during that time period, however, the proposed materials are deemed disapproved and you may not use such materials. Once approved, you may use the proposed materials for a period of six (6) months, unless we (i) prescribe a different time period for use, or (ii) require you to discontinue using the previously-approved materials in writing. We may require you to discontinue the use of any advertising or marketing material, including materials we previously approved, at any time (Franchise Agreement, Section 9(B)). Except as otherwise provided in this Item, we are not required to spend any amount on advertising in your Designated Territory.

Grand Opening Advertising. You must conduct a grand opening advertising and promotional program, which we must approve, prior to opening your Cafe (the "Grand Opening Advertising Requirement"). The Grand Opening Advertising Requirement must commence prior to when your Cafe opens, and you must expend at least \$5,000 (Franchise Agreement, Section 9(C)). We may require that you expend any portion of your Grand Opening Advertising Requirement on marketing, advertising and/or public relations services from our Approved Suppliers.

Local Advertising. Recognizing the importance of promoting your Franchised Business within your Designated Territory and surrounding area, you must expend a minimum of one percent (1%) of the Gross Sales of your Cafe on local advertising and marketing (the "Local Advertising Requirement") (Franchise Agreement, Section 9(D)).

You must spend the Local Advertising Requirement as we prescribe in the Manuals or otherwise in writing, which may include, without limitation, requirements that you place a certain number and/or type(s) of media advertisements and participate in customer loyalty programs. You must use any advertising materials we generate in connection with local advertising, or, should you decide to use materials created by persons other than us, those materials must be approved by us prior to their placement. You may spend any additional sums you wish on local advertising, and all materials used for these local marketing efforts must be approved by us prior to placement. You acknowledge and agree that your local advertising obligation must be expended regardless of the amount(s) spent by other System franchisees on local

advertising. You may only use the advertising and promotional materials we have previously approved in writing. (Franchise Agreement, Section 9(D))

National Marketing Fund We may establish and administer a National Marketing Fund (the “Fund”) for the benefit of the entire System of SWEETWATERS Cafes. Currently, we require you to contribute up to two percent (2%) of the Gross Sales of your Cafe towards the Fund if one is established in the future (the “Fund Contribution”). Our company-owned Cafes will contribute to the Fund in the same manner that each franchised Cafe is required to contribute. (Franchise Agreement, Section 9(E))

We will have the right to use the Fund contributions, in our sole discretion, to develop, produce, and distribute national, regional and/or local marketing materials and to create advertising materials and public relations materials which promote, in our sole judgment, the goods and services offered by Cafes. We may use the Fund to satisfy any and all costs of maintaining, administering, directing, preparing, and producing advertising, including, without limitation: (a) the cost of preparing and producing television, radio, magazine, and newspaper, and social and digital media advertising campaigns, (b) the cost of direct mail, (c) the cost of public relations activities and advertising agencies, (d) the cost of developing and maintaining an Internet website and a gift card program, (e) the cost of developing customer loyalty programs, and (f) personnel and other departmental costs for advertising that we internally administer or prepare. While we do not anticipate that any part of Fund contributions will be used for advertising which is principally a solicitation for franchisees, we reserve the right to use the Fund for public relations or recognition of our brand, for the creation and maintenance of a web site, a portion of which can be used to explain the franchise offering and solicit potential franchisees, and to include a notation in any advertisement indicating “Franchises Available.” (Franchise Agreement, Section 9(E))

We will use the Fund contributions to develop and prepare advertising which we will distribute to franchisees for their placement in the local media. The advertising will be prepared by us and by outside sources. If we do not spend all Fund contributions by the end of each fiscal year, the funds will be carried forward into the next fiscal year. You must contribute to the Fund regardless of amounts due from other franchisees. There is no requirement that the Fund be audited. Upon your written request, we will provide you with an unaudited accounting of Fund expenditures within 120 days after the end of each fiscal year. We have the right to incorporate the Fund as a separate business entity. (Franchise Agreement, Section 9(E))

We have the sole right to determine how to spend contributions to the Fund, or any funds from any other advertising program, and the sole authority to determine the selection of the advertising materials and programs, provided, however, that we will make a good faith effort to expend such funds in the general best interests of the System on a national or regional basis. We are not required, under the Franchise Agreement or elsewhere, to spend any amount of the Fund contributions in your Territory and not all System franchisees will benefit directly or on a pro rata basis from our expenditures. We have the right to reimbursement from the Fund contributions for reasonable costs and overhead, if any, as we may incur in activities which are reasonably related to directing and implementing the Fund and advertising programs for franchisees and the System, including costs of personnel for creating and implementing advertising, promotional and marketing programs, and the cost for accounting for the Fund. (Franchise Agreement, Section 9(E))

We did not establish and maintain a Fund during our past fiscal year and, as a result, we do not have any breakdown of the Fund expenditures over this time period.

Advertising Council Currently, we have not established an advertising council (the “Advertising Council”), but we reserve the right to do so in the future. If we establish an Advertising Council, it will serve in an advisory capacity to us with respect to certain advertising expenditures, including providing

advice/guidance on how to administer the Fund (if established in the future) At our discretion, the Advertising Council may be comprised of our management representatives, employees, you and/or other franchisees in the System We will have the right to modify or dissolve an Advertising Council (if created) at any time (Franchise Agreement, Section 9(F))

Regional Advertising Cooperatives (Cooperatives) We have the right to designate any geographical area for purposes of establishing a regional advertising and promotional cooperative (“Cooperative”), and to determine whether a Cooperative is applicable to your Cafe There are currently no Cooperatives We also have the power to form, change, dissolve and/or merge Cooperatives If a Cooperative is established applicable to your Café, you must participate in and contribute to the Cooperative If a Cooperative is established, it need not operate from written governing documents and, as such, these documents will not be available for franchisees to review Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by us Each Cooperative will be organized for the exclusive purpose of administering regional advertising programs and developing, subject to our approval, standardized advertising materials for use by the members in local advertising No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without our prior written approval All such plans and materials will be submitted to us in accordance with the procedure set forth in the Franchise Agreement Cooperative contributions will be credited towards your Advertising Requirement, and Cooperative contributions will not exceed the Local Advertising Requirement unless a majority of the Cooperative votes to increase that requirement We may grant to any franchisee, in our sole discretion, an exemption for any length of time from the requirement of membership in a Cooperative, upon written request of such franchisee stating reasons supporting such exemption Our decision concerning such request for an exemption will be final (Franchise Agreement, Section 9(H))

Upon the request of a franchisee in the Cooperative, the Cooperative will provide that franchisee a copy of the bill for advertising that the Cooperative received Neither we nor the Cooperative will prepare an annual accounting of these funds (Franchise Agreement, Section 9(H))

Online Directories As another means of advertising, you must ensure that the Franchised Business is listed in appropriate Internet-based telephone directories that we designate You must ensure

ELECTRONIC CASH REGISTERS, COMPUTER SYSTEMS

You must use a point-of-sale type of electronic cash register (the “POS System”) that we specify that, at a minimum, allows you to process all Cafe transactions and allows us to poll activities at your Cafe The POS System keeps track of sales, sales by item, sales by hour, and related transactions We currently have an Approved Supplier for the POS System, as well as a gift card and loyalty program, that you must use in connection with your Franchised Business We estimate that the cost of the POS System will be approximately \$2,547 to \$2,660 You will also incur a POS Fee, as described in Item 6, that you must pay to the third-party Approved Supplier for credit card processing and support of the POS System, as well as for software and support related to our gift card and loyalty programs The current POS Fee/credit card processing fee is charged on a per transaction for each transaction utilizing credit card payments The gift card and loyalty program fee which is currently \$55 per month and the inventory management program fee is \$195 per month Both of these fees are payable to third parties You will be required to pay to us a Technology Fee, which is currently \$149 per month, for (a) email hosting, (b) web-hosting, and (c) other website-related services

All hardware components and software are the proprietary property of their manufacturers or developers, who need not provide ongoing maintenance, repairs, upgrades, or updates unless you pay for them We will have, through polling, unlimited independent access to the sales information and data produced by your computer system regarding the Cafe, but no independent access to any other information and data We

reserve the right to change and/or update these specifications periodically, in which case you must update your system. There are no contractual limitations on the frequency and cost of this obligation. Franchisees generally will pay, to our Approved Supplier, for computer hardware and software support on an as-needed basis. If a franchisee wants an annual support contract, it must negotiate directly with the computer system provider.

WEBSITE AND INTERNET USE

Except as approved in advance in writing by us, you must not establish or maintain a separate website, splash page, profile or other presence on the Internet, or otherwise advertise on the Internet or any other public computer network in connection with the Franchised Business, including any profile on Facebook, MySpace, LinkedIn, Instagram, Pinterest, Twitter, YouTube or any other social media and/or networking site. Any such Internet website or presence is considered “advertising” and must be approved by us prior to use, as described in this Item. If we do permit you to establish one or more of the above presences on the Internet, you must (i) establish and operate your World Wide Web or Internet site in accordance with System standards and any other policies we designate in the Manuals or otherwise in writing from time to time, and (ii) utilize any templates that we provide to you to create and/or modify such site(s). (Franchise Agreement, Section 5(I))

We have the right to establish and maintain a website, that may, without limitation, promote the Proprietary Marks and/or the System (the “Website”), including the contact information of your Franchised Business. We agree to establish an interior page on our corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) the Franchise Agreement governing that Franchised Business is not subject to termination. We have sole control over all aspects of the Website, including without limitation its design, content, functionality, links to other websites, legal notices, and policies and terms of usage. We also have the right to discontinue operation of the Website at any time without notice to you. We have the right to modify our policies regarding your use of social media and Internet websites in connection with your Franchised Business as we deem necessary or appropriate in the best interest of the System. We (or our affiliate) are the sole registrant of the Internet domain name www.sweetwaterscafe.com, as well as any other Internet domain names that we or our affiliates register in the future. You must not register any Internet domain name that contains words used in or similar to any brand name owned by us or our affiliates or any abbreviation, acronym, phonetic variation or visual variation of those words. (Franchise Agreement, Section 5(I))

Item 12 Territory

FRANCHISE AGREEMENT

Once you have secured the Premises of your Franchised Business, we will define the Designated Territory on the Data Sheet attached to your Franchise Agreement. Your Designated Territory will typically be a one (1) mile radius around your Premises, unless your Franchised Business is located in a major metropolitan downtown area or similarly-situated/populated central business district (a “Central Business District”). If your Franchised Business is located in such a major metropolitan downtown area or Central Business District, your Designated Territory may be limited to the geographic area comprised of anywhere from a radius of two (2) blocks to one (1) mile around your Premises, as we deem appropriate in our discretion. The size of your Designated Territory may vary from other System franchisees based on the location and demographics surrounding your Premises.

The boundaries of your Designated Territory may be described in terms of zip codes, streets, landmarks (both natural and man-made) or county lines, or otherwise delineated on a map attached to the Data Sheet. The sources we use to determine the population within your Designated Territory will be publicly available population information (such as data published by the U S Census Bureau or other governmental agencies and commercial sources).

You may not relocate your Franchised Business without our written consent, which we will not unreasonably withhold provided (i) the new location is located within your Designated Territory and meets our then-current criteria for a Premises, and (ii) you pay our then-current relocation fee (if any). When considering a request for relocation, we may take into account the desirability of the proposed new location, its distance from other and future-planned franchised locations, the traffic patterns, security, cost, and the demographics of the area, as well as any other related factors we deem appropriate. We will not unreasonably withhold or approval of your relocation request, provided the location meets our site selection criteria.

Your Designated Territory will be exclusive. During the term of your Franchise Agreement, we will not open or operate, or license a third party the right to open or operate, any other Cafe utilizing the Proprietary Marks and System within your Designated Territory.

Your Designated Territory cannot be modified except by mutual written agreement signed by both parties.

DEVELOPMENT AGREEMENT

If you enter into a Development Agreement, we will define a Site Selection Area wherein you will have the right to locate and secure the approved Premises for each Franchised Business you must open under your Development Schedule. The size of the Site Selection Area will likely vary among new prospects/developers, with the size of your Site Selection typically depending on the demographics of the area in and around the region you wish to develop.

We typically identify your Site Selection Area early during the franchise due diligence and offer process (based on where you tell us you wish to operate) and we will insert the Site Selection Area description into your Development Agreement before you sign it. The Site Selection Area may not be modified at any time during the term of the Development Agreement unless the parties agree to such a modification in a separate signed writing. Typically, your Site Selection Area will be all or part of a Metropolitan Statistical Area (or "MSA") as established and defined by the U S Office of Management and Budget.

If you are in full compliance with your Development Agreement and any existing Franchise Agreement you have entered into with us, then we will grant you the right to open the number of SWEETWATERS franchises you agreed to open as part of your Development Schedule within your Site Selection Area. We require that you locate, review and secure these locations using our Approved Supplier for site selection services. Your rights within the Site Selection Area are non-exclusive. You will not receive an exclusive territory under your Development Agreement. You may face competition from other franchisees, from outlets that we control, or from other channels of distribution or competitive brands that we control.

Once you have secured a Premises for a given Franchised Business to fulfill your development obligations under your Development Agreement, we will grant you a Designated Territory around that Franchised Business wherein you will have territorial protection as previously discussed in this Item 12.

Each Franchised Business you timely open and commence operating under our then-current form of franchise agreement will be operated (i) from a distinct Premises located within the Site Selection Area,

and (ii) within its own Designated Territory that we will define once the Premises for that Franchised Business has been approved

DEVELOPMENT SCHEDULE

Your Development Schedule will depend on the number of units that you acquire the rights to open in your Development Agreement. If you enter into an agreement granting you the rights to open three units, your Development Schedule will be as follows

Expiration of Development Period (each, a “Development Period”)	# of New Franchised Businesses Opened Within Development Period	Cumulative # of Franchised Businesses that Must Be Open and Operating
12 Months from Effective Date	1	1
24 Months from Effective Date	1	2
36 Months from Effective Date	1	3

If you enter into an agreement granting you the rights to open 5 or more units, your development schedule will be as follows

Expiration of Development Period (each, a “Development Period”)	# of New Franchised Businesses Opened Within Development Period	Cumulative # of Franchised Businesses that Must Be Open and Operating
12 Months from Effective Date	1	1
24 Months from Effective Date	1	2
36 Months from Effective Date	1	3
48 Months from Effective Date	2	5
60 Months from Effective Date	That number which is equal to the balance of the remaining units to be opened pursuant to your Development Agreement	That number which is equal to the total number of units to be opened pursuant to your Development Agreement

RESERVED RIGHTS

We and our affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as appropriate) to (i) establish and operate, and license any third party the right to establish and operate, other Cafes and Franchised Businesses using the Proprietary Marks and System at any location outside of your Designated Territory(ies) and, if appropriate, Site Selection Area, (ii) market, offer and sell products and services that are similar to the products and services offered by the Franchised Business under a different trademark or trademarks at any location, within or outside the Designated Territory(ies) and Site Selection Area, (iii) use the Proprietary Marks and System, other such marks we designate, to distribute our Approved Products in any alternative channel of distribution, within or outside the Designated Territory(ies) and Site Selection Area (including through the Internet, mail order, catalog sales, grocery stores, wholesale stores, etc), (iv) to acquire, merge with, or otherwise affiliate with, and after that own and operate, and franchise or license others to own and operate, any business of any kind, including, without limitation, any business that offers products or services the same as or similar to the Approved Products (but under different marks), within or outside your Designated Territory(ies) and, if appropriate, Site Selection Area, and (v) use the Proprietary Marks and System, and license others to use the Proprietary Marks and System, to engage in any other activities not expressly prohibited in your Franchise Agreement and, if appropriate, your Development Agreement

In addition to all of the reserved rights above, we and our affiliates reserve the right to undertake all other activities within a Site Selection Area because we do not grant any type of exclusivity within such areas

We are a wholesale distributor of products and goods, including gourmet coffees and teas, and are not precluded by the Franchise Agreement or Area Development Agreement from distributing such products and goods anywhere, including the area around your Cafe

Neither the Franchise Agreement nor Development Agreement grants you any right to engage in any of the activities outlined in the preceding paragraph, or to share in any of the proceeds received by us, our affiliates or any third party from these activities, unless we otherwise agree in writing. Further, we have no obligation to provide you any compensation for soliciting or accepting orders (via alternate channels of distribution) within your Designated Territory

ADDITIONAL DISCLOSURES

Neither the Franchise Agreement nor the Development Agreement provides you with any right or option to open and operate additional Franchised Businesses (other than as specifically provided for in your Development Agreement if you are granted multi-unit development rights). Regardless, each Franchised Business you are granted the right to open and operate must be governed by its own specific form of Franchise Agreement

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

Item 13 Trademarks

We grant you a limited, non-exclusive license to use the Proprietary Marks in connection with the operation of your Franchised Business only at your Premises and within your Designated Territory. Our affiliate, Sweet Waters Cafe, Inc., has registered the following Proprietary Mark on the Principal Register of the United States Patent and Trademark Office ("USPTO")

MARK	REGISTRATION NUMBERS	REGISTRATION DATE
SWEETWATERS	3,508,393	9/30/08
	3,508,486	9/30/08
ICE DRAGONS	3,508,394	9/30/08
Circle Design (Chinese characters that transliterate to 'Tian Shui,' which means SWEETWATER)	3,533,578	11/18/08

Our affiliate, Sweet Waters Cafe, Inc., owns the Proprietary Marks and related intellectual property used in the SWEETWATERS System and has licensed them to us to use and sublicense in our franchise program. The initial term of our license agreement with Sweet Waters Cafe, Inc., effective as of May 1, 2004, is 20

years with three (3) successive renewal terms of ten (10) years each as long as we are not in default of our obligations. Sweet Waters Cafe, Inc. may not terminate the license agreement unless we are in default and fail to cure the default within not less than 30 days. If Sweet Waters Cafe, Inc.'s license to us expires or is terminated, your rights under the Franchise Agreement will not be affected. You will have the right to operate your Cafe during the remaining franchise term, and during the term of any permitted renewal franchise agreement, as long as you comply with all of your obligations.

Depending on the Proprietary Mark, these Proprietary Marks cover food products (ground and whole bean coffee, tea, espresso, honey and spice-based beverages, ready-to-drink coffee, tea, and honey and spice-based beverages, chocolate food beverages, flavored ices, fruit ices, bakery desserts, coffee beans, frozen dessert consisting of fruit and cream or cream substitutes, ice cream, ice cream drinks, and pastries), restaurant services (restaurants serving specialty coffee, espresso, and tea beverages and pastries and desserts), and franchise services (offering business management assistance in establishing and operating cafes and restaurants).

Sweet Waters Cafe, Inc. has filed all affidavits of use and renewal filings when due. You must follow our rules when you use the Proprietary Marks, including giving proper notices of trademark and service mark registration and obtaining required fictitious or assumed name registrations. There are no currently effective determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, nor are there any pending infringement, opposition or cancellation proceedings or any pending material litigation, involving the Proprietary Marks which are relevant to their use in any state.

Except as described above, there are no agreements that limit our rights to use or license the use of the Proprietary Marks in any manner material to you.

There are no superior prior rights or infringing uses actually known to us that could materially affect your use of the Marks in the state in which your Cafe will be located. We will indemnify and defend you against any third-party claim brought against you that arises solely out of your authorized use of the Proprietary Marks licensed under the Franchise Agreement in connection with the Franchised Business, provided (i) such use is in full compliance with our standards and specifications, and (ii) you notify us in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. We will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding such claims, including the right to select legal counsel we deem appropriate. You must fully cooperate with us in connection with our defense or settlement of any third-party claim which we determine to take control.

You may use only the Proprietary Marks which we designate, and may use them only in the manner we authorize and permit. Any goodwill associated with the Proprietary Marks or our System, including any goodwill which might be deemed to have arisen through your activities, inures directly and exclusively to our benefit. You may use the Proprietary Marks only at the Premises or in advertising for the Cafe. You must use all Proprietary Marks without prefix or suffix and in conjunction with the symbols "SM," "TM," "S" or "R," as applicable. You may not use the Proprietary Marks in connection with the offer or sale of any services or products which we have not authorized for use in connection with the System. You may not use the Proprietary Marks as part of your corporate or other legal name. We must approve your corporate name and all fictitious names under which you propose to do business in writing before use. You must use your corporate or limited liability company name either alone or followed by the initials "D/B/A" and the business name "Sweet Waters." You must promptly register at the office of the county in which your Cafe is located, or such other public office as provided for by the laws of the state in which your Cafe is located, as doing business under such assumed business name.

All of your advertising must prominently display the Proprietary Marks and must comply with our standards for using the Proprietary Marks. All such advertising is subject to our prior written approval, which we will not unreasonably withhold. We reserve the right to approve all signs, stationery, business cards, forms, and other materials and supplies bearing the Proprietary Marks. You may use the Proprietary Marks including, without limitation, trade dress, color combinations, designs, symbols, and slogans, only in the manner and to the extent specifically permitted by the Franchise Agreement or by our prior written consent. You must submit to us and we must approve all advertising, publicity, signs, decorations, furnishings, equipment or other materials employing the Proprietary Marks, or related marks, before first publication or use. We will not unreasonably withhold our approval. You must identify yourself as the owner of the Cafe (in the manner we prescribe) in conjunction with any use of the Proprietary Marks including, without limitation, on invoices, order forms, receipts, and business stationery, as well as at such conspicuous locations as we may designate in writing at the Cafe premises.

If it becomes advisable at any time for us and/or you to modify, discontinue using, and/or replace any Mark and/or to use one or more additional, substitute, or replacement trade or service marks together with or instead of any previously designated Mark, you must comply with our directions within a reasonable time after receiving notice. We need not reimburse your direct expenses of changing the Cafe's signs, any loss of revenue due to any modified or discontinued Mark, or your expenses of promoting a modified or substitute trademark or service mark.

Development Agreement

The Development Agreement does not grant you any independent right to use the Proprietary Marks. Your right to use the Proprietary Marks will be governed solely by the terms and conditions of your individual Franchise Agreements.

Item 14 Patents, Copyrights, and Proprietary Information

We do not own any patents or patent applications that are material to the franchise. We and Sweet Waters Cafe, Inc. claim copyrights for the Confidential Operating Manual, all advertising and promotional materials, training materials, display materials, and any other original copyrightable works created by our employees or transferred to us by third parties, although these materials have not been registered with the United States Copyright Office. You may use these items only as we specify while operating your Cafe (and must stop using them if we so direct you).

There currently are no effective determinations of the USPTO, the United States Copyright Office, or any court regarding any of the copyrighted materials. Except for our agreement with Sweet Waters Cafe, Inc. (see Item 13), there are no agreements in effect that limit our right to use or license the copyrighted materials. There are no infringing uses actually known to us that could materially affect your use of the copyrighted materials in any state. We are not required by any agreement to protect or defend copyrights, although we intend to do so if in the best interests of the SWEETWATERS system. We and Sweet Waters Cafe, Inc. may control any action we choose to bring, even if you voluntarily bring the matter to our attention. We and Sweet Waters Cafe, Inc. need not participate in your defense and/or indemnify you for damages or expenses in a proceeding involving a copyright.

You acknowledge that your knowledge of the operation of a Cafe will be derived from information we disclose to you under the Franchise Agreement and that such information, including the contents of the Confidential Operating Manual, is proprietary and confidential. You must agree that you will maintain the absolute confidentiality of all such information during and after the term of the Franchise Agreement and that you will not use any such information in any other business.

You may not use confidential information in an unauthorized manner. You must take reasonable steps to prevent its improper disclosure to others and use non-disclosure and non-competition agreements with those having access. We may regulate the forms of agreements that you use and be a third party beneficiary of those agreements with independent enforcement rights.

Item 15

Obligation to Participate in the Actual Operation of the Franchise Business

We require that the Cafe be under the direct on-premises supervision of a trained manager at all times (the "Designated Manager"). The Designated Manager does not have to be you, although we encourage your direct involvement in the business. We require that you follow minimum standards, qualities, product mix, Cafe operations and procedures set forth in the Confidential Operating Manual and elsewhere. The Designated Manager must attend and successfully complete the initial training program and any supplemental or recertification training programs. There are no limits on whom you may hire as your Designated Manager. Your Designated Manager need not have an equity interest in the Cafe or you.

We may require your Designated Manager, all of your personnel performing sales, managerial, or supervisory functions and all of your personnel receiving special training from us to execute covenants similar to those set forth in Section 16 of the Franchise Agreement (confidentiality, nondisclosure, and non-compete covenants). We also have the right to require any other of your employees or any holder of a beneficial interest in the franchise to execute similar covenants.

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

If you are a legal entity, your owners and their spouses must personally guarantee your obligations under the Franchise Agreement and also agree to be personally bound by the Agreement's confidentiality, nondisclosure, and non-competition covenants. Please see the Individual Acknowledgement and Guaranty of Franchisee's Undertaking attached to the Franchise Agreement.

Item 16

Restrictions on What the Franchisee May Sell

Your Cafe is limited to the retail sale of gourmet coffee and teas, food items, and other products related to coffee and teas. We first must approve in writing all products your Cafe offers for retail sale. You must offer and sell all products and perform all services that we periodically require for SWEETWATERS cafes. You may not offer or sell any products or perform any services that we have not authorized. We have the right to change the types and brands of authorized products periodically. There are no limits on our right to do so. You may not engage in the wholesale distribution of coffees, teas, and related products from any location whatsoever.

You must participate in, and comply with the requirements of, our gift card and loyalty programs, including issuing and honoring gift and loyalty cards, and our marketing programs, including honoring coupons and buy-one-get-one-free cards.

To the extent allowed by applicable law, we may regulate the minimum, maximum, and other prices for products and services your Cafe offers.

Item 17
Renewal, Termination, Transfer, and Dispute Resolution

THE FRANCHISE RELATIONSHIP

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

A Franchise Agreement

Provision	Section in Franchise or Other Agreement	Summary
a Term of the Franchise	Section 3(A)	The initial term is for 10 years commencing on the date we sign your Franchise Agreement
b Renewal or extension of the term	Section 3(B)	You have the right to be considered for two (2) additional (and consecutive) 10-year terms
c Requirements for franchisee to renew or extend	Section 3(B)	In order to renew (which means renewing your franchise relationship with us), you must not have any uncured material defaults under your Franchise Agreement (including any monetary defaults) or any other agreement between you and us or the landlord of the Premises, not have received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date, execute our then-current franchise agreement (which may have materially different terms than your original franchise agreement), pay a renewal fee, attend a training refresher course, execute a general release, must have participated and supported our training, advertising, marketing and operational procedures, and re-image, renovate, refurbish, and modernize the Premises and Cafe
d Termination by franchisee	Not Applicable	Not Applicable
e Termination by franchisor without cause	Not Applicable	Not Applicable
f Termination by franchisor with "cause"	Section 15	We may terminate your Franchise Agreement with cause as described in (g)-(h) of this Item 17 Chart
g "Cause" defined – curable defaults	Section 15(B)	The Franchise Agreement may be terminated for the following defaults after you have been provided with the applicable cure period: you fail to over only the Approved Products, you purchase any non-approved item, or you fail to purchase any Required Item and do not cure within 10 days, you fail to provide us access to the POS System or Computer System and fail to cure within 24 hours, you fail to pay us, our affiliates or any Approved Supplier any

Provision	Section in Franchise or Other Agreement	Summary
	Section 15(C)	amount owed and do not cure within 10 days, you fail to comply with any law or regulation after 15 days notice from the relevant government authority, or you fail to obtain the necessary licenses and permits and fail to cure within 10 days Except as provided above and those defaults listed in (h) of this Item 17 Chart, you must cure all other defaults and violations of any provision of your Franchise Agreement or any other agreement with us or our affiliates within 30 days of being provided with notice of your default(s)
h “Cause” defined - defaults which cannot be cured	Section 15(A) Section 15(B)	Your Franchise Agreement may be terminated automatically and without notice from us if you become insolvent or make a general assignment for the benefit of creditors, a bankruptcy petition is filed by or against you and not dismissed within 30 days, a bill in equity or appointment of receivership is filed in connection with you or the Franchised Business, a receiver or custodian of your assets of property is appointed, a final judgment in the amount of \$10,000 or more is entered against you and not satisfied within 60 days (or longer period if we consent), you attempt to make an invalid transfer in violation of Section 13 of your Franchise Agreement Your Franchise Agreement may be terminated by us upon written notice and no opportunity to cure if you commit and fraud or misrepresentation in connection with your Franchised Business, you or other required attendees fail to timely complete our Initial Training Program, you receive three or more notices to cure the same or similar defaults under Section 15(C) of your Franchise Agreement in any 12-month period (whether or not subsequently cured), you violate any in-term restrictive covenants, you misuse the Proprietary Marks, Confidential Information or other confidential information provided to you, misuse any proprietary software that might be developed, you fail to cure any default under any other agreement you have with our affiliates or any Approved Supplier within the appropriate cure period, you default under your lease for the Premises and fail to timely cure, you fail to open and commence operations within the required time period, you abandon your Franchised Business, you are convicted of a felony or any other crime of moral turpitude or offense that

Provision	Section in Franchise or Other Agreement	Summary
		will adversely affect the System, you take any property of the Franchised Business for personal use, there are insufficient funds in your EFT Account on three or more occasions in any 12-month period, or if you commit repeated violations of any applicable law
i Franchisee's obligations on termination/non-renewal	Section 16	Upon termination or early expiration of the Franchise Agreement, your obligations include immediately discontinuing the use of the Proprietary Marks and trade dress, cease doing business in a form or manner that may give the general public the impression that you are operating a Franchised Business, return of the Manuals of any other Confidential Information to us, provide us with all customer information, lists and membership agreements, cancel or, at our option, assign us all telephone/facsimile numbers and domain names (if permitted) used in connection with the Franchised Business (as well as all related listings) to us or our designee, comply with all post-term restrictive covenants, at our written option, assign the lease for the Premises to us, provide us with written confirmation of compliance with these obligations within 30 days
j Assignment of contract by franchisor	Section 13(G)	No restrictions on our right to assign
k "Transfer" by franchisee – defined	Sections 13(A) and 13(C)	Includes any transfer of Franchise Agreement, assets of the Franchised Business, or ownership change in you (as the Franchisee)
l Franchisor approval of transfer by franchisee	Section 13(A)	We must approve all transfers, but we will not unreasonably withhold our approval if you meet our conditions
m Conditions for franchisor approval of transfer	Section 13(E)	We have the right to impose the following conditions on any transfer by you all of your obligations under the Franchise Agreement have been satisfied, you cure all existing defaults, you and the transferee execute a general release, you provide us a copy of the executed purchase agreement, the new franchisee must meet our then-current qualifications and criteria for a new franchisee, transferee must execute our then-current form of franchise agreement, transferee must pay our Transfer Fee and successfully complete our Initial Training Program, you comply with all post-termination provisions of the Franchise Agreement, the transferee demonstrates that it has obtained all permits and licenses required, transfer is made in compliance with all applicable laws, the purchase

Provision	Section in Franchise or Other Agreement	Summary
		provide and terms of the transfer are not so burdensome as to impair the transferee's operation of the Franchised Business, and you must request that we provide the transferee our then-current Disclosure Document
n Franchisor's right of first refusal to acquire franchisee's business	Section 13(D)	Except in certain circumstances (death/disability or transfer from individual franchisee to business entity), you must provide us with a period of 30 days to match any third-party <i>bona fide</i> offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have 60 days to effectuate the transfer to the third party that made the offer on those exact terms – if the transfer does not occur or the proposed terms of the offer change in any way, then we will have another 30 days to exercise our right of first refusal
o Franchisor's option to purchase franchisee's business	16(G)	We have the right, but not the obligations, to purchase all or any portion of the assets of your Franchised Business upon expiration/termination of your Franchise Agreement at book value
p Death or disability of franchisee	Section 13(B)	You will have a period of 90 days to find a suitable legal representative that we approve to continue the operation of your Franchised Business, provided that person completes our Initial Training Program and pays the appropriate tuition fee During this 90-day period, we may step in and operate the Franchised Business on your behalf and pay ourselves a reasonable amount to reimburse our costs associated with this operation on your behalf. We are not under any obligation to step in and operate your business during this period
q Non-competition covenants during the term of the franchise	Section 14(A)	Neither you, your principals, guarantors, owners or Designated Managers, nor any immediate family member of you, your principals, guarantors, owners or Designated Managers, may (i) own, operate, or otherwise be involved with, Competing Business (as defined in the Franchise Agreement), (ii) employ or seek to employ any of employees or us, our affiliates or any other System franchisee or induce such persons to leave their employment, or (iii) divert, or attempt to divert, any prospective customer to a Competing Business
r Non- competition covenants after the franchise is terminated or expires	Section 14(B)(1)	For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors,

Provision	Section in Franchise or Other Agreement	Summary
	Section 14(B)(2)	owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with any business that competes with us and is involved in the licensing or franchising, or establishing of joint ventures for the operation, of any Competing Business For a period of two (2) years after the termination/expiration/transfer of your Franchise Agreement, neither you, your principals, guarantors, owners, Designated Managers, nor any immediate family member of you, your principals, guarantors, owners, Designated Managers, may own, operate or otherwise be involved with and Competing Business (i) at the Premises, (ii) within your Designated Territory, or (iii) within a 10-mile radius of your Designated Territory or any other SWEETWATERS Cafe in existence as of the date of expiration/termination of this Agreement through the date of your contemplated competitive activity During this two-year period, these parties are also prohibited from (i) soliciting business from customers of your former Franchised Business, (ii) contacting any of our suppliers/vendors for a competitive business purpose, or (iii) soliciting any employees of us, our affiliates or any other System franchisee to discontinue their employment
s Modification of the agreement	Section 18(D)	Your Franchise Agreement may not be modified, except by a writing signed by both parties. With that said, we may modify the System and Manuals as we deem appropriate in our discretion from time to time.
t Integration/merger clause	Sections 18 and 22	Only the terms of the Franchise Agreement and this Disclosure Document are binding (subject to state law). Any representations or promises outside of the Disclosure Document and Franchise Agreement may not be enforceable. Nothing in the Franchise Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document.

Provision	Section in Franchise or Other Agreement	Summary
u Dispute resolution by arbitration or mediation	Section 21(B) Section 21(C)	You must first submit all dispute and controversies arising under the Franchise Agreement to our management and make every effort to resolve the dispute internally At our option, all claims or disputes arising out of the Franchise Agreement must be submitted to non-binding mediation, which will take place at our then-current headquarters. You must notify us of any potential disputes and we will provide you with notice as to whether we wish to mediate the matter or not. If the matter is mediated, the parties will split the mediator's fees and bear all of their other respective costs of the mediation.
v Choice of forum	Section 21(D) and 21(E)	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to our then-current headquarters or, if appropriate, the United States District Court for the Eastern District of Michigan (subject to state law).
w Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Michigan, without reference to this state's conflict of laws principles (subject to state law).

B Development Agreement

Provision	Section in Development Agreement	Summary
a Length of the franchise term	Section 6.1	The term begins upon execution and ends on the earlier of (a) the date you actually open the last Cafe you are required to open under your Development Schedule, and (b) the expiration of your Development Schedule.
b Renewal or extension of the term	Not Applicable	Not Applicable
c Requirement for franchisee to renew or extend	Not Applicable	Not Applicable
d Termination by franchisee	Not Applicable	Not Applicable

Provision	Section in Development Agreement	Summary
e Termination by franchisor without cause	Not Applicable	Not Applicable
f Termination by franchisor with cause	Section 6 2	We may terminate your Development Agreement with cause as described in (g)-(h) of this Item 17 Chart
g "Cause" defined – curable defaults	Section 6 2	We may terminate the Development Agreement if you fail to (1) meet your development obligations under the Development Agreement during the Development Period (including any monetary default), and (2) cure such default within 30 days of receiving notice thereof
h "Cause" defined – non-curable defaults	Section 6 2	We may terminate the Development Agreement if (i) you cease to actively engage in development activities in the Site Selection Area or otherwise abandon your development business for three consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Cafes within the Site Selection Area, (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by you, or by others against the you, under any insolvency, bankruptcy or reorganization act, or if you make an assignment for the benefit of creditors or a receiver is appointed by you, and (iii) any Franchise Agreement that is entered into in order to fulfill your development obligations under the Development Agreement is terminated or subject to termination by us, pursuant to the terms of that Franchise Agreement
i Franchisee's obligations on termination/nonrenewal	Not Applicable	Not Applicable
j Assignment of contract by franchisor	Section 8	We have the right to transfer or assign the Development Agreement and all or any part of our rights, duties or obligations to any person or legal entity without your consent
k "Transfer" by franchisee – defined	Section 8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement
l Franchisor approval of transfer by franchisee	Section 8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent
m Conditions for franchisor approval of transfer	Not Applicable	Not Applicable

Provision	Section in Development Agreement	Summary
n Franchisor's right of first refusal to acquire franchisee's business	Not Applicable	Not Applicable
o Franchisor's option to purchase franchisee's business	Not Applicable	Not Applicable
p Death or disability of franchisee	Not Applicable	Not Applicable
q Noncompetition covenants during the term of the franchise	Not Applicable	Nothing additional Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement
r Noncompetition covenants after the franchise is terminated or expires	Not Applicable	Nothing additional Please see non-competition covenants set forth in your Franchise Agreement(s) entered into under the Development Agreement
s Modification of the agreement	Section 27	Your Development Agreement may not be modified, except by a writing signed by both parties
t Integration/merger clause	Section 27	Only the terms of the Development Agreement (and ancillary agreements) and this Disclosure Document are binding (subject to state law) Any representations or promises outside of the Disclosure Document and this Agreement may not be enforceable Nothing in this Agreement or any related agreement is intended to disclaim the representations made in this Disclosure Document
u Dispute resolution by arbitration or mediation	Sections 12 and 13	You must bring all disputes before our management prior to bringing a claim before a third party At our option, all claims or disputes between you and us must be submitted first to non-binding mediation in in the city nearest to our principal place of business in the United States, as determined by us in our sole discretion, in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect and if mediation is not successful, then by litigation

Provision	Section in Development Agreement	Summary
v Choice of forum	Section 15	Except for our right to seek injunctive relief in any court of competent jurisdiction, all claims and causes of action arising out of the Development Agreement must be initiated and litigated to conclusion (unless settled) in the state court of general jurisdiction that is closest to Ann Arbor, Michigan or, if appropriate, the USDC for the Eastern District of Michigan (subject to state law)
w Choice of law	Section 11	The Development Agreement is governed by the laws of the state of Michigan without reference to this state's conflict of laws principles (subject to state law), except that any disputes or actions involving any non-competition covenants set forth in any Franchise Agreement, including the interpretation and enforcement thereof, must be governed by the law of the state where the Cafe is located

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 performance of a particular location or under particular circumstances.

As of the end of our most recent fiscal year, we had five (5) Cafes in operation, four (4) of which were open and operating for at least two (2) full calendar years as of January 1, 2015. Of the five Cafes, two (2) were affiliated-owned and two (3) of were franchised. All of which are disclosed below in this Item 19 (collectively, the "Representative Cafes")

Written substantiation of all financial performance information presented in this financial performance representation will be made available to you at our headquarters upon reasonable request.

The financial performance representation presented in this Item 19 was prepared without an audit. No certified public accountant has audited these figures or expressed his/her opinion with regard to their contents or form for purposes of this Item.

Some outlets have sold the amounts set forth in this Item. There is no assurance that you will do as well. If you rely on our figures, you must accept the risk of not doing as well. Your individual results may differ.

You should conduct an independent investigation of the costs and expenses you will incur in operating your Café. Franchisees or former franchisees, listed in the Disclosure Document, may be one source of this information.

CHART DETAILING THE NET SALES, COSTS OF SALES, GROSS PROFIT, OCCUPANCY COST AND SELECT VARIABLE OPERATING COSTS OF EACH REPRESENTATIVE CAFÉ¹⁰ FOR 2015 CALENDAR YEAR

SALES	Franchised Cafe No. 1	Franchised Cafe No. 2	Affiliate Cafe No. 3	Affiliate Cafe No. 4	Franchised Cafe No. 5	5 Store Avg
FOOD	\$ 79,455	\$ 185,702	\$ 168,051	\$ 267,327	\$ 130,781	\$ 166,263
BEVERAGE	\$ 235,012	\$ 443,636	\$ 357,805	\$ 567,439	\$ 380,004	\$ 396,779
RETAIL	\$ 8,123	\$ 17,714	\$ 17,322	\$ 29,953	\$ 49,441	\$ 24,511
SALES DISCOUNT	\$ (3,001)	\$ (11,515)	\$ (1,863)	\$ (2,777)	\$ (2,923)	\$ (4,416)
NET SALES¹	\$ 319,589	\$ 635,539	\$ 541,315	\$ 861,941	\$ 557,303	\$ 583,137
COST OF SALES						
FOOD	\$ 41,044	\$ 81,893	\$ 79,332	\$ 122,208	\$ 73,946	\$ 79,685
BEVERAGE	\$ 47,305	\$ 102,735	\$ 74,483	\$ 102,905	\$ 65,904	\$ 78,666
RETAIL	\$ 3,840	\$ 9,697	\$ 9,246	\$ 8,921	\$ 2,927	\$ 6,926
TOTAL COST OF SALES²	\$ 92,188	\$ 194,326	\$ 163,062	\$ 234,033	\$ 142,777	\$ 165,277
GROSS MARGIN³	\$ 227,401	\$ 441,213	\$ 378,253	\$ 627,908	\$ 414,526	\$ 417,860
Total Labor ³	\$ 102,106	\$ 169,116	\$ 122,322	\$ 171,242	\$ 145,386	\$ 144,434
PRIME PROFIT⁶	\$ 125,295	\$ 272,097	\$ 255,931	\$ 456,666	\$ 269,140	\$ 273,426
Prime Profit Percentage ⁷	39%	43%	47%	53%	48%	47%
Royalty ⁵	\$ 19,175	\$ 38,132	\$ 32,479	\$ 51,716	\$ 33,438	\$ 34,988
Rent ⁹	\$ 28,600	\$ 66,844	\$ 60,500	\$ 67,319	\$ 109,931	\$ 72,863
Operating Expense	\$ 56,094	\$ 64,610	\$ 107,382	\$ 111,704	\$ 117,422	\$ 91,442
OPERATING PROFIT¹⁰	\$ 21,426	\$ 102,510	\$ 55,570	\$ 225,927	\$ 8,349	\$ 74,133

Explanatory Notes

- 1 *Total Net Sales* For each Representative Café, the term “Total Net Sales” means all revenue derived from or through the Franchised Business over the Measurement Period, including all revenue generated from the sale of Approved Products at that Café. The term Total Net Sales does not include any sales tax or other amounts that are collected by a given Representative Café to be remitted to the appropriate taxing authority.
- 2 *Total Cost of Sales* For each Representative Café, the term “Total Cost of Sales” means the total amount reported to us by that Café owner as the amount incurred over the Measurement Period in direct costs related to the sale of Approved Products at that Café, including the cost of (a) the food and beverage ingredients/items necessary to make the Approved Products, and (b) any retail items that the Café owner purchased for direct resale at that Café (excluding the cost of paper supplies, which are captured under “Operating Expenses”).

- 3 *Total Labor* For each Representative Cafe, the term “Total Labor” means the total amount reported to us by that Cafe owner as the amount incurred over the Measurement Period in connection with (i) payroll for employees and/or other personnel of that Cafe (without accounting for any salary, draw or other compensation to the Cafe owner), (ii) payroll taxes, (iii) premiums to obtain insurance coverage for worker’s compensation, and (iv) any related overhead/administrative costs associated with the payroll described above
- 4 *Gross Margin* For each Representative Cafe, the term “Gross Margin” is calculated by taking the Total Net Sales of that Cafe over the Measurement Period and deducting the Total Cost of Sales incurred by that Cafe over the Measurement Period
- 5 *Estimated Royalty* For each Franchised Cafe listed in the Table above, the term “Estimated Royalty” refers to the actual royalty fees that each Franchised Center reported as paying to us over the Measurement Period For each Affiliate Cafe and Franchised Cafe, the term “Estimated Royalty” was estimated based on what these Cafes would have paid to us over the Measurement Period if they had the same required royalty amounting to six percent (6%) of Net Sales over the Measurement Period that is set forth in our current form of Franchise Agreement

Please note that the two (2) Affiliate Cafes did not actually pay us any Royalty Fee over the Measurement Period, and that (i) Franchised Cafe No 1 reported paying actual royalties amounting to \$45,580 (or 7.2% of its Net Sales) over the Measurement Period, and (ii) Franchised Cafe No 2 reported paying actual royalties amounting to \$28,749 (or 5.3% of its Net Sales) over the Measurement Period Please be advised that the estimated amounts in the Chart above are not intended to be a projection of any kind, but are instead being disclosed to help ensure that franchisee prospects can discern how much of a Royalty would be paid by each of the Representative Cafes if they were governed by our current form of Franchise Agreement

- 6 *Prime Profit* For each Franchised Cafe listed in the Table above, the term “Prime Profit” refers to the Net Sales and subtracting the Total Cost of Sales and the Total Labor costs of the applicable representative Cafe
- 7 *Prime Profit Percentage* The percentage disclosed is calculated by taking the Prime Profit figure in the Chart and dividing that figure by the Total Net Sales of the applicable Representative Cafe
- 8 *Representative Cafes and Substantially Similar Operations* The Representative Cafes referenced above offer the same products that a Franchised Business will typically offer and these Cafes otherwise are substantially similar to the Franchised Business offered under this Disclosure Document
- 9 *Rent for Franchised Cafe No 2* The figure provided for Franchised Cafe No 2 is an estimate based on the current market conditions for the area It was calculated by multiplying the Cafe size (2,200 sq ft) by the market value (\$27.50 per sq ft) An estimate was provided as a result the landlord being the franchisee of Franchised Cafe No 2
- 10 *Opening Costs and Certain Ongoing Operating Expenses Not Included* The Chart above does not include (i) the majority of the costs and expenses that a new franchisee will likely incur in connection with its construction, development and initial opening of a Franchised Business because the Representative Cafes were all open and operating as of the commencement of the Measurement Period, and (ii) certain of the ongoing costs and expenses that were incurred by the Representative Cafes over the Measurement Period such as interest, taxes, depreciation and amortization

General Notes to this Item 19

- 1 Your results may vary upon the location of your Cafe. Your results may also vary because you will be establishing and operating a start-up business.
- 2 The analysis above in this Item may not contain complete information concerning the operating costs and expenses that you will incur in operating your Cafe. Operating costs and expenses may vary substantially from business to business. We strongly recommend that you consult with your business advisors to determine the operating expenses you will incur in connection with opening and commencing operation of your Cafe, including the types of initial start-up costs that are disclosed in Item 7 of this Disclosure Document.
- 3 The figures provided in this Item exclude certain tax liabilities for which you will be responsible.
- 4 The figures disclosed in this Item may not include all the professional fees or other administrative expenses that you might incur in connection with opening and commencing operations of your Cafe, including legal and accounting fees.
- 5 Interest expense, interest income, depreciation, amortization and other income or expenses will vary substantially from business to business, depending on the amount and kind of financing you obtain to establish your Cafe. You should consult with your tax advisor regarding depreciation and amortization schedules and the period over which assets of your Cafe may be amortized or depreciated, as well as the effect, if any, of any recent or proposed tax legislation. Please note that the figures set forth in this Item 19 do not involve any depreciation or amortization.
- 6 Expenses and costs, as well as the actual accounting and operational methods employed by a franchisee, may significantly impact profits realized in any particular operation. Actual results will vary from Cafe to Cafe, and we cannot estimate the results of a particular Cafe. The revenues and expenses of your business will be directly affected by many factors, such as (a) your Designated Territory's geographic location and population demographics, (b) advertising effectiveness based on market saturation, (c) whether you operate the business personally or hire a third party to serve as your Designated Manager, (d) your product and service pricing, (e) vendor prices on materials, supplies and inventory, (f) personnel salaries and benefits (life and health insurance, etc.), (g) insurance costs, (h) weather conditions, (i) ability to generate customers, (j) customer loyalty, (k) employment conditions in the market, (l) the efforts you and your personnel put into your Cafe, (m) local and regional economic and regulatory conditions, (n) population density, and (o) the number of Sweetwaters Cafés near your Designated Territory.
- 7 We suggest strongly that you consult your financial advisor or personal accountant concerning financial projections and federal, state and local income taxes and any other applicable taxes that you may incur in operating a Cafe.

Other than the preceding financial performance representation, we do 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 the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Lisa Bee, Sweetwaters Group LLC, 123 W. Washington Street, Ann Arbor, Michigan 48104, (734) 769-2331, the Federal Trade Commission, and the appropriate state regulatory agencies.

Item 20
Outlets and Franchisee Information

Table No 1
Systemwide Outlet Summary
For years 2013 to 2015

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2013	2	2	0
	2014	2	3	+1
	2015	3	3	0
Company-Owned	2013	1	2	+1
	2014	2	2	0
	2015	2	2	0
Total Outlets	2013	3	4	+1
	2014	4	5	+1
	2015	5	5	0

Table No 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For years 2013 to 2015

State	Year	Number of Transfers
Total	2013	0
	2014	0
	2015	0

Table No 3
Status of Franchised Outlets
For years 2013 to 2015

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Re-acquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of the Year
Michigan	2013	2	0	0	0	0	0	2
	2014	2	1	0	0	0	0	3
	2015	3	0	0	0	0	0	3
Totals	2013	2	0	0	0	0	0	2
	2014	2	1	0	0	0	0	3
	2015	3	0	0	0	0	0	3

Table No 4
Status of Company-Owned Outlets
For years 2013 to 2015

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired From Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
Michigan	2013	1	1	0	0	0	2
	2014	2	0	0	0	0	2
	2015	2	0	0	0	0	2
Totals	2013	1	1	0	0	0	2
	2014	2	0	0	0	0	2
	2015	2	0	0	0	0	2

Table No 5
Projected Openings as of December 31, 2015

State	Franchise Agreements Signed But Store Not Opened	Projected New Franchised Stores In The Next Fiscal Year	Projected New Company-Owned Stores In The Next Fiscal Year
Michigan	1	1	1
Total	1	1	1

The names of all franchisees and the addresses and telephone numbers of their Cafes is attached as Exhibit D. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system.

There are no franchisees who had a franchise agreement terminated, canceled, or not renewed, or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement, during the most recently completed fiscal year or who had not communicated with us within ten (10) weeks of this Disclosure Document's issue date.

Franchisees did not sign confidentiality clauses during the last three (3) fiscal years restricting their ability to speak openly about their experience with the SWEETWATERS franchise system.

There are no trademark-specific franchisee organizations associated with the SWEETWATERS franchise system.

Item 21 Financial Statements

Our audited financial statements for the fiscal years ending December 31, 2015 and December 31, 2014 and December 31, 2013 are attached to this Disclosure Document as Exhibit A. Exhibit A also includes our (a) unaudited balance sheet as of April 30, 2016, and (b) unaudited profit and loss statement for the period beginning January 1, 2016 and ending April 30, 2016. Our fiscal year end is December 31st.

Item 22 Contracts

The following agreements are attached as Exhibits to this Franchise Disclosure Document:

Franchise Agreement (and Exhibits)	Exhibit B
Development Agreement (and Exhibits)	Exhibit C
State Specific Addenda	Exhibit G
Sample Release Agreement	Exhibit I
Franchisee Questionnaire/Compliance Certification	Exhibit J

Item 23 Receipts

Exhibit K to this Franchise Disclosure Document contains a detachable document, in duplicate, acknowledging receipt of this Franchise Disclosure Document by a prospective franchisee. You should sign both copies of the Receipt. You should retain one signed copy for your records and return the other signed copy to us at Sweetwaters Group, LLC c/o Franworth, 106 E. Liberty Street, #310, Ann Arbor, Michigan 48104 or (734) 619-0919.

EXHIBIT A
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

FINANCIAL STATEMENTS

EXHIBIT B
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISE AGREEMENT

SWEETWATERS GROUP, LLC
FRANCHISE AGREEMENT

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Exhibit F	Conditional Assignment of Telephone/Facsimile Numbers and Domain Names
Exhibit G	Conditional Assignment of Point of Sale System

**SWEETWATERS GROUP LLC
FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (the "Agreement") is made and entered into on this ____ day of _____, 20__ ("Effective Date,") by and between (i) Sweetwaters Group LLC, a Michigan limited liability company with its principal place of business at 123 W Washington Street, Ann Arbor, Michigan 48104 (the "Franchisor"), and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the "Franchisee")

RECITATIONS

A Franchisor and its affiliate/principals, as a result of the expenditure of time, skill, effort, and money, have developed and own a unique system (the "System") related to the establishment, development, opening, and operation of a business that provides gourmet coffee and tea as well as retail products (collectively, the "Approved Products"), in a cafe environment (each, a "Cafe")

B Franchisor's System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation proprietary methodology and procedures for the establishment and operation of a Café, site selection guidance and criteria, specifications for the design, layout and construction of the interior of the Cafe, standards and specifications for the furniture, fixtures and equipment located within a Cafe, established relationships with approved or designated suppliers for certain products and services, and standards and specifications for advertising, bookkeeping, sales and other aspects of operating a Cafe. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Franchisee hereby acknowledges and agrees that (i) while the System and Franchisor's related materials contain information that, in isolated form, could be construed as being in the public domain, they also contain significant proprietary and confidential information which makes the System unique as a whole, and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals that are proprietary and confidential.

C The System and Cafes are primarily identified by the mark SWEETWATERS, as well as certain other trade names, trademarks, service marks and trade dress, all of which we may modify, update, supplement or substitute in the future (collectively, the "Proprietary Marks"). The parties agree and acknowledge that we have established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D Franchisor is in the business of granting qualified individuals and entities a franchise for the right to independently own and operate a single Cafe utilizing the Proprietary Marks and System at a location that Franchisor approves in writing.

E Franchisee recognizes the benefits derived from being identified with Franchisor, appreciates and acknowledges the distinctive and valuable significance to the public of the System and the Proprietary Marks, and understands and acknowledges the importance of Franchisor's high and uniform standards of quality, appearance, and service to the value of the System.

F Franchisee desires to acquire a non-exclusive franchise for the right to operate a single SWEETWATERS Cafe from an approved location, and has submitted an application to obtain such a franchise from Franchisor.

G Franchisor is willing to grant Franchisee the right to operate a Cafe based on the representations contained in the franchise application and subject to the terms and conditions set forth in this Agreement

AGREEMENT

NOW THEREFORE, in consideration of the foregoing recitals and other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows

1 PREAMBLES, ACKNOWLEDGEMENTS AND REPRESENTATIONS OF FRANCHISEE

- A Franchisee acknowledges and represents that Franchisor, itself or through any officer, director, employee, or agent, has not made, and Franchisee has not received or relied upon, any oral, written, visual, express, or implied information, representations, warranties, guarantees, or promises regarding the amount of sales levels or income Franchisee might expect to earn from the franchise granted hereby, except as set forth in the Franchise Disclosure Document
- B The business venture contemplated by this Agreement involves business risks
- C Franchisee's success will be largely dependent upon Franchisee's ability as an independent businessperson
- D Franchisee has received, read, and does understand this Agreement and any attachments
- E Franchisee understands and agrees that the day gourmet coffee and tea industry is highly competitive with constantly changing market conditions
- F Franchisee acknowledges and agrees that Franchisor has fully and adequately explained each provision of this Agreement to Franchisee's satisfaction
- G Franchisee has consulted with Franchisee's own advisors with respect to the legal, financial, and other aspects of this Agreement, the business franchised hereby, and the prospects for such business Franchisee either has consulted with such advisors or has deliberately declined to do so
- H Any written inquiries made to Franchisor by Franchisee pertaining to the nature of this franchise were answered in writing to the satisfaction of Franchisee
- I Franchisee has had the opportunity and adequate time to independently investigate, analyze, and construe both the franchise being offered hereunder and the terms and provisions of this Agreement utilizing the services of legal counsel, accountants, and other advisors (if Franchisee so elects)
- J Any and all applications, financial statements, and representations submitted to Franchisor by Franchisee, whether oral or in writing, were complete and accurate when submitted and are complete and accurate as of the date of execution of this Agreement unless the same has been otherwise amended in writing Franchisee states that he/she is not presently

involved in any business activity that could be considered competitive in nature, unless heretofore disclosed to Franchisor in writing

- K Franchisee agrees not to contest, directly or indirectly, Franchisor's ownership, title, right, or interest in its names or Proprietary Marks, trade secrets, methods, procedures, know-how, or advertising techniques which are part of Franchisor's business, or contest Franchisor's sole right to register, use, or license others to use such names or Proprietary Marks, trade secrets, methods, procedures, or techniques
- L Franchisee's signature to this Agreement has not been induced by any representation inconsistent with the terms of this Agreement or inconsistent with the Franchise Disclosure Document given to Franchisee by Franchisor
- M Franchisee represents and warrants that Franchisee is not a party to or subject to any order or decree of any court or government agency which would limit or interfere in any way with the performance by Franchisee of the obligations under this Agreement and that Franchisee is not a party, and has not within the last ten (10) years been a party, to any litigation, bankruptcy, or legal proceedings other than those heretofore disclosed to Franchisor in writing
- N Franchisee agrees and acknowledges that it is solely responsible for ensuring that (i) it acquires and maintains all business licenses, permits and approvals, including those that are specifically required to offer and provide gourmet tea and coffee, and concerning the preparation of food and sanitary conditions and disclosure of nutritional information, that are necessary to operate the Franchised Business at the Premises (defined below) and within the Designated Territory (defined below), and (ii) the Franchised Business is otherwise operated in full compliance with all federal, state and local laws and regulations where the Franchisee is located
- O Franchisee agrees and acknowledges that (i) Franchisor may enter into franchise agreements with other franchisees that may contain provisions, conditions, and obligations that differ from those contained in this Agreement, including without limitation, franchise agreements for the operation of a SWEETWATERS Cafe, and (ii) the existence of different forms of agreement and the fact that Franchisor and other franchisees may have different rights and obligations does not affect the parties' duty to comply with the terms of this Agreement

2 GRANT OF FRANCHISE

- A **Grant of Franchise** Franchisor hereby grants Franchisee, subject to the terms, conditions, and obligations of this Agreement, a non-exclusive right and license to use the Proprietary Marks and receive the other benefits of the System in connection with the establishment and operation of a single SWEETWATERS Cafe (the "Franchised Business")
- B **Approved Premises, Site Selection Area** The Franchised Business must be operated from a single location that Franchisor reviews and approves (the "Premises") If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general site selection area (the "Site Selection Area") on the data sheet attached to this Agreement as Exhibit A (the "Data Sheet") wherein Franchisee must locate and secure the Premises as detailed more fully in Section 6(A) of this Agreement Franchisee acknowledges and agrees that (i) it does not have any territorial rights within the Site

Selection Area, (ii) Franchisor may permit other new franchisees to search for the location of their franchised Cafe within the same Site Selection Area that is assigned to Franchisee under this Agreement if Franchisor determines in its discretion that the Site Selection Area is large enough to contain additional franchises, and (iii) potential locations for each franchised Cafe, and resulting Designated Territories (as defined below), within the Site Selection Area will be reviewed and rejected/granted on a first-to-propose basis

- C **Relocation of Premises** Once the Franchisor approves the Premises of the Franchised Business, the location will be set forth in the Data Sheet. Franchisee may only use the Premises to operate the Franchised Business. Franchisee may not relocate the Franchised Business to any location other than the Premises without Franchisor's prior written consent, which Franchisor will not unreasonably withhold, provided (i) Franchisee secures an alternate location for the Franchised Business within the Designated Territory (as defined below) that meets Franchisor's then-current site selection criteria for the premises of a SWEETWATERS Cafe, and (ii) Franchisee pays Franchisor a relocation fee amounting to Two Thousand Dollars (\$2,000) prior to Franchisor's approval of the relocation.
- D **Designated Territory** Upon locating and securing a Premises, Franchisor will designate a geographical area surrounding the Premises wherein Franchisor will not open or operate, or license a third party the right to open or operate, another SWEETWATERS Cafe utilizing the System and Proprietary Marks (the "Designated Territory"), for so long as Franchisee is in compliance with this Agreement. The boundaries of the Designated Territory, once determined by Franchisor, will be described in the Data Sheet. Franchisee acknowledges that it does not have any other territorial rights within the Designated Territory.
- 1 Franchisee may not solicit prospective customers outside of the Designated Territory, unless (a) these prospective customers do not reside within the territory granted to another franchisee or other SWEETWATERS Cafe location, and (b) Franchisee obtains Franchisor's prior written consent.
 - 2 Franchisee may not actively advertise the Franchised Business outside of the Designated Territory, unless (a) the area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and is not granted to another franchisee or other SWEETWATERS Cafe location, and (b) Franchisee obtains Franchisor's prior written consent.
- E **Rights Not Granted** Franchisee acknowledges and agrees that this Agreement does not afford Franchisee any rights or options to open any additional Cafes and that Franchisee does not have any right to sub-license or sub-franchise any of the rights granted hereunder. Franchisee may not use the Proprietary Marks or System for any purpose other than promoting and operating the Franchised Business at the Premises and within the Designated Territory. Franchisor will have sole discretion as to whether it decides to grant Franchisee the right to open any additional Cafes, each of which will be governed by a separate form of Franchisor's then-current franchise agreement.
- F **Reservation of Rights** Notwithstanding anything contained in this Agreement, Franchisor and its affiliates hereby reserve the exclusive right to (i) open and operate, and license third parties the right to open or operate, other Cafes utilizing the Proprietary Marks and System outside the Designated Territory, (ii) market, offer and sell products and services similar to those offered by the Franchised Business and other Cafes (such as coffee, tea,

and/or private label products that Franchisor may develop) through alternate channels of distribution, including without limitation, via the Internet and other e-commerce channels, catalog sales, grocery stores, direct mail or wholesale, at any location, (iii) acquire, or be acquired by, any company, including a company operating one or more businesses offering products or services similar to those offered by a Cafe, located within or outside your Designated Territory, and subsequently operate (or license a third party the right to operate) these locations, (iv) open and operate, or license third parties the right to open or operate, businesses that offer products and services similar to the Franchised Business under marks other than the Proprietary Marks at any location, and (v) use, and license others the right to use, the Proprietary Marks and System to engage in any other activity not expressly prohibited by this Agreement

- G **Modification of System** Franchisor reserves the right to supplement, revise or otherwise modify the System or any aspect/component thereof, and Franchisee agrees to promptly accept and comply with any such addition, subtraction, revision, modification or change and make such reasonable expenditures as may be necessary to comply with any change that Franchisor makes to the System. Any change or modification that Franchisor makes to the System will not materially alter Franchisee's fundamental rights under this Agreement. Moreover, Franchisor will provide Franchisee with a reasonable amount of time to comply with any change or modification to the System once Franchisee has been notified of such change/modification in writing (via the Operations Manual or otherwise)

3 **TERM AND RENEWAL**

- A **Term** Unless previously terminated pursuant to this Agreement, the term of this Agreement shall be for a period of ten (10) years ("Initial Term") commencing as of the Effective Date
- B **Renewal** Franchisee may submit a request to renew this Agreement for up to two (2) additional, consecutive terms of ten (10) years each, and must provide each request to renew no less than six (6) months and no more than twelve (12) months prior to the end of the then-current term. Failure to provide such notice to Franchisor will be deemed an indication that Franchisee does not wish to renew the franchise relationship. Franchisor shall not unreasonably withhold its approval of such requests for renewal, provided Franchisee complies with the following conditions:
- 1 Franchisee must not have (i) any uncured material defaults under this Agreement (including any monetary defaults) or any other agreement between Franchisee and Franchisor or the landlord of the Premises, either at time of Franchisee's renewal request or at the time of renewal, and (ii) received more than three (3) separate, written notices of material default from Franchisor with respect to this Agreement in the 12-month period preceding the renewal request date or renewal date
 - 2 Franchisee must execute Franchisor's then-current form of franchise agreement, which may contain materially different terms and conditions from those contained in this Agreement, within thirty (30) days of the date Franchisee is provided with Franchisor's then-current form of franchise agreement
 - 3 Franchisee pays Franchisor a renewal fee amounting to \$10,000 at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be

required to pay an additional Initial Franchisee Fee (as defined in Section 4) upon renewal

- 4 Franchisee and/or the Designated Manager (as defined in this Agreement and as applicable) attends a prescribed training refresher course at least thirty (30) days before the expiration of the then-current term of this Agreement, and pays a refresher training tuition fee amounting to \$300 per day per trainer. Franchisee will also be responsible for all expenses incurred in connection with attending this refresher training
- 5 Franchisee executes a general release under seal, in a form satisfactory to Franchisor, of any and all claims it may have against Franchisor and its officers, directors, shareholders, and employees in their corporate and individual capacities, including without limitation, all claims arising under any federal, state, or local law, rule, or ordinance
- 6 Franchisee must have participated in and supported the training procedures, purchasing, marketing, advertising, promotional, and other operational and training programs recommended or provided by Franchisor to the satisfaction of Franchisor
- 7 Franchisee or transferee agrees, at its sole cost and expense, to re-image, renovate, refurbish, and modernize the Premises and Cafe within the time frame required by Franchisor, including the design, equipment, signs, interior and exterior decor items, displays, inventory assortment and depth, fixtures, furnishings, trade dress, color scheme, presentation of trademarks and service marks, supplies, and other products and materials, as necessary to meet Franchisor's then-current System standards, specifications, and design criteria for a newly opened SWEETWATERS Cafe

4 FEES AND PAYMENTS

A **Fees** In consideration of the rights and license granted herein, Franchisee shall pay the following amounts

- 1 Upon execution of this Agreement, Franchisee must pay Franchisor an initial franchise fee of Forty-Nine Thousand Five Hundred Dollars (\$49,500.00) (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment
- 2 Upon execution of this Agreement, Franchisee must pay Franchisor an initial training fee of Five Thousand Dollars (\$5,000.00) (the "Initial Training Fee"), which will cover the tuition associated with Franchisee and two (2) other individuals attending Franchisor's proprietary initial training program. The Initial Training Fee shall be deemed fully earned and non-refundable under any circumstances upon payment
- 3 Before opening the Franchised Business, Franchisee must purchase from Franchisor or its affiliates your required opening inventory of branded products (including tea packaging, mugs, apparel, packaged items, labels, brochures,

operational forms, and proprietary products) and other required in-store product signage (the "Initial Inventory Fee")

- 4 On or before the Thursday (or other day Franchisor designates) of each week the Franchised Business is open and operating (and/or required to be open and operating under this Agreement), Franchisee must pay Franchisor an ongoing royalty fee amounting to six percent (6%) of the Gross Sales (as defined in Section 4(D)) generated by the Franchised Business in the preceding week (the "Royalty Fee") beginning Sunday when the Franchised Business opens and ending Saturday when the Franchised Business closes (the "Business Week")
- 5 In the event Franchisor establishes a System-wide marketing fund (the "Fund"), Franchisor may require Franchisee to make a weekly contribution to this Fund on or before Tuesday of each week amounting to up to two percent (2%) of the Gross Sales (as defined in this Section 4(D)) generated by the Franchised Business in the preceding Business Week
- 6 On or before the 5th of each month after opening, Franchisee is required to pay Franchisor's then-current technology fee (the "Technology Fee") are open as consideration for (a) email hosting, (b) web-hosting, and (c) other website-related services
- 7 In connection with the required computer software to be used in connection with the point-of-sale system at the Cafe (the "POS System"), Franchisee is required to pay the then-current fee charged by third party providers for the POS System (the "POS Fee") If Franchisee requests additional support, Franchisee may be required to pay the Approved Supplier's then-current support fee
- 8 In connection with the Grand Opening Advertising Requirement, as described in Section 9(C) of this Agreement, Franchisee must, prior to opening the Cafe, expend the Grand Opening Package, as described in Section 9(C) of this Agreement
- 9 All other training/tuition fees, evaluation fees, as well as all amounts necessary to purchase marketing materials, inventory or other supplies from Franchisor or its affiliates must be paid on an ongoing basis, as described more fully in this Agreement

B Method of Payment With the exception of the Initial Franchise Fee, Franchisee shall pay all fees and other amounts due to Franchisor and/or its affiliates under this Agreement through an electronic funds transfer program (the "EFT Program"), under which Franchisor automatically deducts all payments owed to Franchisor under this Agreement, or any other agreement between Franchisee and Franchisor or its affiliates, from the bank account Franchisee provides to Franchisor for use in connection with EFT Program (the "EFT Account") Franchisee shall immediately deposit all revenues from operation of the Franchised Business into this bank account immediately upon receipt, including cash, checks, and credit card receipts At least ten (10) days prior to opening the Franchised Business, Franchisee shall provide Franchisor with (i) Franchisee's bank name, address and account number, and (ii) a voided check from such bank account Contemporaneous with the execution of this Agreement, Franchisee shall sign and provide to Franchisor and Franchisee's bank, all documents, including Franchisor's form of EFT Authorization Form attached as Exhibit D to this Agreement, necessary to effectuate the EFT Program and

Franchisor's ability to withdraw funds from such bank account via electronic funds transfer Franchisee shall immediately notify Franchisor of any change in Franchisee's banking relationship, including any change to the EFT Account

- C **Access to Computer System** Franchisor may, without notice to Franchisee, have the right to independently and remotely access and view Franchisee's computer system used in connection with the Franchised Business (the "Computer System") via the Internet, other electronic means or by visiting the Cafe, in order to obtain Gross Sales and other available information that Franchisor reasonably requests about the Franchised Business Franchisee hereby consents to Franchisor using and disclosing to third parties (including, without limitation, prospective franchisees, financial institutions, legal and financial advisors), for any purpose or as may be required by law, any financial or other information contained in or resulting from information, data, materials, statements and reports received by Franchisor or disclosed to Franchisor in accordance with this Agreement Franchisee must obtain and use the Computer System hardware, software and other components that Franchisor prescribed for use in connection with the Franchised Business, and utilize and participate in any intranet/extranet that Franchisor establishes in connection with the System Franchisor may require Franchisee to use a Computer System and/or related software that is administered through Franchisor and that provides Franchisor with automatic access to all data and reports that might be created by such Computer System and/or software
- D **Gross Sales** "Gross Sales" means the total revenue generated by the Franchised Business, including all revenue generated from the sale and provision of any and all gift cards and other Approved Products at or through your Franchised Business and all proceeds from any business interruption insurance related to the non-operation of your Franchised Business, whether such revenues are evidenced by cash, check, credit, charge, account, barter or exchange "Gross Sales" does not include (a) any sales tax and equivalent taxes that are collected by Franchisee for or on behalf of any governmental taxing authority and paid thereto, or (b) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by Franchisee in full or partial satisfaction of the price of the Approved Products offered in connection with the Franchised Business
- E **Gross Sales Reports, Right to Modify Payment Interval** On or before Monday of each week, Franchisee must send Franchisor a signed Gross Sales report (a "Gross Sales Report") detailing the following information (i) Gross Sales of the Franchised Business from the preceding Business Week, (ii) Franchisee's calculated Royalty Fee and Fund Contribution (if appropriate) based on the Gross Sales from the preceding Business Week, and (iii) any other information Franchisor may require for that reporting period Franchisor may, as it deems necessary in its sole discretion, change the form and content of the Gross Sales Reports from time to time
- 1 The parties agree and acknowledge that Franchisor may require Franchisee to use a Computer System and/or software in connection with the Franchised Business that provides Franchisor with automatic access to Gross Sales Reports and any other data/reports generated by such Computer System and/or software, but in no event shall such access by Franchisor affect Franchisee's obligation to provide all reports required under this Franchise Agreement unless Franchisor agrees otherwise in writing

- 2 The parties agree and acknowledge that Franchisor may modify the interval at which it collects Franchisee's Royalty Fee, Fund Contribution and other recurring fees under this Agreement upon written notice (i.e., Franchisor may provide Franchisee with notice that it will be collecting these fees on a monthly rather than weekly basis). In such event, Franchisee's reporting obligations may also be modified by Franchisor accordingly.

F **Late Payments** If any payment due under this Agreement is not received by Franchisor by the scheduled date due, Franchisee shall be in default under this Agreement. If any payment is overdue, Franchisee shall pay interest to the Franchisor, in addition to the overdue amount, at a rate of one and one-half percent (1.5%) per month, beginning from the date of non-payment or underpayment, until paid. Entitlement to collect such interest shall be in addition to any and all other remedies Franchisor may have. Franchisee agrees to pay Fifty Dollars (\$50.00) for each check given or electronic transfer made to Franchisor that is dishonored, fails to process, or is returned.

G **Taxes Owed by Franchisee** No payments to be made to Franchisor by Franchisee, whether for royalties, advertising, merchandise, special programs, or otherwise, may be reduced on account of the imposition by any federal, state, or local authority of any tax, charge, or assessment, or by any claim Franchisee may have against Franchisor. All taxes, charges, or assessments shall be paid by Franchisee to the taxing authorities when due, in addition to the amounts due to Franchisor.

H **Security Interest** Franchisee hereby grants to Franchisor a security interest in all of Franchisee's interests in the real estate where the franchise is located (if Franchisee purchases its Premises), as well as all improvements to that real estate. Franchisee further grants to Franchisor a security interest in all furniture, furnishings, equipment, fixtures, inventory, and supplies located at or used in connection with the Franchised Business, whether now or hereafter leased or acquired, together with all attachments, accessions, accessories, additions, substitutions, and replacements therefore, as well as all cash and non-cash proceeds derived from insurance, the disposition of any such collateral to secure payment and performance of all debts, liabilities, and obligations of any kind of Franchisee to Franchisor under this Agreement, whenever and however incurred, any promissory note given by Franchisee to Franchisor, or any other agreement between them. Franchisee hereby authorizes Franchisor to file and record all financing statements, financing statement amendments, continuation financing statements, fixture filings, and other documents necessary or desirable to evidence, perfect, and continue the priority of the security interests granted herein. Franchisee agrees and understands that it must promptly execute and deliver any such documents to Franchisor upon request.

- 1 Notwithstanding anything contained in Section 4(I) of the Franchise Agreement to the contrary, Franchisee does not grant Franchisor any security interest in any real property associated with the Franchised Business if such real property is being leased by the Franchisee.
- 2 The parties agree that Franchisor will not execute on any security interest granted to Franchisor under Section 4(I) of the Franchise Agreement unless Franchisee fails to cure a material default under the Franchise Agreement within the applicable time period for cure after Franchisor has provided Franchisee with proper notice of such default(s).

- I **Inability to Operate Franchised Business** If Franchisee is unable to operate the Franchised Business due to damage or loss to the Premises caused or created by a casualty, act of God, condemnation, or other condition over which Franchisee has no control, then Franchisor will waive the Royalty Fee due under this Agreement for a period of time that Franchisor reasonably determines is necessary for the Franchised Business to repair the damage/loss to the Premises and resume operations (or relocate the Franchised Business to a different approved location within the Designated Territory), with said waiver period not to exceed ninety (90) days commencing from the date Franchisee gives Franchisor notice of the damage or loss
- J **Compliance with Gift Card Redemption Policies** Franchisee agrees and acknowledges that Franchisor has set forth policies and guidelines regarding Franchisee's redemption of gift cards at the Franchised Business that were purchased at a SWEETWATERS Cafe other than the Franchised Business (and vice versa), along with directives and guidelines for how any compensation will be allocated amongst the Franchised Business and the other SWEETWATERS Cafe(s) at issue Franchisee agrees and acknowledges that such policies and guidelines may affect Franchisee's payment obligations under this Agreement, whether to Franchisor and/or to a different Cafe location, but agrees to strictly comply with such directives, policies and guidelines as set forth and updated by Franchisor in the Manuals or otherwise in writing

5 **DUTIES OF FRANCHISOR**

- A **Initial Training Program** Franchisor shall offer and make available an initial training program (the "Initial Training Program") for Franchisee and Franchisee's designated manager that will be responsible for the day to day management of the Franchised Business (the "Designated Manager") Franchisee must pay an initial training fee of Five Thousand Dollars (\$5,000) to cover the training of Franchisee and its Designated Manager
- 1 The Initial Training Program itself will be provided in three (3) components namely (i) certain courses that will be provided online, which Franchisee and its Designated Manager must attend and complete remotely (the "Online Training"), (ii) certain classroom training sessions that Franchisee and its Designated manager must attend in-person at Franchisor's designated training facility and complete to Franchisor's satisfaction (the "Classroom Training"), and (iii) up to three (3) weeks of on-the job training provided by Franchisor at Franchisor's designated training facility, which Franchisee and its Designated Manager must complete to Franchisor's satisfaction (the "On-the-Job Training") The Online Training, Classroom Training, and On-the-Job Training will all be provided subject to the availability and schedule of Franchisor's training personnel
 - 2 Franchisor will provide the Initial Training Program to additional owners of Franchisee or managers of the Franchised Business (subject to the availability of Franchisor's staff), provided Franchisee pays Franchisor its then-current initial training fee for each individual that attends at any point after Franchisee receives the Initial Training Program
- B **Replacement Personnel Training** Franchisor will also provide the Initial Training Program to any replacement personnel or those who attend but fail to complete the program as well, provided Franchisee pays Franchisor's then-current initial training fee (as well as any expenses incurred)

- C **Additional and Refresher Training** Franchisor may, as it deems appropriate in its discretion, develop additional and refresher training courses, and require Franchisee and its management to attend such courses. Franchisor may require Franchisee and its designated attendees to pay its then-current training tuition fee in connection with attending additional/refresher training (in addition to Franchisee's obligation to pay for any expenses incurred by Franchisor and its personnel in providing such training). Franchisor will not require Franchisee and its management to attend more than (i) five (5) days of additional/refresher training each year.
- D **Manuals** Franchisor will provided access to, or otherwise loan, Franchisee one (1) copy of its proprietary and confidential operations manual prior to the opening of the Franchised Business, as well as any other instructional manuals as Franchisor deems appropriate (collectively, the "Manuals"). Franchisor will also loan Franchisee a list of (i) all furniture, fixtures, equipment, inventory, supplies and other items that Franchisee is required to purchase or lease in connection with the establishment and ongoing operation of the Franchised Business (collectively, the "Required Items"), (ii) a list of all suppliers from which Franchisee must purchase or lease any Required Items, which may be Franchisor or its affiliates (collectively, the "Approved Suppliers"), and (iii) a list of the Approved Products that Franchisee is authorized to offer, sell or provide at and from the Franchised Business. The foregoing lists may be provided as part of the Manuals or otherwise in writing prior to opening, and Franchisor has the right to revise, supplement or otherwise modify these lists and the Manuals at any time upon written notice to you. Franchisor may also establish and maintain a SWEETWATERS website portal (the "Sweetwaters Team Site"), wherein Franchisor may post content that will automatically become part of, and constitute a supplement to, the Manuals, all of which Franchisee must strictly comply with promptly after such content is posted or otherwise listed on the Sweetwaters Team Site. In the event Franchisee or its personnel saves or prints out a hard copy of any Manual, then such electronic/hard versions of said Manual must be immediately returned upon expiration or termination of this Agreement for any reason (and never used for any competitive purpose). The provisions of this Section shall survive the term of this Agreement.
- E **Site Selection Assistance** Franchisor will provide Franchisee with site selection assistance and guidance with regards to Franchisee's selection of a Premises for the Franchised Business, including Franchisor's then-current site selection criteria, as it deems appropriate in its sole discretion. Franchisor requires that Franchisee use an Approved Supplier for site selection assistance. Franchisor will also review and approve of any location the Franchisee proposes for the Franchised Business. Franchisor must approve of Franchisee's proposed location, as well as the lease for the Premises (the "Lease") or purchase agreement for the location, prior to Franchisee entering into any such agreement for that location to serve as the Premises of the Franchised Business. Franchisor may condition its approval of any Lease for the proposed Premises on the landlord's execution of Franchisor's form of Consent and Agreement of Landlord attached to this Agreement at Exhibit C. Franchisor will use reasonable efforts to review and approve of any proposed Premises location and corresponding Lease within thirty (30) days of receiving all reasonably requested information from Franchisee. The parties agree and acknowledge that if there is more than one (1) franchisee or developer looking to secure a site for a SWEETWATERS Cafe within Franchisee's Site Selection Area, the parties will follow the Franchisor's prescribed process and procedure for how sites will be reviewed and offered to such franchisees/developers within the Site Selection Area, as Franchisor sets forth in the Manuals or otherwise.

- F **Grand Opening Advertising Assistance** Franchisor may assist Franchisee, as it deems appropriate in its discretion, in developing and conducting the Grand Opening Advertising Program (as defined and described more fully in Section 9 of this Agreement), which program shall be conducted at Franchisee's expense
- G **Continuing Assistance** Franchisor may, as it deems appropriate and advisable in its sole discretion, provide continuing advisory assistance in the operation of the Franchised Business (after the Initial Training Program has been provided) Franchisor's determination not to provide any particular service, either initial or continuing, shall not excuse Franchisee from any of its obligations under this Agreement Franchisor may provide such assistance via telephone, fax, intranet communication, Skype or any other communication channel Franchisor deems appropriate, subject to the availability and schedules of Franchisor's personnel In the event Franchisee requests that Franchisor provide any type of assistance or training on-site at the Franchised Business, then Franchisee may be required to pay Franchisor's then-current training tuition fee in connection with such training (in addition to reimbursing Franchisor for any costs/expenses that Franchisor's personnel incurs in connection with providing such assistance)
- H **Review of Advertising Materials** Franchisor will review and approve/reject any advertising or marketing materials proposed by Franchisee in connection with the Franchised Business as described more fully in Section 9 of this Agreement
- I **Website** For so long as Franchisor has an active website containing content designed to promote the SWEETWATERS brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided Franchisee is not in material default under this Agreement Franchisor may also provide Franchisee with one or more email address(es), as it deems appropriate in its discretion, which Franchisee must use only in connection with the Franchised Business
- J **Private Label Products** Franchisor may directly, or indirectly through Franchisor's affiliates or designated vendors, develop and provide Franchisee with private label products or other merchandise bearing the Proprietary Marks to be sold at the Franchised Business Franchisee may be required to purchase these items from Franchisor or any other Approved Supplier Franchisor designates
- K **Inspections of the Franchised Business and Premises** Franchisor will, as it deems appropriate in its sole discretion, conduct inspections and/or audits of the Franchised Business and Premises to ensure that Franchisee is operating its Franchised Business in compliance with the terms of this Agreement, the Manuals and the System standards and specifications Such inspections may include inspections of the Premises, taking photographs and/or videotape of the Cafe's common area, taking samples of any Approved Products for sale at the Cafe, interviewing and surveying Franchisee's personnel and customers, inspecting any and all books and records, and conducting mystery shop services Franchisor is not responsible for ensuring that the Franchised Business is being operated in compliance with all applicable laws and regulations
- L **Administration of Fund** If and when established, Franchisor will administer the Fund as it deems advisable to the System in its sole discretion as described more fully in Section 9 of this Agreement

- M **No Assumption of Liability** Franchisor shall not, by virtue of any approvals or advice provided to the Franchisee under this Agreement, including site selection or other approval provided under this Section 5, assume any responsibility or liability to Franchisee or to any third party to which it would not otherwise be responsible or liable. Franchisee acknowledges that any assistance (including site selection and project oversight) provided by Franchisor or its nominee in relation to the selection or development of the Premises is only for the purpose of determining compliance with System standards and does not constitute a representation, warranty, or guarantee, express, implied or collateral, regarding the choice and location of the Premises, that the development of the Premises is free of error, nor that the Franchised Business is likely to achieve any level of volume, profit or success.
- N **Delegation of Duties** Franchisee acknowledges and agrees that any designee, employee, or agent of Franchisor may perform any duty or obligation imposed on Franchisor by the Agreement, as Franchisor may direct.
- O **Pre-Opening Obligations Acknowledgement** If Franchisee believes Franchisor has failed to provide adequate pre-opening services as provided in this Agreement, Franchisee shall notify Franchisor in writing within thirty (30) days following the opening of the Franchised Business. Absent such notice to Franchisor, Franchisee acknowledges, agrees and grants that Franchisor fully complied with all of its pre-opening and opening obligations set forth in this Agreement.
- P **Annual Conference** Franchisor may establish and conduct an annual conference for all SWEETWATERS Cafe owners and operators, and may require Franchisee and its Designated Manager to attend this conference for no more than five (5) days each year. Franchisee will be solely responsible for all expenses incurred in attending the annual conference (including any employee wages). If such an annual conference is held, Franchisee will be required to pay Franchisor's then-current enrollment fee for attending or a \$1,000 fee for not attending.

6 **DUTIES OF FRANCHISEE**

- A **Secure a Premises** Franchisee must secure a Premises within the Designated Territory within one (1) year of executing this Agreement, unless Franchisor agrees to an extension of time in writing which shall be reasonably granted if franchisee is using good faith best efforts to secure a site. Such extensions shall be for a period of at least 90 days. If Franchisor has designated an Approved Supplier for site selection assistance, then Franchisor may require that Franchisee use this Approved Supplier. If Franchisee is entering into a Lease for the proposed Premises, the form of Lease must be approved by Franchisor and Franchisee must ensure that both Franchisee and the party leasing the Premises to Franchisee under the Lease execute the form of Collateral Assignment of Lease attached to this Agreement as Exhibit C prior to, or at the same time, the Lease is executed.
- B **Access to Franchisor for Inspection of Premises** Upon the surrender of the Premises, Franchisee must conduct a physical inventory so that there is an accurate accounting of inventory, fixtures, furniture, supplies and equipment on hand, and shall provide a signed copy of this physical inventory to Franchisor as of the date of surrender of the Premises. Franchisor shall have the right to enter the Premises at its convenience and conduct said physical inventory on its own.

- C **Compliance with Lease** Franchisee must comply with both the Lease and any additional leasehold covenants and regulations of the building in which the Premises is located. In the event the landlord of the Premises terminates the Lease due to Franchisee's default thereunder, this termination will also constitute a material breach of this Agreement by Franchisee. In the event Franchisor provides appropriate notice as described in Section 6(A) above and assumes control of the Premises and the operation of the former Franchised Business upon the termination or expiration of the Lease, the future operation of that Cafe by Franchisor shall not be as an agent of Franchisee and Franchisor shall not be required to account to Franchisee as a result thereof.
- D **Construction and Build-Out** Franchisee must complete all construction and build-out of the Premises in a manner consistent with Franchisor's System standards, specifications and any agreed-upon plans and open the Franchised Business to the public no later than one (1) year after the date this Agreement is executed. Franchisor requires that Franchisee use an Approved Supplier for pre-opening project and construction management services. Franchisor must provide its prior written consent before Franchisee may open the Franchised Business, and Franchisor reserves the right to inspect the construction and/or build-out of the Franchised Business at any reasonable time prior to the opening date. Should Franchisee fail to open the Franchised Business for operation within the prescribed period (or, if applicable, within any extended period of time Franchisor approves in writing), this Agreement will be deemed terminated upon written notice from Franchisor to Franchisee without the necessity of further action or documentation by either party.
- 1 The parties further agree and acknowledge that if Franchisee is opening and operating the Franchised Business pursuant to its development obligations under an Area Development Agreement that Franchisee (or its affiliate) has entered into with Franchisor (an "ADA"), then that ADA will control the timeline for opening and operating the Franchised Business in the event there is an inconsistency between the ADA and this Agreement. Franchisee must open and commence operations of the Franchised Business within the time period prescribed in the development schedule set forth in the ADA (regardless of when Franchisee executes this Agreement).
- E **Required Licenses and Permits** Prior to opening, Franchisee must obtain and maintain (throughout the term of this Agreement) all required licenses, permits and approvals to establish, open and operate the Franchised Business at the Premises in the Designated Territory, including all required licenses and permits related to the offer and sale of gourmet coffee and tea, including those concerning the preparation of food and sanitary conditions and disclosure of nutritional information, and the other Approved Products that Franchisor authorizes Franchisee to provide at the Franchised Business.
- F **Approved Products** Franchisee must only offer and sell only the Approved Products at the Franchised Business. Franchisee may not offer or provide any other products/services and must not deviate from Franchisor's System standards and specification related to the manner in which the Approved Products are offered and sold, unless Franchisor provides its prior written consent. Franchisor has the right to add additional, delete or otherwise modify certain of the Approved Products from time to time in the Manuals and otherwise in writing, as it deems appropriate in its sole discretion. In the event of a dispute between Franchisee and Franchisor concerning Franchisee's right to carry any particular product or to offer any specific service, Franchisee will immediately remove the disputed products from inventory, remove the disputed service from those services offered at the Premises, or, if

the same are not already in inventory or such services not yet being offered, will defer offering for sale such products and services pending resolution of the dispute. Franchisee shall accept as payment for services or products any valid gift card or other such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made.

- 1 ***Compliance with Gift Card Policies*** Franchisee must accept as payment for Approved Products any valid gift card or other such indication of prepayment or credit, no matter where such credit was issued or such prepayment was made. Franchisee shall be compensated for fulfilling prepaid services at the Franchised Business as specified in the Manual or otherwise in writing by Franchisor. Franchisee must sell or otherwise issue gift cards or certificates (together "Gift Cards") that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manuals or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisor via its website, Franchisee or another SWEETWATERS Cafe location. Franchisee must sell, issue, and redeem (without any offset against any Royalty or other amounts owed to Franchisor) Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing, including those relating to procedures by which Franchisee shall request reimbursement for Gift Cards issued by other SWEETWATERS Cafe locations and for making timely payment to Franchisor, other operators of a SWEETWATERS Cafe, or a third-party service provider for Gift Cards issued from the Franchised Business that are honored by another SWEETWATERS Cafe location.

- G **Other Devices Prohibited at Premises** Franchisee is specifically prohibited from installing, displaying, or maintaining any vending machines, gaming machines, automatic teller machines, internet kiosks, public telephones (or payphones), or any other electrical or mechanical device in the Cafe other than those Franchisor prescribes or approves.

- H **Fixtures, Furniture, Signs and Inventory** Franchisee must maintain at all times during the term of this Agreement and any renewals hereof, at Franchisee's expense, the Premises and all fixtures, furnishings, signs, artwork, decor items and inventory therein as necessary to comply with Franchisor's standards and specifications as prescribed in the Manuals or otherwise in writing. Franchisee must also make such additions, alterations, repairs, and replacements to the foregoing as Franchisor requires. Franchisor will not require Franchisee to make material renovations or refurbishments to the Premises of the Franchised Business more than once every five (5) years, unless such renovation/refurbishment is in connection with a renewal or transfer of this Agreement. The parties agree and acknowledge, however, that the limitation set forth in the preceding sentence will not apply to any request to modify the Proprietary Marks as provided for in this Agreement.

- I **Compliance with Applicable Laws** Franchisee must at all times conduct and operate the Franchised Business in accordance with all federal, state, and local laws, ordinances, and regulations applicable thereto, including any laws and regulations related to providing gourmet coffee and tea, including concerning the preparation of food and sanitary conditions and disclosure of nutritional information. Franchisee will have sole authority and control over the day-to-day operations of the Franchised Business and Franchisee's employees and/or independent contractors. Franchisee agrees to be solely responsible for

all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time. At no time will Franchisee or Franchisee's employees be deemed to be employees of Franchisor or Franchisor's affiliates.

- J **Required Items** Franchisee must (i) purchase any and all Required Items that Franchisor designates for use in connection with the Franchised Business, including without limitation, all products, supplies, inventory, fixtures, Computer System, parts, and materials required for the operation of the Franchised Business, (ii) ensure that all Required Items meet Franchisor's standards and specifications, and (iii) purchase all items Franchisor specifies from the Approved Supplier(s) that Franchise designates, which may include Franchisor or its affiliate(s). Franchisee agrees and acknowledges that Franchisor and/or its affiliates may derive revenue from the offer and sale of Required Items.
- K **Alternative Supplier Approval** If Franchisee wishes to purchase any unapproved item, including inventory, and/or acquire approved items from an unapproved supplier, Franchisee must provide Franchisor the name, address and telephone number of the proposed supplier, a description of the item Franchisee wishes to purchase, and the purchase price of the item, to the extent known. Franchisee must then follow Franchisor's then-current procedure for evaluating and approving such request. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. If Franchisor incurs any costs in connection with testing a particular product or evaluating an unapproved supplier at Franchisee's request, Franchisee must reimburse Franchisor for Franchisor's reasonable testing costs, regardless of whether Franchisor subsequently approves the item or supplier. Franchisor will use commercially reasonable efforts to notify Franchisee in writing whether or not Franchisee's request is approved or denied within thirty (30) days of (i) Franchisor's receipt of all supporting information from Franchisee regarding Franchisee's request under this Section, and (ii) if applicable, Franchisor's completion of any inspection or testing associated with Franchisee's request. If Franchisor does not provide written approval within this time period, then Franchisee's request will be deemed denied. Franchisor may, but is not obligated to, provide Franchisee's proposed supplier with its specifications for the item that Franchisee wishes the third-party to supply, provided that third-party executes Franchisor's prescribed form of non-disclosure agreement. Each supplier that Franchisor approves must comply with Franchisor's usual and customary requirements regarding insurance, indemnification and non-disclosure. If Franchisor approves any supplier, Franchisee may enter into supply contracts with such third party, but under no circumstances will Franchisor guarantee Franchisee's performance of any supply contract. Franchisor may re-inspect and revoke Franchisor's approval of particular products or suppliers when Franchisor determines, in Franchisor's sole discretion, that such products or suppliers no longer meet Franchisor's standards. Upon receipt of written notice of such revocation, Franchisee must cease purchasing products from such supplier. Nothing in this Section shall be construed to require Franchisor to approve any particular supplier. Franchisor may base Franchisor's approval of any such proposed item or supplier on considerations relating not only directly to the item or supplier itself, but also indirectly to the uniformity, efficiency, and quality of operation Franchisor deems necessary or desirable in Franchisor's System as a whole. Franchisor has the right to receive payments from suppliers on account of their dealings with Franchisee and other franchisees and to

use all amounts Franchisor receives without restriction (unless instructed otherwise by the supplier) for any purposes Franchisor deems appropriate

- L **Computer Issues** Franchisee acknowledges and agrees that Franchisee is solely responsible for protecting itself from computer viruses, bugs, power disruptions, communication line disruptions, internet access failures, internet content failures, date-related problems, and attacks by hackers and other unauthorized intruders
- M **Promotional Materials Display (Seasonal and Otherwise)** Franchisee must openly and prominently display franchise promotional materials provided or designated by Franchisor and participate in any ongoing System-wide sales, specials or other promotions that Franchisor designates, including without limitation, participating in any seasonal sales/promotions and displaying all designated signage in connection therewith
- N **Initial Training Program and Other Training/Conference Attendance** Franchisee and each of its management personnel must attend and successfully complete all training and annual conferences that are prescribed by Franchisor under this Agreement
 - 1 Franchisee and its required trainees (including Designated Manager(s) if selected) must complete the Initial Training Program prior to opening, and must pay Franchisor the appropriate initial training tuition fees for any person(s) that attend the Initial Training Program separate from Franchisee
 - 2 Franchisee and its required trainees must be on-site at the Franchised Business when Franchisor's training personnel provides the Initial Training Program at the Premises, and must actively participate in and complete such Initial Training Program
 - 3 Franchisee must also cover all costs associated with personnel of Franchisee attending any and all portions of the Initial Training Program
 - 4 Franchisee must also complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and Franchisee must attend Franchisor's annual conference if such a conference is conducted by Franchisor
 - 5 Any failure to attend and complete the Initial Training Program or other training/conferences described in this Section will be a material default of this Agreement and grounds for termination if not cured within the appropriate cure period set forth in this Agreement (if any)
- O **Training of Employees** Franchisee or at least one (1) of Franchisee's personnel that has successfully completed the entire Initial Training Program must conduct training classes for, and properly train, all of Franchisee's employees on sales, advertising, maintenance of the Premises, the POS and computer system, as well as any other information that is relevant to each employee's role with the Franchised Business, including Franchisor's standards and specifications for operating the Franchised Business, as Franchisor may set forth in the Manuals or otherwise in writing Further, at least one (1) person that has completed the Initial Training Program must manage the Franchised Business at all times
- P **Hours of Operation** Franchisee shall keep the Franchised Business open and in normal operation for such minimum hours and days as Franchisor may prescribe in the Manuals or otherwise in writing, and must ensure that the Franchised Business is sufficiently staffed

- Q **Image** Franchisee shall maintain the image of the Franchised Business at all times in accordance with Franchisor's standards and specifications, including (i) ensuring that the Premises is maintained in a clean and orderly manner, and (ii) ensuring that all equipment, furniture and fixtures remain in good, clean condition and is properly displayed. Franchisor may require Franchisee to refurbish, renovate and/or otherwise substantively modify the interior of the Franchised Business, including the furniture, fixtures and equipment used at the Premises, no more than once every five (5) years (unless the change is required in connection with a renewal or transfer of this Agreement) so that the Premises and Franchised Business conform with Franchisor's then-current System standards and specifications for a new SWEETWATERS Cafe.
- R **Customer Lists and Data/Agreements** Franchisee must (i) maintain a list of all of its current and former customers, as well as their purchase history, at the Premises, and (ii) make such lists and contracts available for Franchisor's inspection upon request. Franchisee must promptly return this information, which is deemed "Confidential Information" and Franchisor's exclusive property hereunder, to Franchisor upon expiration or termination of this Agreement for any reason. Franchisee acknowledges that Franchisor may have automatic access to any or all of this information via the Computer System and related software that Franchisor requires for use in connection with the Franchised Business.
- S **Promotional/Minimum Prices, Pricing Guidelines** To the extent permitted under applicable law, Franchisee must follow Franchisor's general pricing guidelines, including any promotional or minimum prices set by Franchisor for a particular membership program or other Approved Product or Service. As an independent contractor, however, Franchisee may exercise flexibility in meeting competition with respect to the pricing of certain Approved Products and Services offered at the Franchised Business. Franchisor may request information from Franchisee that has been used to substantiate any reduction or increase in pricing made by Franchisee to meet market conditions.
- T **Operation of Franchised Business and Customer Service** Franchisee shall manage and operate the Franchised Business in an ethical and honorable manner, and must ensure that all those working at the Franchised Business provide courteous and professional services to customers and always keep its customers' interests in mind while protecting the goodwill of the Proprietary Marks, System and the Franchised Business. Franchisee must handle all customer complaints and requests for returns and adjustments in a manner consistent with Franchisor's standards and specifications, and in a manner that will not detract from the name and goodwill enjoyed by Franchisor. Franchisee must consider and act promptly with respect to handling of customer complaints, and implement complaint response procedures that Franchisor outlines in the Manuals or otherwise in writing.
- U **Access to Cafe** To determine whether Franchisee is complying with this Agreement, Manuals and the System, Franchisor and its designated agents or representatives may at all times and without prior written notice to Franchisee (i) inspect the Premises, (ii) observe and monitor the operation of the Franchised Business for consecutive or intermittent periods as Franchisor deems necessary, (iii) interview or survey personnel and customers of the Franchised Business, and (iv) inspect, audit and/or copy any books, records, and agreements relating to the operation of the Franchised Business, including all financial information. Franchisee agrees to cooperate with Franchisor fully in connection with these

undertakings by Franchisor (if taken) If Franchisor exercises any of these rights, Franchisor will not interfere unreasonably with the operation of the Franchised Business

- V **Personal Participation by Franchisee** Franchisee must personally participate in the direct management operation of the Franchised Business on a full-time basis, unless Franchisee engages a Designated Manager that Franchisor approves in writing to manage the day-to-day operations of the Franchised Business when Franchisee is not present If Franchisee designates a manager at any time, that manager must successfully complete the Initial Training Program prior to assuming any management responsibilities in connection with the Franchised Business Regardless, Franchisee is solely responsible for all aspects of the operation of the Franchised Business and ensuring that all the terms, conditions, and requirements contained in this Agreement and in the Manuals are met and kept
- W **Credit Cards** Franchisee must accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and Discover and any other major credit cards designated by Franchisor
- X **Payments to Franchisor** Franchisee agrees to promptly pay Franchisor all payment and contributions that are due to Franchisor, its affiliates or any Approved Supplier
- Y **Employment Decisions** Franchisee agrees to be solely responsible for all employment decisions and to comply with all state, federal, and local hiring laws and functions of the Franchised Business, including without limitation, those related to hiring, firing, training, wage and hour requirements, compensation, promotion, record-keeping, supervision, and discipline of employees, paid or unpaid, full or part-time Franchisee's employees must be competent, conscientious, and properly trained

7 **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY RIGHTS**

- A **Ownership of Proprietary Marks** Franchisee acknowledges the exclusive ownership and/or right to use the Proprietary Marks by Franchisor, and Franchisee agrees that during the term of this Agreement and after its expiration or termination Franchisee will not directly or indirectly contest or aid in contesting the validity of the Proprietary Marks or the ownership or rights of the Proprietary Marks by Franchisor Furthermore, Franchisee intends and hereby concedes that any commercial use Franchisee may make of the Proprietary Marks shall contribute and inure to the commercial use and benefit of Franchisor, which Franchisor may claim to strengthen and further secure ownership of the Proprietary Marks
- B **Permitted Use** It is understood and agreed that the use by Franchisee of Franchisor's Proprietary Marks applies only in connection with the operation of the Franchised Business at the Premises, and includes only such Proprietary Marks as are now designated, or which may hereafter be designated in the Manuals or otherwise in writing as part of the System (which might or might not be all of the Proprietary Marks pertaining to the System owned by the Franchisor), and does not include any other mark, name, or indicia of origin of Franchisor now existing or which may hereafter be adopted or acquired by Franchisor
- C **Use of Proprietary Marks in Advertising and Signage** To develop and maintain high, uniform standards of quality and service and thereby protect Franchisor's reputation and goodwill, as well as that of the System, Franchisee agrees to

- 1 Operate and advertise the Franchised Business only under the Proprietary Marks authorized by Franchisor as specified in this Agreement or the Manuals,
- 2 Maintain and display signage and advertising bearing the Proprietary Marks that reflects the current commercial image of the System and, upon notice from Franchisor, to immediately discard and cease use of Proprietary Marks or other imagery that has become obsolete and no longer authorized by Franchisor
- 3 Upon Franchisor's request, Franchisee hereby covenants and agrees that it will affix in a conspicuous location in or upon the Premises, a sign containing the following notice "This business is owned and operated independently by (*name of franchisee*) who is an authorized licensed user of the trademark, SWEETWATERS, under a license agreement with Sweetwaters Group LLC "

D Proprietary Marks are Sole Property of Franchisor Franchisee acknowledges that the Proprietary Marks, System, Manual, and all other information and items delivered to Franchisee by Franchisor pursuant to this Agreement or in furtherance of the System, including without limitation, video and audio tapes or disks, information communicated by electronic means, and intellectual property, are the sole and exclusive property of Franchisor, and Franchisee's right to use the same are contingent upon Franchisee's continued full and timely performance under this Agreement. Franchisee acknowledges it acquires no rights, interests, or claims to any of said property, except for Franchisee's rights to use the same under this Agreement for the term hereof and strictly in the manner prescribed. Franchisee agrees that it will not, during the term of this Agreement or any time thereafter, contest or challenge the sole and exclusive proprietary rights of Franchisor (and, if appropriate, Franchisor's affiliates) to the Proprietary Marks, System, Manuals, and other information, intellectual property, and items delivered or provided or to which Franchisee obtains access under this Agreement, nor shall Franchisee claim any proprietary interest in such property. Franchisee agrees that it will not adopt, display, attempt to register or otherwise use any names, marks, insignias, or symbols in any business that are or may be confusingly similar to the Proprietary Marks licensed under this Agreement.

E Legal Action Involving Proprietary Marks Furthermore, Franchisee agrees to cooperate with and assist Franchisor in connection with any legal action brought by or against either of them regarding the protection and preservation of the Proprietary Marks, System, or the Manuals and other information and intellectual property delivered to Franchisee or used by Franchisee under this Agreement.

F Confidential Information Franchisee agrees that all documents, papers, notes, and other materials, as well as work products containing or derived from the proprietary information or from the knowledge of, or in connection with, the operation of the Franchised Business, will be Confidential Information (as defined in this Agreement) that is the exclusive property of Franchisor. Franchisee agrees that it will have no proprietary interest in any work product developed or used by it that arises out of the operation of the Franchised Business. Franchisee will, from time to time as may be requested by Franchisor, do all things that may be necessary to establish or document Franchisor's ownership of any such work product, including without limitation, the execution of assignments.

G Improvements Franchisee agrees to disclose promptly to Franchisor any and all inventions, discoveries, and improvements, whether or not patentable or copyrightable, that are conceived or made by Franchisee or its employees or agents that are in any way related

to the establishment or operation of the Franchised Business (collectively, the "Improvements"), all of which shall be automatically and without further action owned by Franchisor without compensation to Franchisee (including all intellectual property rights therein) Whenever requested to do so by Franchisor, Franchisee will execute any and all applications, assignments, or other instruments that Franchisor may deem necessary to apply for and obtain intellectual property protection or to otherwise protect Franchisor's interest therein These obligations shall continue beyond the termination or expiration of this Agreement If a court should determine that Franchisor cannot automatically own certain of the Improvements that may be developed, then Franchisee hereby agrees to grant Franchisor a perpetual, royalty-free worldwide license to use and sublicense others to use such Improvements

- H **No Representations/Warranties** No representation or warranty, express or implied, is made by Franchisor to the effect that the use of the System does not constitute an infringement upon the patent, copyright, or other proprietary rights of other persons Franchisee hereby agrees that Franchisor shall have no liability to Franchisee in the event the System is held not to be secret or confidential or in the event that any infringement of others' proprietary rights occurs because of Franchisee's use of the System
- I **Modification or Substitution of Marks by Franchisor** If in Franchisor's reasonable determination, the use of Proprietary Marks in connection with the System will infringe or potentially infringe upon the rights of any third party, weakens or impairs Franchisor's rights in the Proprietary Marks, or it otherwise becomes advisable at any time in Franchisor's sole discretion for Franchisor to modify, discontinue, or to use one (1) or more additional or substitute trade or service Proprietary Marks then upon notice from Franchisor, Franchisee will terminate or modify, within a reasonable time, such use in the manner prescribed by Franchisor If Franchisor changes the Proprietary Marks in any manner, Franchisor will not reimburse Franchisee for any out-of-pocket expenses that Franchisee incurs to implement such modifications or substitutions Franchisor is not obligated to reimburse Franchisee for any loss of goodwill or revenue associated with any modified or discontinued Proprietary Mark, nor is Franchisor responsible for reimbursing Franchisee for any other costs or damages
- J **Modification or Substitution of Proprietary Marks by Franchisee** Franchisee agrees not to make any changes or amendments whatsoever in or to the use of the Proprietary Marks unless directed by Franchisor in writing
- K **Cease Use of Marks on Termination/Non-Renewal** Upon termination or expiration and non-renewal of this Agreement, Franchisee agrees to immediately cease use, in any manner whatsoever, of any of the Proprietary Marks or any other Proprietary Marks or trade names that may be confusingly similar to the Proprietary Marks
- L **Disconnection of Telephone Number on Termination/Renewal** Franchisee acknowledges that there will be substantial confusion among the public if, after the termination or expiration and non-renewal of this Agreement, Franchisee continues to use advertisements and/or the telephone number listed in the telephone directory under the name SWEETWATERS or any name similar to it Thus, effective upon the termination or expiration and non-renewal of this Agreement, Franchisee agrees to direct the telephone company servicing Franchisee, per Franchisor's request, to disconnect the telephone number used in connection with the Franchised Business or transfer such number to Franchisor or to any person or location of Franchisor's choosing If Franchisee fails to take

these steps, Franchisee shall be deemed to have hereby irrevocably appointed Franchisor as Franchisee's attorney-in-fact for purposes of directing and accomplishing such transfer. Franchisee understands and agrees that, notwithstanding any billing arrangements with any telephone company or yellow pages directory company, Franchisor will be deemed for purposes hereof to be the subscriber of such telephone numbers, with full authority to instruct the applicable telephone or yellow pages directory company as to the use and disposition of telephone listings and numbers. Franchisee hereby agrees to release, indemnify, and hold such companies harmless from any damages or loss as a result of following Franchisor's instructions.

M Non-Exclusive Use of Proprietary Marks Franchisee understands and agrees that its right to use the Proprietary Marks is non-exclusive, that Franchisor in its sole discretion has the right to grant licenses to others to use the Proprietary Marks and obtain the benefits of the System in addition to the licenses and rights granted to Franchisee under this Agreement, and that Franchisor may develop and license other trademarks or service marks in conjunction with systems other than the System on any terms and conditions as Franchisor may deem advisable where Franchisee will have no right or interest in any such other trademarks, licenses, or systems.

N Acknowledgements With respect to Franchisee's use of the Proprietary Marks pursuant to this Agreement, Franchisee acknowledges and agrees that

- 1 Franchisee shall not use the Proprietary Marks as part of Franchisee's corporate or any other business name, domain name, e-mail address or any social media or social networking profile/page,
- 2 Franchisee shall not hold out or otherwise use the Proprietary Marks to perform any activity or incur any obligation or indebtedness in such a manner as might in any way make Franchisor liable therefor without Franchisor's prior written consent, and
- 3 Franchisee shall execute any documents and provide such other assistance deemed necessary by Franchisor or its counsel to obtain protection for Proprietary Marks or to maintain the continued validity of such Proprietary Marks.

O Use outside Scope Franchisee acknowledges that the use of the Proprietary Marks outside the scope of this license without Franchisor's prior written consent is an infringement of Franchisor's exclusive right to use the Proprietary Marks and, during the term of this Agreement and after the expiration or termination hereof, Franchisee covenants not to directly or indirectly commit an act of infringement, contest or aid in contesting the validity or ownership of Franchisor's Proprietary Marks, or take any other action in derogation thereof.

P Notification of Infringement Franchisee shall notify Franchisor within three (3) calendar days of any suspected infringement of, or challenge to, the validity of the ownership of, or Franchisor's right to use, the Proprietary Marks licensed hereunder. Franchisee will not communicate with any persons other than Franchisor or Franchisor's legal counsel in connection with any such infringement, challenge, or claim. Franchisee acknowledges that Franchisor has the right to control any administrative proceeding or litigation involving the Proprietary Marks. In the event Franchisor undertakes the defense or prosecution of any litigation relating to the Proprietary Marks, Franchisee agrees to execute any and all

documents and to do such acts and things as may be necessary in the opinion of counsel for Franchisor to carry out such defense or prosecution

Q **Indemnification Regarding Marks** Franchisor will indemnify and defend Franchisee against any third-party claim brought against Franchisee that arises solely out of Franchisee's authorized use of the Proprietary Marks licensed under this Agreement in connection with the Franchised Business, provided (i) such use is in full compliance with Franchisor's standards and specifications, and (ii) Franchisee notifies Franchisor in writing of this third-party claim within three (3) calendar days of receiving notice or otherwise learning of the claim. Franchisor will have complete control over the defense and, if appropriate, settlement negotiations and resolution regarding the claims described in this Section, including the right to select legal counsel Franchisor deems appropriate. Franchisee must fully cooperate with Franchisor in connection with Franchisor's defense or settlement of any third-party claim that Franchisor determines to take control of under this Section. Notwithstanding anything in this Section to the contrary, Franchisor's liability under this Section shall be limited to no more than the Initial Franchise Fee paid under this Agreement.

R **Other Obligations of Franchisee** In addition to all other obligations of Franchisee with respect to the Proprietary Marks licensed herein, Franchisee agrees

- 1 To feature and use the Proprietary Marks solely in the manner prescribed by Franchisor and not use the Proprietary Marks on the Internet or otherwise online, except as approved in writing by Franchisor, and
- 2 To observe all such requirements with respect to service mark, trademark and copyright notices, fictitious name registrations, and the display of the legal name or other identification of Franchisee as Franchisor may direct in writing from time to time

8 **OPERATIONS MANUALS AND CONFIDENTIAL/CONFIDENTIAL INFORMATION**

A **Compliance with Manuals** In order to protect the reputation and goodwill of Franchisor and the System, and to maintain uniform standards of operation under Franchisor's Proprietary Marks, Franchisee shall conduct the Franchised Business in strict accordance with Franchisor's Manuals.

B **Control of Cafe** Franchisee acknowledges the Manuals provided by Franchisor to Franchisee is intended to protect Franchisor's standards, systems, names, and marks and is not intended to control day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Business will be under the control of the Franchisee at all times. Franchisee will be responsible for the day-to-day operation of the business.

C **Confidential Information** In connection with the operation of the Franchised Business, Franchisee will from time to time become acquainted with, work with, and even generate certain information, procedures, techniques, data, and materials that are and, by this Agreement, will become proprietary to Franchisor. Franchisee and all persons signing this Agreement agree to keep confidential any of Franchisor's trade secrets or proprietary information as defined below and will not use such for its or their own purpose or supply

or divulge same to any person, firm, association, or corporation except as reasonably necessary to operate the Franchised Business

- D **Trade Secrets and Confidential Information** The confidentiality requirements set forth in the preceding paragraph will remain in full force and effect during the term of this Agreement and in perpetuity after its termination or expiration and non-renewal Franchisor's trade secrets and proprietary/confidential information include the following

- 1 The Manuals,
- 2 Any information or materials, whether technical or non-technical, that is used in connection with or otherwise related to the establishment and operation of a SWEETWATERS Cafe or the System that is not commonly known by, or available to, the public, including without limitation (i) information and materials related to the architectural plans, design, layout, equipping, build-out and/or construction of a Cafe, (ii) proprietary recipes, (iii) information related to any proprietary coffee or tea blends, (iv) methodology, protocol and System standards/specifications for the promotion, offer and sale of any Approved Product or Service, including Franchisor's policies regarding Gift Cards/reciprocity, (v) information related to Franchisor's relationship with existing or prospective Approved Suppliers or other third-party vendors (whether or not Franchisee is required to use such vendors), (vi) the Computer System and related software generally, that has been customized in any manner for use by Franchisor and/or a Cafe, (vii) marketing and advertising materials, as well as any other items that display the Proprietary Marks in any manner, as well as Franchisor's designated marketing/advertising/promotional campaigns, (viii) any passwords, logins or other keys necessary to access Franchisee's POS system, reservation system, Computer System or related software used in connection with the Franchised Business, (ix) any data entered into, derived from, or relating to the POS system, and
- 3 Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the "Confidential Information")

- E **Confidential Information as Property of Franchisor** Franchisee acknowledges and agrees that the Confidential Information and any business goodwill of the Franchise are Franchisor's sole and exclusive property and that Franchisee will preserve the confidentiality thereof Upon the termination or expiration and non-renewal of this Agreement, all items, records, documentation, and recordings incorporating any Confidential Information will be immediately turned over by Franchisee, at Franchisee's sole expense, to Franchisor or to Franchisor's authorized representative

- F **Information Not Proprietary** Excepted from Confidential Information for purposes of non-disclosure to any third parties by Franchisee and/or its Restricted Persons (as defined in Section 8(H) below) is information that

- 1 Becomes publicly known through no wrongful act of Franchisee or Restricted Persons, or
- 2 Is known by Franchisee or Restricted Persons without any confidential restriction at the time of the receipt of such information from Franchisor or becomes rightfully

known to them without confidential restriction from a source other than Franchisor

- G **Reasonable Efforts to Maintain Confidentiality** Franchisee shall at all times treat the Confidential Information as confidential and shall use all reasonable efforts to keep such information secret and confidential, including without limitation, all logins/passwords/keys necessary to access any component of the Computer System or related software used in connection with the Franchised Business. The Manuals must remain at the Premises and be kept in a secure location, under lock and key, except when it is being studied by Franchisee or Franchisee's employees. Franchisee shall not, at any time without Franchisor's prior written consent, copy, scan, duplicate, record, distribute, disseminate, or otherwise make the Manuals available to any unauthorized person or entity, in whole or in part.
- H **Prevention of Unauthorized Use or Disclosure** Franchisee shall adopt and implement all reasonable procedures as Franchisor may prescribe from time to time to prevent the unauthorized use or disclosure of any of the Confidential Information. Franchisee must ensure and require that all of its officers, agents, directors, shareholders, trustees, beneficiaries, partners, employees, and independent contractors who may obtain or who are likely to obtain knowledge concerning the Confidential Information (collectively, "Restricted Persons") execute Franchisor's prescribed form of confidentiality agreement that will be in substantially the same form attached to this Agreement as Exhibit E (the "Confidentiality and Non-Competition Agreement"). Franchisee must obtain a signed copy of the Confidentiality and Non-Competition Agreement from any such person prior to, or at the same time of, that person undertaking its role and/or employment or association with Franchisee or the Franchised Business. Franchisee's spouse or significant other shall also be bound by the same requirement and shall sign the same Confidentiality and Non-Competition Agreement. Franchisee must provide Franchisor with a copy of each signed Confidentiality and Non-Competition Agreement within ten (10) days of Franchisor's request.
- I **Loan of Manuals** Franchisor will loan or provide online access to one (1) copy of the Manuals to Franchisee. The Manuals shall at all times remain the sole property of Franchisor and any and all copies (hard copies or electronic files) of the Manuals must be returned to Franchisor upon termination or expiration and non-renewal of this Agreement.
- J **Modification of Manuals** In order for Franchisee to benefit from new knowledge, information, methods, and technology adopted and used by Franchisor in the operation of the System, Franchisor may from time to time revise the Manuals, and Franchisee agrees to adhere to and abide by all such revisions (at its expense). Franchisee agrees at all times to keep its copy of the Manuals current and up-to-date. In the event of any dispute as to the contents of Franchisee's Manual, the terms of the master copy of the Manuals maintained by Franchisor at its home office shall be controlling. Franchisor may provide any supplements, updates or revisions to the Manuals via the Internet, email, the System-wide intranet/extranet or any other electronic or traditional mediums it deems appropriate.

9 **ADVERTISING**

- A **Advertising and Sales Promotion Programs** Franchisor may from time to time develop and create advertising and sales promotion programs designed to promote and enhance the collective success of all or some of the SWEETWATERS Cafes operating under the

System Franchisee must participate in all such advertising and sales promotion programs in accordance with the terms and conditions established by Franchisor for each program. In all aspects of these programs, including without limitation, the type/quantity/timing/placement and choice of media, and market areas and advertising agencies, the System standards and specifications established by Franchisor shall be final and binding upon Franchisee. Franchisor may also request that Franchisee purchase and/or make copies of (and Franchisee's expense) and subsequently use certain other advertising or promotional materials that Franchisor designates for use in connection with the Franchised Business.

- B **Approval for all Advertising/Promotional Materials** All advertising and promotion by Franchisee in any medium must be conducted in a professional manner and shall conform to Franchisor's standards and requirements as set forth in the Manuals or otherwise. Franchisee shall obtain Franchisor's approval of all advertising and promotional plans and materials twenty (20) days prior to use if such plans and materials have not been prepared by Franchisor or previously approved by Franchisor during the twelve (12) months prior to their proposed use. Franchisee must submit unapproved plans and materials to Franchisor, and Franchisor will have thirty (30) days to notify Franchisee of its approval or disapproval of such materials. If Franchisor does not provide its specific approval of the proposed materials within this thirty (30) day period, the proposed materials will be deemed rejected. Any plans and materials that Franchisee submits to Franchisor for its review will become Franchisor's property and there will be no restriction on Franchisor's use or dissemination of such materials. Once approved, Franchisee may use the proposed materials for a period of six (6) months, unless Franchisor prescribes a different time period for use or requires Franchisee to discontinue using the previously-approved materials in writing. Franchisor may revoke its approval of any previously-approved advertising materials upon notice to Franchisee. Franchisor reserves the right to require Franchisee to include certain language on all advertising to be used locally by Franchisee or to be used by a Cooperative, including, but not limited to, the phrase "Franchises Available" and references to Franchisor's telephone number and/or website.
- C **Grand Opening Advertising** Franchisee must conduct a grand opening advertising and promotional program, which Franchisor must approve, prior to opening the Franchised Business (the "Grand Opening Advertising Requirement"). The Grand Opening Advertising Requirement must commence prior to when the Franchised Business opens, and Franchisee must expend at least \$5,000. Franchisee may be required to pay all or some portion of the Grand Opening Advertising Requirement funds to Franchisor's Approved Supplier for a grand opening package consisting of certain advertising and public relations materials ("Grand Opening Package").
- D **Local Advertising Requirement** Franchisee must expend, each month, a minimum of one percent (1%) of the monthly Gross Sales of the Franchised Business is open and operating in connection with the local advertising and promotion of the Franchised Business within the Designated Territory (the "Local Advertising Requirement").
- 1 Upon Franchisor's request, Franchisee must provide Franchisor with invoices or other proof of its monthly expenditures on local advertising and marketing.
 - 2 Franchisee must ensure that (1) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including

any other SWEETWATERS franchise), and (ii) the Franchised Business is listed in the appropriate Internet-based directories that Franchisor designates

- 3 Franchisee may not advertise and promote the Franchised Business outside of the Designated Territory, unless (a) the geographic area wherein Franchisee wishes to advertise is contiguous to the Designated Territory and that area has not been granted to any other SWEETWATERS location or SWEETWATERS franchisee/developer, or (b) Franchisor otherwise provides its prior written consent in writing

E **Creative Brand Fund** Franchisor reserves the right to establish a System-wide brand Fund designed to promote the System, Proprietary Marks and SWEETWATERS brand generally (the "Fund") If such a Fund is established, Franchisor may require Franchisee to contribute to this Fund on a weekly basis in an amount equal to up to two percent (2%) of the Gross Sales of the Franchised Business as described in Section 4 Any amounts Franchisee is required to contribute to the Fund will be credited towards Franchisee's Advertising Fee requirements All payments by Franchisee to the Fund are non-refundable upon payment, and Franchisor will account separately for all sums paid to the Fund The Fund will be maintained and administered by Franchisor or Franchisor's designee as follows

- 1 Franchisor will use Fund and all contributions to it and any earnings on it, exclusively for preparing, directing, conducting, placing, and administering advertising, marketing, public relations, and/or promotional programs and materials, and any other activities, that Franchisor believes would enhance the image of the System, Proprietary Marks, and Approved Products or Services
- 2 Franchisor is not obligated to spend monies from the Fund in any particular Franchisee's market in proportion to the payments to the Fund made by the Franchisee in that market Franchisor does not represent that it will spend any particular amount of advertising funds locally, regionally, or nationally
- 3 The Fund may be used to meet any and all costs of maintaining, administering, directing, and preparing advertising This includes, among other things, direct mail advertising, marketing surveys and other public relations activities, developing and maintaining the Franchisor's Website, employing advertising and public relations agencies, purchasing promotional items, and providing other marketing materials and services to the SWEETWATERS Cafes operating under the System These costs may include the proportionate salary share of Franchisor's employees that devote time and render services for advertising and promotion or the administration of the Fund, including administrative costs, salaries, and overhead expenses related to administering the Fund and its programs No part of the Fund shall be used by Franchisor to defray any of its general operating expenses, other than those reasonably allocable to the advertising described in this Section or other activities reasonably related to the administration or direction of the Fund
- 4 Franchisor shall administratively segregate all contributions to the Fund on its books and records All such payments to the Fund may be deposited in Franchisor's general operating account, may be commingled with Franchisor's general operating funds, and may be deemed an asset of Franchisor, subject to Franchisor's obligation to expend the monies in the Fund in accordance with the terms hereof Franchisor may, in its sole discretion, elect to accumulate monies in the Fund for

such periods of time, as it deems necessary or appropriate, with no obligation to expend all monies received in any fiscal year during that fiscal year. In the event Franchisor's expenditures for the Fund in any one (1) fiscal year shall exceed the total amount contributed to the Fund during such fiscal year, Franchisor shall have the right to be reimbursed to the extent of such excess contributions from any amounts subsequently contributed to the Fund or to use such excess as a credit against its future contributions. The parties do not intend that the Fund be deemed a trust.

- 5 Franchisor will, on an annual basis, account for the operation of the Fund and prepare an unaudited financial statement evidencing such accounting that will be available to Franchisee, upon Franchisee's written request, one hundred and twenty (120) days after the Franchisor's fiscal year end.
- 6 Franchisor may dissolve, suspend, modify and/or reinstate the Fund at any time after it is established.

F **Advertising Council** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding the administration of the Fund and various other advertising/marketing matters (an "Advertising Council"). If Franchisor establishes an Advertising Council, it may serve in only an advisory capacity and may consist of franchisees, personnel from Franchisor's affiliate-owned Cafes, or other management/employees that Franchisor designates. If an Advertising Council is established, the membership of such Advertising Council, along with the policies and procedures by which it operates, will be determined by Franchisor. The recommendations of the Advertising Council shall not be binding on Franchisor.

G **Website** Franchisor agrees that it will establish an interior page on its corporate website to display the Premises and contact information associated with the Franchised Business for so long as (i) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. Franchisee may not establish any separate website or other Internet presence in connection with the Franchised Business, System or Proprietary Marks without Franchisor's prior written consent. If approved to establish a separate website, Franchisee shall comply with Franchisor's policies, standards and specifications with respect to the creation, maintenance and content of any such website. Franchisee specifically acknowledges and agrees that any website owned or maintained by or for the benefit of Franchisee shall be deemed "advertising" under this Agreement, and will be subject to (among other things) Franchisor's approval as described in this Section 9. Franchisee may not promote or otherwise list its Franchised Business, or the Proprietary Marks or System, on any social media or networking site, including without limitation, Facebook, LinkedIn, Instagram, Pinterest, Twitter or YouTube, without Franchisor's prior written consent. Franchisor shall have the right to modify the provisions of this Section relating to Franchisee's use of separate websites and social media, as Franchisor determines necessary or appropriate.

H **Cooperatives** Franchisor may establish regional advertising cooperatives that are comprised of multiple Cafe owners located within a geographical region that Franchisor designates (each, a "Cooperative"). If Franchisor establishes a Cooperative and designates Franchisee as a member thereof, Franchisee may be required to contribute to the Cooperative in an amount not to exceed the Local Advertising Requirement each month, unless approved by a unanimous vote of the Cooperative members. All amounts paid to a

Cooperative will be credited towards Franchisee's Local Advertising Requirement (if any) Franchisor shall have the right to specify the governing rules, terms and operating procedures of any Cooperative

10 **ACCOUNTING AND RECORDS**

- A **Maintenance of Records** Franchisee must, in a manner satisfactory to Franchisor and in accordance with generally accepted accounting principles, maintain original, full, and complete register tapes, computer files, back-up files, other records, accounts, books, data, licenses, contracts, and product vendor invoices which shall accurately reflect all particulars relating to the Franchised Business, as well as other statistical and financial information and records Franchisor may require. All of this information must be kept for at least three (3) years, even if this Agreement is no longer in effect. Upon Franchisor's request, Franchisee must furnish Franchisor with copies of any or all product or equipment supply invoices reflecting purchases by or on behalf of the Franchised Business. In addition, Franchisee shall compile and provide to Franchisor any statistical or financial information regarding the operation of the Franchised Business, the products and services sold by it, or data of a similar nature, including without limitation, any financial data that Franchisor believes that it needs to compile or disclose in connection with the sale of franchises or that Franchisor may elect to disclose in connection with the sale of franchises. All data provided to the Franchisor under this Section 10 shall belong to Franchisor and may be used and published by Franchisor in connection with the System (including in Franchisor's disclosure documents)
- B **Examination and Audit of Records** Franchisor and its designated agents shall have the right to examine and audit Franchisee's records, accounts, books, computer files, and data at all reasonable times to ensure that Franchisee is complying with the terms of this Agreement. If such audit discloses that Franchisee has underreported the Gross Sales of the Franchised Business or any amount due to Franchisor by two percent (2%) or more in any given reporting period (weekly, monthly or otherwise), then Franchisee must (i) reimburse Franchisor any costs/expenses incurred in connection with conducting the inspection and audit, and (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts
- C **Computer System for Records** Franchisee shall record all transactions and Gross Sales of the Franchised Business on a Computer System that is designated or approved by Franchisor, which must contain software that allows Franchisee to record accumulated sales without turning back, resetting or erasing such sales. Franchisor will, at all times and without notice to Franchisee, have the right to independently and remotely access and view Franchisee's Computer System as described in Section 4 of this Agreement
- D **Computer System Files and Passwords** Franchisee will not install or load any computer software on the hard disks of the Computer System used in connection with the Franchised Business without Franchisor's prior written consent. All computer and file passwords associated with the Computer System must be supplied as a list to Franchisor by Franchisee, along with any modifications or changes to that list. The passwords to access the Computer System located at the Premises or used by the Franchised Business, as well as all computer files and records related to the Franchised Business, are the exclusive property of Franchisor and Franchisee must provide Franchisor with these files and information upon the termination or expiration of this Agreement. Consistent with the other provisions of this Agreement, Franchisee agrees and acknowledges that Franchisor may

have automatic access to Franchisee's specific passwords/keys/logins through the Computer System components and related software that Franchisor requires Franchisee to use in connection with the Franchised Business

- E **Current Contracts, Listings and Projects** At any time and upon request of Franchisor, Franchisee shall provide Franchisor with a copy or summary listing, at Franchisor's discretion, of all current contracts, listings, agreements, and projects that Franchisee is involved in or working with
- F **Tax Returns** Upon Franchisor's request, Franchisee shall furnish the Franchisor with a copy of each of its reports, returns of sales, use and gross receipt taxes, and complete copies of any state or federal income tax returns covering the operation of the Franchised Business, all of which Franchisee shall certify as true and correct
- G **Required Reports** Franchisee must provide Franchisor with the following reports and information, all of which must be certified as true and correct by Franchisee and in the form and manner prescribed by Franchisor (i) a signed Gross Sales Report as described more fully in Section 4 of this Agreement on or before Monday of each week, (ii) on or before the twentieth (20th) of each month, an unaudited profit and loss statement for the Franchised Business for the preceding calendar month, (iii) within ninety (90) days after the close of each fiscal year of Franchisee, financial statements which shall include a statement of income and retained earnings, a statement of changes in financial position, and a balance sheet of the Franchised Business, all as of the end of such fiscal year, and (iv) any other financial information or performance metrics of the Franchised Business that Franchisor may reasonably request
- H **Right to Require Audit if Franchisee Underreports** In the event a prior audit or inspection conducted by Franchisor (or its designee) has revealed that Franchisee has underreporting the Gross Sales of the Franchised Business by two percent (2%) or more for any reporting period as described in Section 10(B), then Franchisor may require Franchisee to provide, at the Franchisee's expense, audited financial statements that comply with GAAP and GAAS for Franchisee's fiscal year within 120 days of Franchisee's fiscal year end
- I **Change to Ownership of Franchisee** In addition to the foregoing statements, Franchisee must provide Franchisor with written reports regarding any authorized change to (i) the listing of all owners and other holders of any type of interest (legal or beneficial) in Franchisee or the Franchised Business, and (ii) Franchisee's partners, officers, directors, as well as any of the Designated Manager(s) that manage the day-to-day operations of the Franchised Business Franchisee will notify Franchisor in writing within ten (10) days after any such change, unless Franchisor is required to first notify Franchisor and obtain its approval prior to making any such change

11 **INSURANCE AND INDEMNIFICATION**

- A **Required Insurance** Franchisee shall, at its own expense and no later than the earlier of (a) the date on which Franchisee uses any of the Proprietary Marks, or (b) the date Franchisee begins building out the Premises, procure and maintain in full force and effect throughout the term of this Agreement the types of insurance enumerated in the Manuals or otherwise in writing (whether the Franchised Business is open or not) This insurance

shall be in such amounts Franchisor or the lessor of the Premises designates from time to time. In addition to any other insurance that may be required by applicable law, or by lender or lessor, Franchisee shall procure

- 1 “all risk” property insurance coverage on all assets including inventory, furniture, fixtures, equipment, supplies and other property used in the operation of the Franchised Business. Franchisee’s property insurance policy shall include coverage for fire, vandalism and malicious mischief and must have coverage limits of at least full replacement cost,
- 2 Workers’ compensation insurance that complies with the statutory requirements of the state in which the Franchised Business is located and employer liability coverage with a minimum limit of ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) or, if higher, the statutory minimum limit as required by state law,
- 3 Comprehensive General Liability Insurance, Professional Liability Insurance, and Employment Practices Liability Insurance (EPLI) against claims for bodily and personal injury, discrimination, wrongful termination, professional misconduct, death and property damage caused by, or occurring in conjunction with, the operation of the Franchised Business, or Franchisee’s conduct of business pursuant to this Agreement, with a minimum liability coverage of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence or TWO MILLION DOLLARS (\$2,000,000.00) in the aggregate for Professional Liability and General Liability and a minimum liability coverage of FIVE HUNDRED THOUSAND DOLLARS (\$500,000.00) per occurrence and in the aggregate for EPLI or, if higher, the statutory minimum limit required by state law,
- 4 Automobile liability insurance for any vehicles owned or hired by the Franchised Business, with a combined single limit of at least ONE MILLION DOLLARS (\$1,000,000.00) or, if higher, the statutory minimum limit required by state law, and
- 5 Such insurance as necessary to provide coverage under the indemnity provisions set forth in this Agreement.

Franchisee must buy insurance only from carriers rated A-VIII or better by A.M. Best and Company, Inc. (or similar criteria as Franchisor periodically specifies), unless Franchisor designates specific carriers from which Franchisee must purchase coverage (in which case Franchisee may only purchase from the designated carrier(s)). Franchisor may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverage to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards, changing economic conditions, or other relevant changes in circumstances. All insurance policies Franchisee purchases must name Franchisor and any affiliate Franchisor designate as additional insureds, and provide for thirty (30) days’ prior written notice to Franchisor of a policy’s material modification or cancellation. The cost of Franchisee’s premiums will depend on the insurance carrier’s charges, terms of payment, and Franchisee’s insurance and payment histories. Franchisee shall make timely delivery of certificates of all required insurance to Franchisor, each of which shall contain a statement by the insurer that the policy will not be cancelled or materially altered without at least thirty (30) days’ prior written notice to Franchisor. The procurement and maintenance of such insurance shall not relieve

Franchisee of any liability to Franchisor under any indemnity requirement of this Agreement

- B **Failure to Procure and Maintain Insurance** If Franchisee fails for any reason to procure and maintain the required insurance coverage, Franchisor has the right and authority (without having any obligation to do so) to immediately procure such insurance coverage, in which case Franchisee must (i) reimburse Franchisor for the costs incurred to obtain the required insurance (including any premium amounts paid), and (ii) pay Franchisor its then-current administrative fee, as may be reasonably charged by Franchisor as consideration for securing the required insurance on Franchisee's behalf
- C **Indemnification** Franchisee, as a material part of the consideration to be rendered to Franchisor, agrees to indemnify, defend and hold Franchisor, as well as Franchisor's directors, officers, principals/owners, managers, shareholders, affiliates, subsidiaries, employees, servants, agents, successors and assignees (collectively, the "Indemnitees"), harmless from and against any and all losses, damage, claims, demands, liabilities and causes of actions of every kind or character and nature, as well as costs and expenses incident thereto (including reasonable attorneys' fees and court costs), that are brought against any of the Indemnitees (collectively, the "Claims") that arise out of or are otherwise related to Franchisee's (a) breach or attempted breach of, or misrepresentation under, this Agreement, and/or (b) ownership, construction, development, management, or operation of the Franchised Business in any manner. Notwithstanding the foregoing, at Franchisor's option, Franchisor may choose to engage counsel and defend against any such Claim and may require immediate reimbursement from the Franchisee of all expenses and fees incurred in connection with such defense.

12 **INDEPENDENT CONTRACTOR**

- A **No Fiduciary Relationship** In all dealings with third parties, including without limitation, employees, suppliers, and customers, Franchisee shall disclose in an appropriate manner acceptable to Franchisor that it is an independent entity licensed by Franchisor. Nothing in this Agreement is intended by the parties hereto either to create a fiduciary relationship between them or to constitute the Franchisee an agent, legal representative, subsidiary, joint venture, partner, employee, or servant of Franchisor for any purpose whatsoever.
- B **Independent Contractor Relationship** It is understood and agreed that Franchisee is an independent contractor and is in no way authorized to make any contract, agreement, warranty, or representation or to create any obligation on behalf of Franchisor. Upon Franchisor's request, Franchisee must display a sign in its Franchised Business displaying the following phrase (or something similar): "This SWEETWATERS Cafe is independently owned and operated pursuant to a license agreement." Neither this Agreement nor Franchisor's course of conduct is intended, nor may anything in this Agreement (nor Franchisor's course of conduct) be construed to state or imply that Franchisor is the employer of Franchisee's employees and/or independent contractors, nor vice versa.

13 **TRANSFER AND ASSIGNMENT**

- A **No Transfer by Franchisee Without Franchisor's Approval** Franchisee's rights under this Agreement are personal, and Franchisee shall not sell, transfer, assign or encumber Franchisee's interest in this Agreement or the Franchised Business (or undertake any of

the actions identified in Section 13(C) of this Agreement) without Franchisor's prior written consent. Any sale, transfer, assignment or encumbrance made without Franchisor's prior written consent shall be voidable at Franchisor's option and shall subject this Agreement to termination as specified herein.

B Death or Disability

- 1 In the event of Franchisee's death, disability or incapacitation (or the death, disability or incapacitation of Franchisee's principals/owners/guarantors), Franchisee's legal representative, or Franchisee's partner's or guarantor's respective legal representative, as applicable, will have the right to continue the operation of the Franchised Business as "Franchisee" under this Agreement if (i) within ninety (90) days from the date of death, disability or incapacity (the "90 Day Period"), such person has obtained Franchisor's prior written approval and has executed Franchisor's then-current franchise agreement for the unexpired term of the franchise, or has furnished a personal guaranty of any partnership, corporate or limited liability company Franchisee's obligations to Franchisor and Franchisor's affiliates, and (ii) such person successfully completes Franchisor's training program (which Franchisor will provide at Franchisor's then-current tuition rate). Such assignment by operation of law will not be deemed in violation of this Agreement, provided such heirs or legatees accept the conditions imposed by the Franchise Agreement and are acceptable to Franchisor.
- 2 Franchisor is under no obligation to operate the Franchised Business, or incur any obligation on behalf of any incapacitated franchisee, during or after the 90 Day Period. If necessary, Franchisee (or Franchisee's legal representative, as applicable) shall appoint a previously approved acting interim manager to operate the Franchised Business during the 90 Day Period. In the event of Franchisee's death, disability, absence or otherwise, Franchisor may (but is not required to) operate the Franchised Business on Franchisee's behalf and at Franchisee's expense for such period of time (and under such terms and conditions) as Franchisor determines, including paying out the assets and/or revenues of the Franchised Business to cover any or all past, current and/or future obligations of the Franchised Business (including any amounts owed to Franchisor and/or any affiliate) in such priorities as Franchisor determines in Franchisor's sole discretion. Franchisor may pay itself a reasonable amount to reimburse Franchisor for Franchisor's management services and other costs. Franchisor may obtain approval of a court or arbitrator for any such arrangements, the attorney's fees and other costs incurred in connection with obtaining such approval to be charged against the assets and/or revenues of the Franchised Business. Franchisee (and/or Franchisee's estate) will indemnify Franchisor against any costs and/or liabilities incurred by it in connection with, or related in any way to, the operation (or otherwise) of the Franchised Business.
- 3 Franchisor will not collect any transfer fee if there is a transfer under this Section 13(B) to an immediate family member of the Franchisee that Franchisor approves pursuant to Section 13(E).

C Ownership In addition to those acts described in Section 13(A), a transfer or assignment requiring Franchisor's prior written consent shall be deemed to occur (i) if Franchisee is a corporation, upon any assignment, sale, pledge or transfer of any fractional portion of

Franchisee's voting stock or any increase in the number of outstanding shares of Franchisee's voting stock which results in a change of ownership, (ii) if Franchisee is a partnership, upon the assignment, sale, pledge or transfer of any fractional partnership ownership interest, or (iii) if Franchisee is a limited liability company, upon the assignment, sale, pledge or transfer or any interest in the limited liability company. Any new partner, shareholder, or member or manager owning having an ownership interest in the surviving entity after the proposed transfer will be required to personally guarantee Franchisee's obligations under this Agreement. A transfer pursuant to (i) and (iii) above shall not be subject to Franchisor's right of first refusal as set forth in Section 13(D).

D **Right of First Refusal** If Franchisee proposes to transfer either this Agreement or all, or substantially all, of the assets used in connection with the Franchised Business or any interest in Franchisee's lease to any third party (other than a corporation or limited liability company as set forth in Section 13(C) hereof or in the event of Franchisee's death/disability as set forth in Section 13(B)), Franchisee shall first offer to sell such interest to Franchisor on the same terms and conditions as offered by such third party. Franchisee shall obtain from the third party and provide Franchisor a statement in writing, signed by the third party and Franchisee, of the terms of the offer ("Letter of Intent"). If Franchisor elects not to accept the offer within a thirty (30) day period, Franchisee shall have a period not to exceed sixty (60) days to complete the transfer described in the Letter of Intent subject to the conditions for approval set forth in Section 13(E) of this Agreement. Franchisee shall effect no other sale or transfer as contemplated under the Letter of Intent without first complying with this Section. Any material change in the terms of the offer will be deemed a new proposal subject to Franchisor's right of first refusal. So long as Franchisee has obtained Franchisor's prior written consent, which shall not be unreasonably withheld, a transfer to an existing partner or shareholder, or a transfer as a result of the death, disability or incapacitation of a shareholder or partner, in accordance with the provisions set forth below, is not subject to Franchisor's first right of refusal.

E **Conditions for Approval** Franchisor may condition Franchisor's approval of any proposed sale or transfer of the Franchised Business or of Franchisee's interest in this Agreement or any other acts of transfer described in Section 13(C) upon satisfaction of the following occurrences:

- 1 All of Franchisee's accrued monetary obligations to Franchisor, Franchisor's affiliates, and Franchisor's designated/approved suppliers and vendors, are satisfied,
- 2 Franchisee must cure all existing defaults under this Agreement, or any other agreement between Franchisee and Franchisor, Franchisor's affiliates, Franchisor's designated/approved suppliers and vendors, within the period permitted for cure and have substantially complied with such agreements during their respective terms,
- 3 Franchisee and Franchisee's principals (if Franchisee is a partnership, corporation or limited liability company), and the transferee (if it has had any previous relationship with Franchisor or Franchisor's affiliates), must execute a general release under seal, in a form satisfactory to Franchisor, of any and all claims against Franchisor and Franchisor's affiliates and officers, directors, shareholders and employees, in their corporate and individual capacities,

- 4 Franchisee or transferee shall provide Franchisor a copy of the executed purchase agreement relating to the proposed transfer with all supporting documents and schedules, including transferee's assumption of and agreement to faithfully perform all of Franchisee's obligations under this Agreement,
- 5 The transferee shall demonstrate to Franchisor's satisfaction that he or she meets Franchisor's educational, managerial and business standards, possesses a good moral character, business reputation and credit rating, has the aptitude and ability to conduct the business to be transferred, and has adequate financial resources and capital to meet the performance obligations under this Agreement, however, transferee shall not be in the same business as Franchisor either as licensor, franchisor, independent operator or licensee of any other business or chain which is similar in nature or in competition with Franchisor, except that the transferee may be an existing franchisee of ours,
- 6 The transferee shall execute Franchisor's then-current franchise agreement (which may contain materially different terms than this Agreement) for the remaining balance of Franchisee's term under this Agreement, with transferee's term commencing on the date the transferee executes the then-current franchise agreement,
- 7 Franchisee or transferee shall pay Franchisor a transfer fee equal to \$10,000, as well as any third-party broker fees that are due in connection with the proposed transfer,
- 8 The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and pay Franchisor a tuition training fee of \$300 per day per trainer for transferee and one (1) other person to attend training (the transferee will also be responsible for all costs and expenses associated with attending the initial training program),
- 9 Franchisee (and Franchisee's principals/guarantors if Franchisee is a partnership, corporation or limited liability company) must comply with the post-termination provisions of this Agreement,
- 10 The transferee must demonstrate that it has obtained or maintained, within the time limits set by Franchisor, all permits and licenses required for the continued operation of the Franchised Business,
- 11 To the extent required by the terms of any leases or other agreements, the lessors or other parties must have consented to the proposed transfer,
- 12 The transfer must be made in compliance with any laws that apply to the transfer, including state and federal laws governing the offer and sale of franchises,
- 13 The purchase price and terms of the proposed transfer must not be so burdensome to the prospective transferee as to impair or materially threaten its future operation of the Franchised Business and performance under its franchise agreement,

- 14 Franchisee must request that Franchisor provide the prospective transferee with Franchisor's current form of disclosure document and Franchisor shall not be liable for any representations not included in the disclosure document, and
- 15 Franchisor shall have the right to disclose to any prospective transferee such revenue reports and other financial information concerning Franchisee and Franchised Business as Franchisee has supplied Franchisor hereunder

Franchisor will not unreasonably withhold its consent to a proposed transfer or assignment requested by Franchisee, provided the foregoing conditions are met. Franchisor's approval of a transfer shall not operate as a release of any liability of the transferring party nor shall such approval constitute a waiver of any claims Franchisor may have against the transferring party. Furthermore, Franchisor agrees that Franchisee will not be required to pay any transfer fee in the event (i) Franchisee wishes to transfer its rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by Franchisee and established solely for purposes of operating the Franchised Business under the Franchise Agreement, or (ii) Franchisee is required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest thereto) in order to receive SBA or other traditional bank financing, provided Franchisor otherwise approves of the transfer.

F **Transfer from an Individual Franchisee to Business Entity** If Franchisee is an individual and desires to assign its rights under this Agreement to a corporation or limited liability company, and if all of the following conditions are met, Franchisor will consent to the transfer without assessing the transfer fee or training tuition fees set forth in Section 13(E)(7)-(8), and such assignment will not be subject to Franchisor's right of first refusal in Section 13(D): (i) the corporation or limited liability company is newly organized and its activities are confined to operating the Franchised Business, (ii) Franchisee is, and at all times remains, the owner of 51% or more of the outstanding shares of the corporation or a controlling interest in the limited liability company, (iii) the corporation or limited liability company agrees in writing to assume all of Franchisee's obligations hereunder, and (iv) all stockholders of the corporation, or members and managers of the limited liability company, as applicable, personally guarantee prompt payment and performance by the corporation or limited liability company of all its obligations to Franchisor and Franchisor's affiliates, under this Agreement and any other agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and execute the Personal Guaranty attached to this Agreement as Exhibit B.

G **Franchisor's Right to Transfer** Franchisor has the right to sell, transfer, assign and/or encumber all or any part of Franchisor's assets and Franchisor's interest in, and rights and obligations under, this Agreement in Franchisor's sole discretion.

14 **COVENANTS**

Franchisee acknowledges that, as a participant in Franchisor's System, Franchisee will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques that Franchisor has developed. As such, Franchisee agrees to the covenants in this Section to protect Franchisor, the System, Proprietary Marks and Franchisor's other franchisees.

A **During the Term of this Agreement** During the term of this Agreement, neither Franchisee, its principals, owners, guarantors or Designated Manager(s), nor any immediate family of Franchisee, its principals, owners, guarantors or Designated Manager(s), may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation

- 1 Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money or extend credit to, lease/sublease space to, or have any interest in or involvement with, any other business that (a) sells, at wholesale or retail, gourmet coffee in bulk and/or in packages, (b) generates 20% or more of its net revenue from the sale of gourmet coffee products by the cup, including, without limitation, such businesses as coffee and tea stores, espresso/coffee cafes and coffee houses (each, a "Competing Business"), or (c) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business For purposes of this Agreement, a Competing Business does not include (i) any business operated by Franchisee under a Franchise Agreement with Franchisor, or (ii) any business operated by a publicly traded entity in which Franchisee owns less than two percent (2%) legal or beneficial interest,
- 2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat, or
- 3 Divert, or attempt to divert, any prospective customer to a Competing Business in any manner

B **After the Term of this Agreement**

- 1 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation, be involved with any business that competes in whole or in part with Franchisor by offering or granting licenses or franchises, or establishing joint ventures, for the ownership or operation of a Competing Business The geographic scope of the covenant contained in this Section is any location where Franchisor can demonstrate it has offered or sold franchises as of the date this Agreement is terminated or expires
- 2 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of this Agreement, regardless of the cause, neither Franchisee, its principals, owners and guarantors, nor any member of the immediate family of Franchisee, its principals, owners or guarantors, may, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation
 - a Own, maintain, engage in, be employed as an officer, director, or principal of, lend money to, extend credit to, lease/sublease space to, or have any interest in or involvement with any other Competing Business (i) at the Premises, (ii)

within the Designated Territory, or (iii) within a ten (10) mile radius of (A) the Designated Territory, or (B) any other SWEETWATERS Cafe (whether franchised or company-owned) that is open, under lease or otherwise under development as of the date this Agreement expires or is terminated,

- b Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive business purpose, nor solicit any of Franchisor's other employees, or the employees of Franchisor's affiliates or any other System franchisee to discontinue employment

C **Intent and Enforcement** It is the parties' intent that the provisions of this Section 14 be judicially enforced to the fullest extent permissible under applicable law. Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable. In the event of the actual or threatened breach of this Section 14 by Franchisee, any of Franchisee's principals, or any member of the immediate family of Franchisee or Franchisee's principals, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach. Franchisee acknowledges that the covenants contained herein are necessary to protect the goodwill of the Franchised Business, other System franchisees, and the System. Franchisee further acknowledges that covenants contained in this Section 15 are necessary to protect Franchisor's procedures and know-how transmitted during the term of this Agreement. Franchisee agrees that in the event of the actual or threatened breach of this Section 14, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm. Franchisee acknowledges and agrees on Franchisee's own behalf and on behalf of the persons who are liable under this Section 15 that each has previously worked or been gainfully employed in other careers and that the provisions of this Section 14 in no way prevent any such person from earning a living. Franchisee further acknowledges and agrees that the time limitation on the restrictive covenants set forth in Section 14(B) shall be tolled during any default under this Section 14.

D **Confidentiality and Non-Competition Agreement** Franchisee must ensure that all management personnel of the Franchised Business, as well as any officers and directors of Franchisee, execute Franchisor's then-current form of Confidentiality and Non-Competition Agreement (which will be in substantially the same form as the document attached to this Agreement as Exhibit E). Franchisee must furnish Franchisor a copy of each executed agreement.

E **No Defense** Franchisee hereby agrees that the existence of any claim Franchisee may have against Franchisor, whether or not arising from this Agreement, shall not constitute a defense to Franchisor's enforcement of the covenants contained in this Section 14. Franchisee agrees to pay all costs and expenses (including reasonable attorneys' fees) that Franchisor incurs in connection with the enforcement of this Section 14.

15 **DEFAULT AND TERMINATION**

Franchisor may terminate this Agreement as described in this Section, and Franchisee agrees and acknowledges that the defaults, or failure to cure such defaults within the appropriate time period prescribed below (if any), shall constitute "good cause" and "reasonable cause" for termination.

under any state franchise laws or regulations that might apply to the operation of the Franchised Business

A **Automatic Termination** This Agreement will automatically terminate without notice or an opportunity to cure upon the occurrence of any of the following

- 1 The Franchisee becomes insolvent or makes a general assignment for the benefit of creditors, unless otherwise prohibited by law,
- 2 A petition in bankruptcy is filed by Franchisee or such a petition is filed against and consented to by Franchisee and not dismissed within thirty (30) days,
- 3 A bill in equity or other proceeding for the appointment of a receiver of Franchisee or other custodian in connection with the Franchisee or Franchised Business (or assets of the Franchised Business) is filed and consented to by Franchisee,
- 4 A receiver or other custodian (permanent or temporary) of Franchisee's assets or property, or any part thereof, is appointed,
- 5 A final judgment in excess of Ten Thousand Dollars (\$10,000 00) against Franchisee remains unsatisfied or of record for sixty (60) days or longer (unless a bond is filed or other steps are taken to effectively stay enforcement of such judgment in the relevant jurisdiction), except that Franchisor may provide Franchisee with additional time to satisfy the judgment if Franchisee demonstrates that it is using commercially reasonable efforts to resolve the issues related to the judgment, or
- 6 Franchisee attempts to sell, transfer, encumber or otherwise dispose of any interest in Franchisee, this Agreement or the Franchised Business in violation of Section 13 hereof

B **Termination upon Notice** Franchisor has the right to terminate this Agreement upon written notice to Franchisee without providing Franchisee any opportunity to cure with respect to any of the following breaches or defaults

- 1 If Franchisee or Franchisee's owners/principals commit any fraud or misrepresentation in the establishment or operation of the Franchised Business, including without limitation, any misrepresentation made in Franchisee's franchise application,
- 2 If Franchisee and any other required attendees fail to attend and complete the Initial Training Program within the time period prescribed in this Agreement,
- 3 If Franchisee receives from Franchisor three (3) or more notices to cure the same or similar defaults or violations set forth in Section 15(C) of this Agreement during any twelve (12) month period, whether or not these breaches were timely cured,
- 4 If Franchisee or Franchisee's owners/principals violate any of the in-term covenant not to compete or any of the other restrictive covenants set forth in Section 14 of this Agreement,

- 5 If Franchisee misuses the Proprietary Marks or Confidential Information in any manner, or otherwise violates any provision of this Agreement related to the use of the Proprietary Marks, Confidential Information and any other confidential materials provided by Franchisor (including those provisions related to non-disclosure of the Manuals and other confidential materials that Franchisor loans to Franchisee),
- 6 If Franchisee misuses any proprietary software that Franchisor designates for use in connection with the Franchised Business,
- 7 If Franchisee or any of Franchisee's principals default on any other agreement with Franchisor or any affiliate or Approved Supplier of Franchisor, and such default is not cured within the prescribed time period set forth in that other agreement,
- 8 If Franchisee defaults under the lease for the Premises and does not cure within the prescribed period of time thereunder, or if Franchisee otherwise loses its right to possess and control the Premises to operate the Franchised Business at any time during the term of this Agreement (except in cases of *force majeure* and cases where Franchisor has previously approved Franchisee's relocation request and Franchisee timely relocates),
- 9 If Franchisee fails to open and commence operations of the Franchised Business within the time period prescribed in Section 6 of this Agreement,
- 10 If Franchisee fails to cure any of the following violations under this Agreement within ten (10) days of being notified by Franchisor (i) failure to offer only those Approved Products that Franchisor authorizes at the Franchised Business, (ii) any purchase of any non-approved item or service for use in connection with the Franchised Business, (iii) failure to purchase any Required Item that Franchisor designates as necessary for the establishment or operation of the Franchised Business from the appropriate Approved Supplier(s) that Franchisor designates,
- 11 If Franchisee voluntarily or otherwise abandons the Franchised Business For purposes of this Agreement, the term "abandon" means (i) failure to actively operate the Franchised Business for more than two (2) business days without Franchisor's prior written consent, or (ii) any other conduct on the part of Franchisee or its principals that Franchisor determines indicates a desire or intent to discontinue operating the Franchised Business in accordance with this Agreement or the Manuals,
- 12 If Franchisee fails to provide Franchisor with access, or otherwise blocks Franchisor's access, to Franchisee's POS system, Computer System or registers located at the Franchised Business as required under this Agreement, and fails to remedy this default within twenty four (24) hours of being notified by Franchisor,
- 13 If Franchisee fails to pay Franchisor, its affiliates or any of its Approved Suppliers any amount that is due and owing Franchisor within ten (10) days of the date that Franchisor (or other party owed the money) notifies Franchisee of the outstanding amount that is due and owed,
- 14 If Franchisee fails, for a period of fifteen (15) days after notification of non-compliance by appropriate authority, to comply with any law or regulation applicable to the operation of the Franchised Business,

- 15 If Franchisee fails, for a period of ten (10) days after notification of non-compliance, to obtain any other licenses, certificates, permits or approvals necessary to operate the Franchised Business at the Premises,
- 16 If Franchisee, any person controlling, controlled by, or under common control with the Franchisee, any principal officer or employee of Franchisee, or any person owning an interest in Franchise is convicted of a felony or any other crime or offense (even if not a crime) that is reasonably likely in the sole opinion of Franchisor to adversely affect the System, any System unit, the Proprietary Marks, or the goodwill associated therewith,
- 17 If Franchisee takes for Franchisee's own personal use any assets or property of the Franchised Business, including inventory, employee taxes, FICA, insurance or benefits,
- 18 If there are insufficient funds in Franchisee's EFT Account to cover a check or EFT payment due to Franchisor or its affiliates under this Agreement three (3) or more times within any twelve (12) month period, or
- 19 If Franchisee commits repeated violations of any health, zoning, sanitation, or other regulatory law, standard, or practice, operates the business in a manner that presents a health or safety hazard to its employees or customers

C Termination upon Notice and 30 Days' Cure Except for those defaults set forth in Sections 15(A)-(B) of this Agreement, Franchisor may terminate this Agreement upon notice to Franchisee in the event Franchisee (i) breaches or violates any other covenant, obligation, term, condition, warranty, or certification under this Agreement, including Franchisee's failure to comply with any of Franchisor's other System standards and specifications in the operation of the Franchised Business as set forth in the Manuals, and (ii) fails to cure such breach or violation within thirty (30) days of the date Franchisee is provided with notice thereof by Franchisor

D Step-In Rights In addition to Franchisor's right to terminate this Agreement, and not in lieu of such right or any other rights hereunder, if this Agreement is subject to termination due to Franchisee's failure to cure any default within the applicable time period (if any), then Franchisor has the right, but not the obligations, to enter the Premises and exercise complete authority with respect to the operation of the Franchised Business until such time that Franchisor determines, in its reasonable discretion, that the default(s) at issue have been cured and that Franchisee is otherwise in compliance with the terms of this Agreement. In the event Franchisor exercises these "step-in rights," Franchisee must (a) pay Franchisor a management fee amounting to \$200 per day during the time period that Franchisor's representatives are operating the Franchised Business (the 'Management Fee'), and (b) reimburse Franchisor for all reasonable costs and overhead that Franchisor incurs in connection with its operation of the Franchised Business, including without limitation, costs of personnel supervising and staffing the Franchised Business and any travel, lodging and meal expenses. If Franchisor undertakes to operate the Franchised Business pursuant to this Section, Franchisee must indemnify, defend and hold Franchisor (and its representatives and employees) harmless from and against any Claims that may arise out of Franchisor's operation of the Franchised Business.

16 **POST-TERM OBLIGATIONS**

Upon the expiration or termination of this Agreement, Franchisee shall immediately

- A **Cease Ownership and Operation of Cafe, Cease Affiliate with Franchisor and Brand Generally** Cease to be a franchise owner of Franchised Business under this Agreement and cease to operate the former Franchised Business under the System. Franchisee shall not thereafter directly or indirectly represent to the public that the former Franchised Business is or was operated or in any way connected with the System or hold itself out as a present or former franchise owner of a SWEETWATERS franchise at or with respect to the Premises (unless Franchisor agrees otherwise in writing),
- B **Return Manuals and Confidential Information** Return to Franchisor the Manuals and all trade secrets, Confidential Information (including customer lists and information) and other confidential materials, equipment, software and property owned by Franchisor and all copies thereof. Franchisee shall retain no copy or record of any of the foregoing, provided, however, that Franchisee may retain its copy of this Agreement, any correspondence between the parties, and any other document which Franchisee reasonably needs for compliance with any applicable provision of law,
- C **Assignment of Customer Contracts, Telephone/Facsimile Numbers and Domain Names** Take such action as may that Franchisor designates to (i) provide and assign to Franchisor the then-current and up-to-date customer list to Franchisor, and (ii) transfer, disconnect, forward, or assign all telephone/facsimile numbers and domain names used in connection with the Franchised Business, as well as any white and yellow page telephone references, advertisements, and all trade and similar name registrations and business licenses to Franchisor or its designee and cancel any interest which Franchisee may have in the same (as Franchisor directs in its sole discretion). Franchisee agrees to execute all documents necessary to comply with the obligations of this Section, including the form Conditional Assignment of Telephone/Facsimile Numbers and Domain Names attached to this Agreement as Exhibit F
- D **Cease Using Proprietary Marks** Cease to use in advertising or in any manner whatsoever any methods, procedures, or techniques associated with the System in which Franchisor has a proprietary right, title, or interest, cease to use the Proprietary Marks and any other marks and indicia of operation associated with the System, and remove all trade dress, physical characteristics, color combinations, and other indications of operation under the System from the Premises. Without limiting the generality of the foregoing, Franchisee agrees that, in the event of any termination or expiration and non-renewal of this Agreement, it will remove all signage bearing the Proprietary Marks, deliver the fascia for such signs to Franchisor upon Franchisor's request, and remove any items that are characteristic of the System "trade dress" from the Premises. Franchisee agrees that Franchisor or a designated agent may enter upon the Premises at any time to make such changes at Franchisee's sole risk and expense and without liability for trespass.
 - 1 Upon Franchisor's request, Franchisee must provide all materials bearing the Proprietary Marks to Franchisor upon expiration or termination of this Agreement for any reason, without cost to Franchisor, and

- 2 Franchisee must cease holding itself out as a present franchisee of Franchisor or the SWEETWATERS franchise system and, upon Franchisor's request, as a past franchisee of Franchisor or the SWEETWATERS franchise system
- E **Compliance with Post-Term Covenants** Comply with the post-term covenants not to compete and other restrictive covenants set forth in Section 14 of this Agreement,
- F **Written Evidence of Compliance** Provide Franchisor with written evidence that they have complied with the post-term obligations, within thirty (30) days' notice of termination or scheduled expiration of the franchise, and
- G **Purchase of Assets** Franchisor shall have the option, but not the obligation, within thirty (30) days after the date of termination, expiration, and non-renewal of this Agreement to purchase any and all of Franchisee's assets from the Franchised Business at a purchase price equal to net depreciated book value. If Franchisor elects this option, Franchisor will deliver written notice to Franchisee. Franchisor will have the right to inspect equipment at any time during this thirty (30) day period. If Franchisor elects to purchase equipment as part of the asset purchase, Franchisor will be entitled to, and Franchisee must provide, all customary warranties and representations as to compliance with law, the maintenance, function, and condition of the equipment and Franchisee's good title to the equipment (including, but not limited to, that Franchisee owns the equipment free and clear of any liens and encumbrances)

17 **TAXES AND INDEBTEDNESS**

- A **Taxes** Franchisee must promptly pay when due any and all federal, state, and local taxes, including without limitation, unemployment, workers' compensation, and sales taxes which are levied or assessed with respect to any services or products furnished, used, or licensed pursuant to this Agreement and all accounts or other indebtedness of every kind incurred by Franchisee in the operation of the Franchised Business
- B **Debts and Obligations** Franchisee hereby expressly covenants and agrees to accept full and sole responsibility for any and all debts and obligations incurred in the operation of the Franchised Business

18 **WRITTEN APPROVALS, WAIVERS, FORMS OF AGREEMENT, AMENDMENT**

- A **Franchisor's Approval** Whenever this Agreement requires or Franchisee desires to obtain Franchisor's approval, Franchisee shall make a timely written request. Unless a different period is specified in this Agreement, Franchisor shall respond with its approval or disapproval within fifteen (15) days of receipt of such request. If Franchisor has not specifically approved a request within such fifteen (15) day period, such failure to respond shall be deemed as a disapproval of any such request
- B **No Waiver** No failure of Franchisor to exercise any power reserved to it by this Agreement and no custom or practice of the parties at variance with the terms hereof shall constitute a waiver of Franchisor's right to demand exact compliance with any of the terms herein. No waiver or approval by Franchisor of any particular breach or default by Franchisee, no delay, forbearance, or omission by Franchisor to act or give notice of default or to exercise any power or right arising by reason of such default hereunder, and no acceptance by Franchisor of any payments due hereunder shall be considered a waiver or approval by

Franchisor of any preceding or subsequent breach or default by Franchisee of any term, covenant, or condition of this Agreement

- C **Terms of Other Franchise Agreements** No warranty or representation is made by the Franchisor that all SWEETWATERS franchise agreements heretofore or hereafter issued by Franchisor do or will contain terms substantially similar to those contained in this Agreement. Further, Franchisee recognizes and agrees that Franchisor may, in its reasonable business judgment due to local business conditions or otherwise, waive or modify comparable provisions of other franchise agreements heretofore or hereafter granted to other System franchise owners in a non-uniform manner.
- D **Modification of System and Manuals** Except as provided in Section 22 and Franchisor's right to unilaterally modify the System and Manuals, no amendment, change, or variance from this Agreement shall be binding upon either Franchisor or Franchisee unless set forth in writing and signed by both parties.
- E **No Disclaimers of Franchise Disclosure Document** Nothing in this Agreement or in any related agreement is intended to disclaim the representations we made in the franchise disclosure document.

19 **ENFORCEMENT**

- A **Full Access to Premises for Inspection** In order to ensure compliance with this Agreement and enable Franchisor to carry out its obligation under this Agreement, Franchisee agrees that Franchisor and its designated agents shall be permitted, with or without notice, full and complete access during business hours to inspect the Premises and all records thereof, including but not limited to, records relating to Franchisee's customers, suppliers, employees, and agents. Franchisee shall cooperate fully with the Franchisor and its designated agents requesting such access.
- B **Injunctive Relief** The Franchisor or its designee shall be entitled to obtain without bond, declarations, temporary and permanent injunctions, and orders of specific performance in order to enforce the provisions of this Agreement relating to Franchisee's use of the Proprietary Marks, the obligations of Franchisee upon termination or expiration of this Agreement, and assignment of the franchise and ownership interests in Franchisee or in order to prohibit any act or omission by Franchisee or its employees which constitutes a violation of any applicable law or regulation, which is dishonest or misleading to prospective or current customers of businesses operated under the System, which constitutes a danger to other franchise owners, employees, customers, or the public or which may impair the goodwill associated with the Proprietary Marks.
- C **No Withholding of Payments** Franchisee agrees and acknowledges that it may not withhold payments or amounts of any kind due to Franchisor on the premise of alleged nonperformance by Franchisor of any of its obligations hereunder.
- D **Costs and Attorneys' Fees** If Franchisee is in breach or default of any monetary or non-monetary obligation under this Agreement or any related agreement between Franchisee and Franchisor and/or Franchisor's affiliates, and Franchisor engages an attorney to enforce Franchisor's rights (whether or not formal judicial proceedings are initiated), Franchisee must reimburse Franchisor for all costs/expenses incurred in connection with enforcing its rights under this Agreement including all reasonable attorneys' fees, court

costs and litigation expenses. If Franchisee institutes any legal action to interpret or enforce the terms of this Agreement, and Franchisee's claim in such action is denied or the action is dismissed, Franchisor is entitled to recover Franchisor's reasonable attorneys' fees, and all other reasonable costs and expenses incurred in defending against same, and to have such an amount awarded as part of the judgment in the proceeding.

20 **NOTICES**

Any notice required to be given hereunder shall be in writing and shall be either mailed by certified mail, return receipt requested, or delivered by a recognized courier service, receipt acknowledged. Notices must be provided to each party at the respective addresses set forth below.

To Franchisor Sweetwaters Group LLC
 Attn: Lisa Bee
 123 W. Washington Street
 Ann Arbor, Michigan 48104

With a copy to Lane J. Fisher, Esq.
 Fisher Zucker, LLC
 21 South 21st Street
 Philadelphia, PA 19103

To Franchisee

Any notice complying with the provisions hereof will be deemed delivered at the earlier of (i) three (3) days after mailing, or (ii) the actual date of delivery or receipt (as evidenced by the courier). Each party shall have the right to designate any other address for such notices by providing the other party(ies) with written notice thereof at the addresses above, and in such event, all notices to be mailed after receipt of such notice shall be sent to such other address.

21 **GOVERNING LAW AND DISPUTE RESOLUTION**

- A **Governing Law** This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to this state's conflict of laws principles.
- B **Internal Dispute Resolution** Franchisee must first bring any claim or dispute between Franchisee and Franchisor to Franchisor's management, after providing notice as set forth in Section 21(G) of this Agreement, and make every effort to resolve the dispute internally. Franchisee must exhaust this internal dispute resolution procedure before Franchisee may bring Franchisee's dispute before a third party. This agreement to first attempt resolution of disputes internally shall survive termination or expiration of this Agreement.
- C **Mediation** At Franchisor's option, all claims or disputes between Franchisee and Franchisor (or its affiliates) arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisee and Franchisor (or its affiliates), or any of the

parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 21(B) above, will be submitted first to mediation to take place at Franchisor's then-current corporate headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Franchisee must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify Franchisee as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Franchisee may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile, or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor. Each party will bear its own cost of mediation and Franchisor and Franchisee will share mediator fees equally. This agreement to mediate will survive any termination or expiration of this Agreement. The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 21(C) if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any Confidential Information or other confidential information, (ii) any of the restrictive covenants contained in this Agreement, and (iii) any of Franchisee's payment obligations under this Agreement.

- D Injunctive Relief** Franchisee acknowledges and agrees that irreparable harm could be caused to Franchisor by Franchisee's violation of certain provisions of this Agreement and, as such, in addition to any other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to (i) Franchisee's use of the Proprietary Marks and Confidential Information (including any proprietary software used in connection with the Franchised Business), (ii) the in-term covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement, (iii) Franchisee's obligations on termination or expiration of this Agreement, (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended, (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement, and (vi) to prohibit any act or omission by Franchisee or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Franchisee's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Franchisee waives all damage claims if the injunction is wrongfully issued.

- E Venue** Except for those claims described in Section 21(D) of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Franchisor's then-current corporate headquarters or, if appropriate, the United States District Court for the Eastern District of Michigan. Franchisee acknowledges that this

Agreement has been entered into in the State of Michigan, and that Franchisee is to receive valuable and continuing services emanating from Franchisor's headquarters in Michigan, including but not limited to training, assistance, support and the development of the System. In recognition of such services and their origin, Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts of Michigan as set forth in this Section.

- F **Third Party Beneficiaries** Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of the provisions of this Agreement, including the dispute resolution provisions set forth in this Section 21, each having authority to specifically enforce the right to mediate/arbitrate claims asserted against such person(s) by Franchisee.
- G **Notice Requirement** As a condition precedent to commencing an action for damages or for violation or breach of this Agreement, Franchisee must notify Franchisor within thirty (30) days after the occurrence of the violation or breach, and failure to timely give such notice shall preclude any claim for damages.
- H **No Withholding of Payments** Franchisee shall not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of Franchisor's alleged nonperformance or as an offset against any amount Franchisor or any of Franchisor's affiliates allegedly may owe Franchisee under this Agreement or any related agreements.
- I **Limitation of Actions** Franchisee further agrees that no cause of action arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless brought before the expiration of one (1) year after the act, transaction or occurrence upon which such action is based or the expiration of one year after the Franchisee becomes aware of facts or circumstances reasonably indicating that Franchisee may have a claim against Franchisor hereunder, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense, or set-off. Franchisee hereby waives the right to obtain any remedy based on alleged fraud, misrepresentation, or deceit by Franchisor, including, without limitation, rescission of this Agreement, in any mediation, judicial, or other adjudicatory proceeding arising hereunder, except upon a ground expressly provided in this Agreement, or pursuant to any right expressly granted by any applicable statute expressly regulating the sale of franchises, or any regulation or rules promulgated thereunder.
- J **Waiver of Punitive Damages** Franchisee hereby waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that Franchisee's recovery is limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages. Nothing in this Section or any other provision of this Agreement shall be construed to prevent Franchisor from claiming and obtaining expectation or consequential damages, including lost future royalties for the balance of the term of this Agreement if it is terminated due to Franchisee's default, which the parties agree and acknowledge Franchisor may claim under this Agreement.

K **WAIVER OF JURY TRIAL** THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES

L **WAIVER OF CLASS ACTIONS** THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY

22 **SEVERABILITY AND CONSTRUCTION**

A Should any provision of this Agreement for any reason be held invalid, illegal, or unenforceable by a court of competent jurisdiction, such provision shall be deemed restricted in application to the extent required to render it valid, and the remainder of this Agreement shall in no way be affected and shall remain valid and enforceable for all purposes, both parties hereto declaring that they would have executed this Agreement without inclusion of such provision In the event such total or partial invalidity or unenforceability of any provision of this Agreement exists only with respect to the laws of a particular jurisdiction, this paragraph shall operate upon such provision only to the extent that the laws of such jurisdiction are applicable to such provision Each party agrees to execute and deliver to the other any further documents which may be reasonably required to make fully the provisions hereof Franchisee understands and acknowledges that Franchisor shall have the right in its sole discretion on a temporary or permanent basis, to reduce the scope of any covenant or provision of this Agreement binding upon Franchisee without Franchisee's consent, effective immediately upon receipt by Franchisee of written notice thereof, and Franchisee agrees that it will comply forthwith with any covenant as so modified, which shall be fully enforceable

B This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute the same instrument

C The table of contents, headings, and captions contained herein are for the purposes of convenience and reference only and are not to be construed as a part of this Agreement All terms and words used herein shall be construed to include the number and gender as the context of this Agreement may require The parties agree that each Section of this Agreement shall be construed independently of any other Section or provision of this Agreement

23 **ACKNOWLEDGMENTS**

- A Franchisee acknowledges that it received a complete copy of this Agreement for a period not less than fourteen (14) calendar days, during which time conducted an independent investigation of the business licensed hereunder to the extent of Franchisee's desire to do so. Franchisee recognizes and acknowledges that the business venture contemplated by this Agreement involves business risks, and that its success will be largely dependent upon the ability of the Franchisee as an independent businessperson. Franchisor expressly disclaims the making of, and Franchisee acknowledges that it has not received, any warranty or guarantee, express or implied, that Franchisee will be successful in this venture or that the business will attain any level of sales volume, profits, or success. Franchisee acknowledges that this Agreement, the franchise disclosure document ("FDD"), and the exhibits hereto constitutes the entire Agreement of the parties. This Agreement terminates and supersedes any prior agreement between the parties concerning the same subject matter.
- B Franchisee agrees and acknowledges that fulfillment of any and all of Franchisor's obligations written in this Agreement or based on any oral communications which may be ruled to be binding in a court of law shall be Franchisor's sole responsibility and none of Franchisor's agents, representatives, nor any individuals associated with Franchisor's franchise company shall be personally liable to Franchisee for any reason. This is an important part of this Agreement. Franchisee agrees that nothing that Franchisee believes Franchisee has been told by Franchisor or Franchisor's representatives shall be binding unless it is written in this Agreement. This is an important part of this Agreement. Do not sign this Agreement if there is any question concerning its contents or any representations made

***[THIS REMAINDER OF THIS PAGE IS INTENTIONALLY LEFT BLANK
SIGNATURES APPEAR ON THE FOLLOWING PAGE]***

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

FRANCHISOR

SWEETWATERS GROUP LLC

By _____

Print Name _____

Title _____

Date _____

FRANCHISEE

IF AN INDIVIDUAL

By _____

Print Name _____

Date _____

Spouse Signature _____

Spouse Name _____

Date _____

**IF A PARTNERSHIP, CORPORATION, OR
OTHER ENTITY**

By _____

Print Name _____

Title _____

Date _____

EXHIBIT A TO THE FRANCHISE AGREEMENT
DATA SHEET AND STATEMENT OF OWNERSHIP

1 SITE SELECTION AREA

Pursuant to Section 2(B) of the Franchise Agreement, Franchisee must locate and secure a Premises for the Franchised Business within the following Site Selection Area

2 PREMISES

Pursuant to Section 2(C) of the Franchise Agreement, the Franchised Business shall be located at the following approved Premises

3 DESIGNATED TERRITORY

Pursuant to Section 2(D) of the Franchise Agreement, Franchisee's Designated Territory will be defined as follows (if identified on a map, please attach map and reference attachment below)

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

Name	
Daytime Telephone No	
Evening Telephone No	
Cellular Telephone No	
Facsimile No	
E-mail Address	

- 5 Statement of Ownership If Franchisee is a corporation, limited liability company, partnership or other business entity, the undersigned agree and acknowledge that the following is a complete list of all of the shareholders, members, or partners of Franchisee and the percentage interest of each individual

<u>Name</u>	<u>Position/Title</u>	<u>Interest (%)</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

THE PARTIES SIGNING THIS DATA SHEET BELOW AGREE AND ACKNOWLEDGE THAT THIS DATA SHEET, BY ITSELF, DOES NOT CONSTITUTE A FRANCHISE AGREEMENT OR OTHERWISE CONFER ANY FRANCHISE RIGHTS UPON FRANCHISEE THIS DATA SHEET PROVIDES CERTAIN DEAL-SPECIFIC INFORMATION IN CONNECTION WITH THE FRANCHISE THAT IS GOVERNED BY THE FRANCHISE AGREEMENT TO WHICH THIS DATA SHEET IS AN EXHIBIT

THE PARTIES AGREE AND ACKNOWLEDGE THAT THE FOREGOING FRANCHISE AGREEMENT MUST BE EXECUTED PRIOR TO OR CONTEMPORANEOUS WITH THIS DATA SHEET FOR ANY RIGHTS TO BE CONFERRED

IN WITNESS WHEREOF, the undersigned has duly executed this Exhibit to the Franchise Agreement on this ____ day of _____, 20____

FRANCHISEE

By _____

Name _____

Title _____

FRANCHISOR

SWEETWATERS GROUP LLC

By _____

Name _____

Title _____

EXHIBIT B TO THE FRANCHISE AGREEMENT

PERSONAL GUARANTY

NOTE IF FRANCHISEE IS A CORPORATION, LIMITED LIABILITY COMPANY OR OTHER BUSINESS ENTITY, THEN EACH INDIVIDUAL/ENTITY WITH AN OWNERSHIP INTEREST IN FRANCHISEE (PRINCIPALS/MEMBERS/SHAREHOLDERS/MANAGERS/PARTNERS/ETC) AND THEIR RESPECTIVE SPOUSES MUST EXECUTE THIS FORM OF PERSONAL GUARANTY IF FRANCHISEE IS AN INDIVIDUAL AND FRANCHISEE'S SPOUSE HAS NOT SIGNED THE FRANCHISE AGREEMENT DIRECTLY, THEN FRANCHISEE'S SPOUSE MUST EXECUTE THIS FORM OF PERSONAL GUARANTY

ARTICLE I PERSONAL GUARANTY

The undersigned persons (individually and collectively "you") hereby represent to Sweetwaters Group LLC (the "Franchisor") that you are all the owners/principals/members/shareholders/managers/partners, as applicable, of the business entity named _____ (the "Franchisee"), as well as their respective spouses, as of the date this Personal Guaranty (the "Personal Guaranty" or "Guaranty") is executed

In consideration of the grant by Franchisor to the Franchisee as herein provided, each you hereby agree, in consideration of benefits received and to be received by each of you, jointly and severally, and for yourselves, your heirs, legal representatives and assigns, to be firmly bound by all of the terms, provisions and conditions of the foregoing Sweetwaters Group LLC Franchise Agreement, and any other agreement between Franchisee and Franchisor and/or its affiliates, and do hereby unconditionally guarantee the full and timely performance by Franchisee of each and every obligation of Franchisee under the aforesaid Franchise Agreement or other agreement between Franchisor and Franchisee, including, without limitation (i) any indebtedness of Franchisee arising under or by virtue of the aforesaid Franchise Agreement, (ii) the prohibition of any change in the percentage of Franchisee owned, directly or indirectly, by any person, without first obtaining the written consent of Franchisor prior to said proposed transfer as set forth in the Franchise Agreement, (iii) those obligations related to confidentiality, non-disclosure and indemnification, and (iv) the in-term and post-term covenants against competition, as well as all other restrictive covenants set forth in the Franchise Agreement

ARTICLE II CONFIDENTIALITY

During the initial and any renewal terms of the Franchise Agreement and this Guaranty, you will receive information, which Franchisor considers to be Confidential Information, trade secrets and/or confidential information, including without limitation (i) site-selection criteria, (ii) methods, techniques and trade secrets for use in connection with the proprietary business operating system that Franchisor and its affiliates have developed (the "System") for the establishment and operation of a SWEETWATERS franchised business (hereafter, a "Franchised Business"), (iii) proprietary recipes, (iv) proprietary coffee and tea blends, (v) marketing research and promotional, marketing and advertising programs for the Franchised Business, (vi) knowledge of specification for and suppliers of, and methods of ordering, certain products, fixtures, furnishings, equipment and inventory used at the Franchised Business, (vi) knowledge of the operating results and financial performance of other SWEETWATERS Café locations, (vii) customer communication and retention programs, along with data used or generated in connection with those

programs, (viii) Franchisor's proprietary Manuals and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System, (ix) information regarding the development of Franchisor's proprietary marks (the "Proprietary Marks"), (x) information generated by, or used or developed in, the Cafe's operation, including customer names, addresses, telephone numbers and related information and any other information contained in the Franchised Business's computer system, (xi) the design, build-out and any construction/remodeling plans for the interior and exterior of the Franchised Business, (xii) Franchisor's proprietary Operations Manual and other instructional manuals, as well as any training materials and information Franchisor has developed for use in connection with the System, (xiii) as well as any other proprietary information or confidential information that is provided to Franchisee by Franchisor during the term of the Franchise Agreement (collectively, "Confidential Information") You shall not, during the term of this Agreement or anytime thereafter, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any Confidential Information and trade secrets, including, without limitation Franchisor's copyrighted materials, price marketing mixes related to the offer and sale of gourmet tea and coffee and other Approved Products (as defined in the Franchise Agreement), standards and specifications for providing the Approved Products and other merchandise or services offered or authorized for sale by System franchisees, methods and other techniques and know-how concerning the operation of the Franchised Business, which may be communicated to you or of which you may become apprised by virtue of your role as a guarantor of the Franchisee's obligations under the Franchise Agreement You also acknowledge and agree that the following also constitutes "Confidential Information" under this Section (i) former, current and prospective customer information, including customer names and addresses, contracts/agreements (collectively "Customer Lists"), and (ii) sources and pricing matrices of any approved or designated suppliers, and (iii) any and all information, knowledge, know-how, techniques, and other data, which Franchisor designates as confidential

ARTICLE III NON-COMPETITION

You acknowledge that as a participant in the Franchisor's System, you will receive proprietary and confidential information and materials, trade secrets, and the unique methods, procedures and techniques which Franchisor has developed Therefore, to protect Franchisor and all Franchisor's franchisees, you agree as follows

1 During the Term of the Franchise Agreement and this Guaranty During the term of the Franchise Agreement and this Personal Guaranty, each of the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation

1.1 Own, maintain, engage in, be employed or serve as an officer, director, or principal of, lend money, lease space or extend credit to (or otherwise have any interest in or involvement with), any other business (a) sells, at wholesale or retail, gourmet coffee in bulk and/or in packages, (b) generates 20% or more of its net revenue from the sale of gourmet coffee products by the cup, including, without limitation, such businesses as coffee and tea stores, espresso/coffee cafes and coffee houses (each, a "Competing Business"), or (c) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business, provided, however, that this Section does not apply to your operation of a SWEETWATERS franchise pursuant to a valid franchise agreement with Franchisor, or your ownership of less than two percent (2%) of the interests in a publicly traded company

1.2 Employ or seek to employ any person who is at that time employed by Franchisor, Franchisor's affiliates or any other System franchisee, or otherwise directly or indirectly induce or seek to induce such person to leave his or her employment thereat, or

1 3 Divert or attempt to divert business or customers of any Franchisee-owned Franchised Businesses to any competitor, by direct or indirect inducement or otherwise, or do or perform, directly or indirectly, any other act injurious or prejudicial to the goodwill associated with the Proprietary Marks or the System

2 After the Term of This Agreement

2 1 For a period of two (2) years after the expiration and nonrenewal, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation enter into any business competing in whole or in part with Franchisor in offering or granting franchises or licenses, or establishing joint ventures, for the ownership or operation of a Competing Business

2 2 For a period of two (2) years after the expiration, transfer or termination of the Franchise Agreement, regardless of the cause, the undersigned may not, directly or indirectly, for themselves or through, on behalf of, or in conjunction with any other person, partnership or corporation

2 2 1 Own, maintain, engage in, be employed by, lend money to, have any interest in, or be employed as an officer, director, executive, or principal of any other Competing Business at or within the following areas (i) at the Premises of the Franchised Business, (ii) within the Designated Territory granted under the Franchise Agreement, or (iii) within a radius of 10 miles of (a) the perimeter of the Designated Territory granted under the Franchise Agreement or (b) any SWEETWATERS Cafe that is open, under lease or otherwise under development as of the termination/expiration of the Franchise Agreement or, if applicable, the date the undersigned transfers its ownership interest in Franchisee

2 2 2 Contact any of Franchisor's suppliers or vendors for any competitive business purpose, or

2 2 3 Solicit any of Franchisor's employees, or the employees of Franchisor's affiliates, or any other System franchisee to discontinue employment

3 **Intent and Enforcement** It is the parties' intent that the provisions of this Article III be judicially enforced to the fullest extent permissible under applicable law Accordingly, the parties agree that any reduction in scope or modification of any part of the noncompetition provisions contained herein shall not render any other part unenforceable In the event of the actual or threatened breach of this Article III by you, any of your principals, or any members of their immediate family, Franchisor shall be entitled to an injunction restraining such person from any such actual or threatened breach You agree that in the event of the actual or threatened breach of this Article III, Franchisor's harm will be irreparable and that Franchisor has no adequate remedy at law to prevent such harm You acknowledge and agree that each of you has previously worked or been gainfully employed in other careers and that the provisions of this Article III in no way prevents you from earning a living You further acknowledge and agree that the time limitation of this Article III shall be tolled during any default under this Guaranty

ARTICLE IV DISPUTE RESOLUTION

1 **Acknowledgment** You acknowledge that this Guaranty is not a franchise agreement and does not confer upon you any rights to use the Franchisor's proprietary marks or its system

2 **Governing Law** This Guaranty shall be deemed to have been made in and governed by the laws of the State of Michigan

3 **Internal Dispute Resolution** You must first bring any claim or dispute arising out of or relating to the Franchise Agreement or this Personal Guaranty to Franchisor's Chief Executive Officer and/or President. You agree to exhaust this internal dispute resolution procedure before bringing any dispute before a third party. This agreement to engage in internal dispute resolution first shall survive the termination or expiration of this Agreement.

4 **Mediation** At Franchisor's option, all claims or disputes between you and Franchisor or its affiliates arising out of, or in any way relating to, the Franchise Agreement, this Guaranty or any other agreement by and between the parties or their respective affiliates, or any of the parties' respective rights and obligations arising from such agreements, which are not first resolved through the internal dispute resolution procedure set forth above, must be submitted first to mediation, at Franchisor's then-current headquarters under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, you must submit a notice to Franchisor that specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of thirty (30) days following receipt of such notice within which to notify you as to whether Franchisor or its affiliates elect to exercise our option to submit such claim or dispute to mediation. You may not commence any arbitration proceeding or other action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile, or (ii) as a result of a written declaration by Franchisor. Franchisor may specifically enforce our mediation rights under this Section. Each party shall bear its own cost of mediation, except that you and Franchisor shall share the mediator's fees and costs equally. This agreement to mediate at Franchisor's option shall survive any termination or expiration of the Franchise Agreement and this Guaranty.

4.1 **Excepted Claims** The parties agree that mediation shall not be required with respect to any claim or dispute involving (i) any of your payment obligations that are past due, (ii) the actual or threatened disclosure or misuse of Franchisor's Confidential Information, (iii) the actual or threatened violation of Franchisor's rights in, or misuse of, the Proprietary Marks, System or other trade secrets, (iv) any of the restrictive covenants contained in the Franchise Agreement or this Guaranty, or (v) any claims arising out of or related to fraud or misrepresentation by you, or your insolvency (collectively, the "Excepted Claims").

5 **Jurisdiction and Venue** With respect to any proceeding not subject to mediation, the parties agree that any action at law or in equity instituted against either party to this Agreement must be commenced and litigated to conclusion (unless settled) only in any court of competent jurisdiction located closest to Franchisor's then-current headquarters or, if appropriate, the United States District Court for the Eastern District of Michigan. The undersigned hereby irrevocably consent to the jurisdiction of these courts.

6 **Third Party Beneficiaries** Franchisor's officers, directors, shareholders, agents and/or employees are express third-party beneficiaries of this Agreement and the mediation and other dispute resolution provisions contained herein, each having authority to specifically enforce the right to mediate and litigate claims asserted against such person(s) by you.

7 **Right to Injunctive Relief** Nothing contained in this Guaranty shall prevent Franchisor from applying to or obtaining from any court having jurisdiction a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any mediation or arbitration proceeding, or pending the trial or handing down of a decision or award pursuant to any mediation or arbitration proceeding conducted hereunder. If injunctive relief is

granted, your only remedy will be the court's dissolution of the injunctive relief. If the injunctive relief was wrongfully issued, you expressly waive all claims for damages you incurred as a result of the wrongful issuance.

8 JURY TRIAL AND CLASS ACTION WAIVER THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER SHALL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR FRANCHISEE'S PURCHASE FROM FRANCHISOR OF THE FRANCHISE AND/OR ANY GOODS OR SERVICES. THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN FRANCHISEE, FRANCHISEE'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

9 Limitation of Action You further agree that no cause of action arising out of or under this Guaranty may be maintained by you unless brought before the expiration of one year after the act, transaction or occurrence upon which such action is based or the expiration of one year after you become aware of facts or circumstances reasonably indicating that you may have a claim against us, whichever occurs sooner, and that any action not brought within this period shall be barred as a claim, counterclaim, defense or set-off.

10 Punitive Damages You hereby waive to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which you may have against us, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agrees that in the event of a dispute, that your recovery shall be limited to actual damages. If any other term of this Guaranty is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

11 Costs and Attorneys' Fees Whether or not formal legal proceedings are initiated, in the event Franchisor incurs any legal fees or other costs associated with enforcing the terms of this Guaranty or the Franchise Agreement against you, then Franchisor will be entitled to recover from you all costs and expenses, including reasonable attorneys' fees, incurred in enforcing the terms of this Guaranty or the Franchise Agreement.

12 Nonwaiver Franchisor's failure to insist upon strict compliance with any provision of this Guaranty shall not be a waiver of our right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by us respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Guaranty shall be cumulative. Your election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.

13 No Personal Liability You agree that fulfillment of any and all of Franchisor's obligations written in the Franchise Agreement or this Guaranty, or based on any oral communications which may be ruled to be binding in a court of law, shall be Franchisor's sole responsibility and none of our owners, officers, agents, representatives, nor any individuals associated with Franchisor shall be personally liable to you for any reason. This is an important part of this Guaranty. You agree that nothing that you believe you have been told

by us or our representatives shall be binding unless it is written in the Franchise Agreement or this Guaranty
Do not sign this Agreement if there is any question concerning its contents or any representations made

14 **Severability** The parties agree that if any provisions of this Guaranty may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Guaranty shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Guaranty are severable, and this Guaranty shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Guaranty shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Guaranty.

15 **Construction of Language** Any term defined in the Franchise Agreement which is not defined in this Guaranty will be ascribed the meaning given to it in the Franchise Agreement. The language of this Guaranty will be construed according to its fair meaning, and not strictly for or against either party. All words in this Guaranty refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

16 **Successors** References to “Franchisor” or “the undersigned,” or “you” include the respective parties’ heirs, successors, assigns or transferees.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Guaranty on the date stated on the first page hereof

PERSONAL GUARANTORS

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

[Insert Name of Guarantor]

[Insert Name of Spouse]

EXHIBIT C TO THE FRANCHISE AGREEMENT

COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE

THIS COLLATERAL ASSIGNMENT AND ASSUMPTION OF LEASE (this "Assignment") is made, entered into and effective on this ____ day of _____, 20____ Effective Date,"") by and between (i) Sweetwaters Group LLC, a Michigan limited liability company with its principal place of business at 123 W Washington Street, Ann Arbor, Michigan 48104 (the "Franchisor"), and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the "Franchisee")

BACKGROUND INFORMATION

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

OPERATIVE TERMS

The Franchisor and the Franchisee agree as follows

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

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

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

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

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

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

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

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

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

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

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

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

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

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

h) notwithstanding any provision of the Franchise Agreement to the contrary, to declare all of the Franchisee's rights but not obligations under the Franchise Agreement to be immediately

terminated as of the date of Franchisee defaults under the Lease and fails to cure said default within the applicable cure period (if any)

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

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

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

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

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

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

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

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

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

FRANCHISEE

By _____
Name _____
Date _____

FRANCHISOR

SWEETWATERS GROUP LLC

By _____
Name _____
Title _____
Date _____

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

LESSOR

By _____
Name _____
Title _____
Date _____

EXHIBIT D TO THE FRANCHISE AGREEMENT

EFT AUTHORIZATION FORM

Bank Name _____
ABA# _____
Acct No _____
Acct Name _____

Effective as of the date of the signature below, **[Franchisee Name]** (the "Franchisee") hereby authorizes Sweetwaters Group LLC (the "Company") or its designee to withdraw funds from the above-referenced bank account, electronically or otherwise, to cover the following payments that are due and owing Company or its affiliates under the franchise agreement dated _____ (the "Franchise Agreement") for the franchised business located at _____ (the "Franchised Business") (i) all Royalty Fees, (ii) Fund Contributions (if a Fund is established), (iii) any amounts due and owing the Company or its affiliates in connection with marketing materials or other supplies or inventory that is provided by Company or its affiliates, and (iv) all other fees and amounts due and owing to Company or its affiliates under the Franchise Agreement Franchisee acknowledges each of the fees described above may be collected by the Company (or its designee) as set forth in the Franchise Agreement

The parties further agree that all capitalized terms not specifically defined herein will be afforded the definition they are given in the Franchise Agreement

Such withdrawals shall occur on a weekly basis, or on such other schedule as Company shall specify in writing This authorization shall remain in full force and effect until terminated in writing by Company **[Franchisee Name]** shall provide Company, in conjunction with this authorization, a voided check from the above-referenced account

AGREED

FRANCHISEE

[INSERT FRANCHISEE NAME]

By _____

Name (Print) _____

Its _____

FRANCHISOR APPROVAL

SWEETWATERS GROUP LLC

By _____

Name (Print) _____

Its _____

Please attach a voided blank check, for purposes of setting up Bank and Transit Numbers

EXHIBIT E TO THE FRANCHISE AGREEMENT

CONFIDENTIALITY AND RESTRICTIVE COVENANT AGREEMENT

(for trained employees, officers, directors, general partners, members, Designated Managers and any other management personnel of Franchisee)

In consideration of my being a [INSERT TITLE/ROLE WITH FRANCHISEE] of _____ (the "Franchisee"), and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, I (the undersigned) hereby acknowledge and agree that Franchisee has acquired the right from Sweetwaters Group LLC (the "Company") to (i) establish and operate a SWEETWATERS Cafe franchised business (the "Franchised Business"), and (ii) use in the operation of the Franchised Business the Company's trade names, trademarks and service marks (collectively, the "Proprietary Marks") and the Company's unique and distinctive format and system relating to the establishment and operation of SWEETWATERS Cafe businesses (the "System"), as they may be changed, improved and further developed from time to time in the Company's sole discretion, only at the following authorized and approved location _____ (the "Premises")

1 The Company possesses certain proprietary and confidential information relating to the operation of the Franchised Business and System generally, including without limitation Company's proprietary and confidential Operations Manual and other manuals providing guidelines, standards and specifications related to the establishment and operation of the Franchised Business (collectively, the "Manual"), Franchisor's proprietary training materials and programs, as well as proprietary marketing methods and other instructional materials, trade secrets, information related to any other proprietary methodology or aspects of the System or the establishment and continued operation of the Franchised Business, financial information, any and all customer lists, contracts and other customer information obtained through the operation of the Franchised Business and other SWEETWATERS Cafe businesses, any information related to any type of proprietary software that may be developed and/or used in the operation of with the Franchised Business, and any techniques, methods and know-how related to the operation of SWEETWATERS Cafe business or otherwise used in connection with the System, which includes certain trade secrets, copyrighted materials, methods and other techniques and know-how (collectively, the "Confidential Information")

2 Any other information, knowledge, know-how, and techniques which the Company specifically designates as confidential will also be deemed to be Confidential Information for purposes of this Agreement

3 As [INSERT TITLE WITH RESPECT TO FRANCHISEE] of the Franchisee, the Company and Franchisee will disclose the Confidential Information to me in furnishing to me the training program and subsequent ongoing training, the Manual, and other general assistance during the term of this Agreement

4 I will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the Franchised Business during the term hereof, and the use or duplication of the Confidential Information, in whole or in part, for any use outside the System would constitute an unfair method of competition

5 The Confidential Information is proprietary, involves trade secrets of the Company, and is disclosed to me solely on the condition that I agree, and I do hereby agree, that I shall hold in strict confidence all Confidential Information and all other information designated by the Company as confidential. Unless the Company otherwise agrees in writing, I will disclose and/or use the Confidential Information only in connection with my duties as [INSERT TITLE] of the Franchisee, and will continue

not to disclose any such information even after I cease to be in that position and will not use any such information even after I cease to be in that position unless I can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement

6 I will surrender any material containing some or all of the Confidential Information to the Company, upon request, or upon conclusion of the use for which the information or material may have been furnished

7 Except as otherwise approved in writing by the Company, I shall not, while in my position with the Franchisee, for myself, or through, on behalf of, or in conjunction with any person, persons, partnership, corporation or limited liability company, own, maintain, engage in, be employed by, or have any interest in any other business that (i) sells, at wholesale or retail, gourmet coffee in bulk and/or in packages, (ii) generates 20% or more of its net revenue from the sale of gourmet coffee products by the cup, including, without limitation, such businesses as coffee and tea stores, espresso/coffee cafes and coffee houses (each, a "Competing Business"), or (iii) offers or grants licenses or franchises, or establishes joint ventures, for the ownership or operation of a Competing Business. I also agree that I will not undertake any action to divert business from the Franchised Business to any Competing Business, or solicit any of the former customers or employees of Franchisee for any competitive business purpose

7.1 *Post-Term Restrictive Covenant for Designated Manager of Franchised Business or Manager/Officers/Directors of Franchisee* In the event I am a manager of the Franchised Business, or an officer/director/manager/partner of Franchisee that has not already executed a Personal Guaranty agreeing to be bound by the terms of the Franchise Agreement, then I further agree that I will not be involved in a Competing Business of any kind for a period of two years after the expiration or termination of my employment with Franchisee for any reason (i) at or within a 10-mile radius of the Premises, or (ii) within a 10-mile radius of the Designated Territory or the territory of any other SWEETWATERS Cafe business that exists at the time my employment with Franchisee ceases through the date of my involvement with the Competing Business. I also agree that I will not be involved in the franchising or licensing of any Competing Business at any location, or undertake any action to divert business from the Franchised Business to any Competing Business or solicit any of the former customers or employees of Franchisee for any competitive business purpose, during this two-year period following the termination or expiration of my employment with the Franchisee

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

9 I understand and acknowledge that the Company shall have the right, in its sole discretion, to reduce the scope of any covenant set forth in this Agreement, or any portion thereof, without my consent, effective immediately upon receipt by me of written notice thereof, and I agree to comply forthwith with any covenant as so modified

10 The Company is a third-party beneficiary of this Agreement and may enforce it, solely and/or jointly with the Franchisee. I am aware that my violation of this Agreement will cause the Company and the Franchisee irreparable harm, therefore, I acknowledge and agree that the Franchisee and/or the Company may apply for the issuance of a temporary and/or permanent injunction and a decree for the specific performance of the terms of this Agreement, without the necessity of showing actual or threatened

harm and without being required to furnish a bond or other security I agree to pay the Franchisee and the Company all the costs it/they incur(s), including, without limitation, legal fees and expenses, if this Agreement is enforced against me Due to the importance of this Agreement to the Franchisee and the Company, any claim I have against the Franchisee or the Company is a separate matter and does not entitle me to violate, or justify any violation of this Agreement

11 I shall not at any time, directly or indirectly, do any act that would or would likely be injurious or prejudicial to the goodwill associated with the Confidential Information and the System

12 Franchisee shall make all commercially reasonable efforts to ensure that I act as required by this Agreement

13 Any failure by Franchisor to object to or take action with respect to any breach of this Agreement by me shall not operate or be construed as a waiver of or consent to that breach or any subsequent breach by me

14 THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN AND MYSELF HEREBY IRREVOCABLY SUBMITS HIMSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISOR'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT FOR MICHIGAN I HEREBY WAIVE ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION I HEREBY AGREE THAT SERVICE OF PROCESS MAY BE MADE UPON ME IN ANY PROCEEDING RELATING TO OR ARISING UNDER THIS AGREEMENT OR THE RELATIONSHIP CREATED BY THIS AGREEMENT BY ANY MEANS ALLOWED BY MICHIGAN OR FEDERAL LAW I FURTHER AGREE THAT VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS AGREEMENT SHALL BE ONE OF THE COURTS DESCRIBED ABOVE IN THIS SECTION, PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION WHICH INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE WHICH HAS JURISDICTION

15 The parties acknowledge and agree that each of the covenants contained in this Agreement are reasonable limitations as to time, geographical area, and scope of activity to be restrained and do not impose a greater restraint than is necessary to protect the goodwill or other business interests of Franchisor The parties agree that each of the foregoing covenants shall be construed as independent of any other covenant or provision of this Agreement If all or any portion of a covenant in this Agreement is held unreasonable or unenforceable by a court or agency having valid jurisdiction in any unappealed final decision to which Franchisor is a part, I expressly agree to be bound by any lesser covenant subsumed within the terms of the covenant that imposes the maximum duty permitted by law as if the resulting covenant were separately stated in and made a part of this Agreement

16 This Agreement contains the entire agreement of the parties regarding the subject matter of this Agreement This Agreement may be modified only by a duly authorized writing executed by all parties

17 All notices and demands required to be given must be in writing and sent by personal delivery, expedited delivery service, certified or registered mail, return receipt requested, first-class postage prepaid, facsimile or electronic mail, (provided that the sender confirms the facsimile or electronic mail, by sending an original confirmation copy by certified or registered mail or expedited delivery service within

three (3) business days after transmission), to the respective party at the following address unless and until a different address has been designated by written notice

The notice shall be addressed to

Sweetwaters Group LLC
Attn: Lisa Bee, President
123 W Washington Street
Ann Arbor, Michigan 48104

Any notices sent by personal delivery shall be deemed given upon receipt. Any notices given by facsimile or electronic mail shall be deemed given upon transmission, provided confirmation is made as provided above. Any notice sent by expedited delivery service or registered or certified mail shall be deemed given three (3) business days after the time of mailing. Any change in the foregoing addresses shall be effected by giving fifteen (15) days written notice of such change to the other parties. Business day for the purpose of this Agreement excludes Saturday, Sunday and the following national holidays: New Year's Day, Martin Luther King Day, Presidents' Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving and Christmas.

18 The rights and remedies of Franchisor under this Agreement are fully assignable and transferable and inure to the benefit of its respective parent, successor and assigns.

IN WITNESS WHEREOF, this Agreement is made and entered into by the undersigned parties as of the Effective Date

UNDERSIGNED

Signature _____
Name _____
Address _____
Title _____

ACKNOWLEDGED BY FRANCHISEE

[FRANCHISEE NAME]

By _____

Title _____

EXHIBIT F TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF TELEPHONE NUMBERS AND DOMAIN NAMES

1 _____, doing business as SWEETWATERS Cafe (the "Assignor"), in exchange for valuable consideration provided by Sweetwaters Group LLC (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all telephone numbers, facsimile numbers, domain names, as well as any listings associated therewith, utilized by Assignor in the operation of its SWEETWATERS franchised business located at _____ (collectively, the "Assigned Property") The Assigned Property includes the following

Telephone Number(s) _____
Facsimile Number(s) _____
Domain Name(s) (as permitted by Franchisor under the Franchise Agreement) _____

2 The conditional agreement will become effective automatically upon termination, expiration of Assignor's franchise Upon the occurrence of that condition, Assignor must do all things required by the telephone company and/or domain name registrar to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof

3 Assignor agrees to pay the telephone company and/or domain name registrar, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective Assignor further agrees to indemnify Assignee for any sums Assignee must pay the telephone company or domain name registrar to effectuate this agreement, and agrees to fully cooperate with the telephone company and/or domain name registrar, as well as the Assignee, in effectuating this assignment

ASSIGNOR

BY _____ Date _____

TITLE _____

ASSIGNEE

SWEETWATERS GROUP LLC

BY _____

TITLE _____

EXHIBIT G TO THE FRANCHISE AGREEMENT

CONDITIONAL ASSIGNMENT OF POINT OF SALE SYSTEM

1 _____, doing business as SWEETWATERS Cafe (the "Assignor"), in exchange for valuable consideration provided by Sweetwaters Group LLC (the "Assignee"), receipt of which is hereby acknowledged hereby conditionally assigns to Assignee all of Assignor's right, title, and interest in any Point of Sale ("POS") system used in the operation of its SWEETWATERS franchised business located at _____ (collectively, the "Assigned Property") This assignment is for collateral purposes only and, except as specified herein, Assignee will have no liability or obligation of any kind whatsoever arising from or in connection with this Conditional Assignment of Point of Sale System unless Assignee will notify the POS service provider of the terms hereof to effectuate this assignment

2 The conditional assignment will become effective automatically upon termination, expiration of Assignor's franchise Upon the occurrence of that condition, Assignor must do all things required by the POS service provider to assure the effectiveness of the assignment of Assigned Property as if the Assignee had been originally issued such Assigned Property and the usage thereof

3 Assignor agrees to pay the POS service provider, on or before the effective date of assignment, all amounts owed for the use of the Assigned Property up to the date this Assignment becomes effective Assignor further agrees to indemnify Assignee for any sums Assignee must pay the POS service provider to effectuate this agreement, and agrees to fully cooperate with the POS service provider, as well as the Assignee, in effectuating this assignment

4 Assignor agrees and acknowledges that as between Assignor and Assignee, upon termination or expiration of the Franchise Agreement, Assignee will have the sole right and interest in the POS system and Assignor appoints Assignee as Assignor's true and lawful attorney-in-fact to direct the POS service provider to assign the same to Assignee, and to sign any documents or necessary actions to effectuate the assignment

ASSIGNOR

BY _____ Date _____

TITLE _____

ASSIGNEE

SWEETWATERS GROUP LLC

BY _____

TITLE _____

EXHIBIT C
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into this ____ day of ____, 201__, between (i) Sweetwaters Group LLC, a Michigan limited liability company with a business address at 123 W Washington Street, Ann Arbor, Michigan 48104 (the "Franchisor"), and (ii) _____, a (resident of) (corporation organized in) (limited liability company organized in) _____ with a business address at _____ (the "Developer")

BACKGROUND

A Franchisor and its affiliates have developed and own a distinctive format and system in the United States relating to the establishment and operation of uniquely identified retail stores (each, a "Cafe") that sell coffee, coffee beans, tea, beverages, food and related accessories and other beverages that Franchisor authorizes (collectively, the "Approved Products"), all of which are prepared, stored and served in accordance with Franchisor's proprietary business operating system comprised of Franchisor's various standards and specifications (the "System")

B The distinguishing characteristics of the System include, without limitation, distinctive exterior and interior design, decor, color scheme, and furnishings for a Cafe, proprietary products, and proprietary recipes, including the Approved Products and recipes associated therewith, special menu items, uniform standards, specifications, and procedures for operations, quality and uniformity of products and services offered, procedures for inventory acquisition/storage/presentation, methodology and procedures for the establishment, management and ongoing operation of a Cafe, training and assistance, as well as materials/programs related thereto, and advertising and promotional programs. The parties agree and acknowledge that Franchisor may change, improve, further develop, or otherwise modify the System from time to time as it deems appropriate in its discretion. Developer hereby acknowledges and agrees that (i) the System and Franchisor's related materials contain significant proprietary and confidential information that makes the System unique as a whole, and (ii) the combined methods, information, procedures, and theories that make up the total System or are contained in the relevant manuals are proprietary and confidential.

C The System and Cafes are identified by the mark SWEETWATERS, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement or substitute in the future as Franchisor deems appropriate in its discretion (collectively, the "Proprietary Marks"). The parties agree and acknowledge that Franchisor has established substantial goodwill and business value in its Proprietary Marks, expertise, and System.

D Franchisor grants qualified third parties the right to develop a certain number of Cafes within a defined site selection area (the "Site Selection Area") in accordance with the terms of this Agreement to which Developer must strictly adhere, with each Cafe within the Site Selection Area being opened and operating utilizing the Proprietary Marks and System pursuant to the terms and conditions set forth in a separate form of Franchisor's then-current form of franchise agreement (each, a "Franchise Agreement").

E Developer recognizes the benefits from receiving the right to operate a Café utilizing the System and desires to (i) become a multi-unit operator subject to the terms of this Agreement, and (ii) receive the benefits provided by Franchisor under this Agreement.

F Developer has applied for the right to open and operate a certain number of Cafes within the Site Selection Area as set forth in this Agreement (each, a "Franchised Business"), and Franchisor has approved such application in reliance on Developer's representations made therein.

G Developer hereby acknowledges that adherence to the terms of this Agreement, including Franchisor's operations manual and other System standards and specifications, are essential to the operation of all Cafes and the System as a whole

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows

AGREEMENT

1 Site Selection Area, Development Schedule and Obligations Subject to the terms and conditions set forth herein, Franchisor grants Developer the right, and Developer undertakes the obligation, to develop and establish _____ Franchised Businesses within the Site Selection Area defined in the Data Sheet attached hereto as Exhibit A (the "Data Sheet"), provided Developer opens and commences operations of such Franchised Businesses in strict accordance with the mandatory development schedule also set forth in the Data Sheet (the "Development Schedule") and otherwise subject to the terms and conditions set forth herein. The parties agree and acknowledge that Developer shall not have any exclusive territorial rights within the Site Selection Area

2 Development Fee Developer shall pay Franchisor a development fee equal to \$ _____ (the "Development Fee") for the right to develop the foregoing Franchised Businesses within the Site Selection Area under this Agreement, which is (i) deemed fully earned upon payment and is not refundable under any circumstances, and (ii) payable in accordance with the schedule set forth in this Section 3 below

2.1 The parties agree and acknowledge that the Development Fee is comprised of the franchise fee payable in connection with (i) the initial Franchised Business that Developer is granted the right to open within the Site Selection Area under this Agreement (the "Initial Franchised Business"), and (ii) each additional Franchised Business that Franchisor has granted Developer the right to open hereunder (each, an "Additional Franchised Business")

2.2 Developer must pay Franchisor the full Development Fee upon execution of this Agreement. The Development Fee is deemed fully earned and non-refundable upon payment

3 Initial Franchise Agreement Contemporaneous with the execution of this Agreement, Developer must enter into Franchisor's current form of Franchise Agreement for the Initial Franchised Business that Developer is required to open within the Site Selection Area. In the event Developer is a business entity of any kind, then Developer's principals/owners must each execute the form of personal guaranty attached to the foregoing Franchise Agreement, as well as any additional Franchise Agreements described in Section 4 of this Agreement

4 Additional Franchise Agreements Developer agrees and acknowledges that it must (i) enter into Franchisor's then-current form of Franchise Agreement for each Additional Franchised Business that Developer is required to open under this Agreement, and (ii) enter into such Franchise Agreements at such times that are required for Developer to timely meet, and strictly adhere to, its obligations under the agreed upon Development Schedule

5 Development Obligations Developer must ensure that, at a minimum, Developer (i) opens and commences operations of the number of new Franchised Businesses during each of the development periods defined in the Development Schedule (each, a "Development Period"), and (ii) has the minimum cumulative number of Franchised Businesses open and operating at the expiration of each such Development Period. The parties agree and acknowledge that time is of the essence with respect to the foregoing

development obligations, and that Developer's failure to comply with the Development Schedule in any manner with respect to any Development Period is grounds for immediate termination of this Agreement if not timely cured as set forth in Section 6.2 of this Agreement (and any future development rights granted hereunder). The parties agree and acknowledge that if there is more than one developer or franchisee looking to secure a site for a SWEETWATERS Cafe within the Site Selection Area, the parties will follow the Franchisor's prescribed process and procedure for how sites will be reviewed and offered to such franchisees/developers (including Developer) within the Site Selection Area, as Franchisor sets forth in its confidential operations manual(s) or otherwise.

6 Term and Termination

6.1 This Agreement will commence as of the date it is fully executed and, unless earlier terminated by Franchisor, will expire on the earlier of (i) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule, or (ii) the date Developer actually opens the last Franchised Business that Developer is granted the right to open under this Agreement. Upon expiration or termination of this Agreement for any reason, Developer will not have any territorial rights other than those that might be granted in connection with a "Designated Territory" associated with a Franchised Business that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (if and as such rights are granted by Franchisor under the respective Franchise Agreement(s) that Developer entered into for such Franchised Business(es)).

6.2 Franchisor will have the right, at its option, to terminate this Agreement and all rights granted to Developer hereunder, without affording Developer any opportunity to cure such default, effective upon written notice to Developer, upon the occurrence of any of the following events: (i) if Developer ceases to actively engage in development activities in the Site Selection Area or otherwise abandons its development business for three (3) consecutive months, or any shorter period that indicates an objective intent by Developer to discontinue development of the Franchised Businesses within the Site Selection Area, (ii) if Developer becomes insolvent or is adjudicated bankrupt, or if any action is taken by Developer, or by others against the Developer, under any insolvency, bankruptcy or reorganization act, or if Developer makes an assignment for the benefit of creditors or a receiver is appointed by the Developer, (iii) if Developer fails to meet its development obligations under the Development Schedule for any single Development Period, and fails to cure such default within 30 days of receiving notice thereof, and (iv) if any Franchise Agreement that is entered into in order to fulfill Developer's development obligations under this Agreement is terminated or subject to termination by Franchisor, pursuant to the terms of that Franchise Agreement.

7 **Reservation of Rights** Except as provided in Section 1 of this Agreement, the parties agree and acknowledge that the rights granted in this Agreement are non-exclusive and that Franchisor and its affiliates reserve all other rights not expressly granted to Developer herein.

8 **Sale or Assignment** Developer's rights under this Agreement are personal and Developer may not sell, transfer, or assign any right granted herein without Franchisor's prior written consent, which may be withheld in its sole discretion. Notwithstanding, if Developer is an individual or a partnership, Developer has the right to assign its rights under this Agreement to a corporation or limited liability company that is wholly owned by Developer according to the same terms and conditions as provided in Developer's initial Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

9 **Acknowledgment** Developer acknowledges that this Agreement is not a Franchise Agreement and does not confer upon Developer any rights to use the Franchisor's Proprietary Marks or System.

10 **Notices** All notices, requests and reports to be given under this Agreement are to be in

writing, and delivered by either hand, overnight mail via recognized courier such as UPS or FedEx, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice)

11 **Choice of Law** This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan, without reference to this state's conflict of laws principles, except that all claims, causes of actions or disputes related to Developer's covenants not to compete in connection with any of the Franchise Agreements signed to fulfill Developer's development obligations under this Agreement, including the validity and enforceability of such covenants, shall be governed by the laws of the state where the Franchised Business at issue is located

12 **Internal Dispute Resolution** Developer must first bring any claim or dispute between Developer and Franchisor to Franchisor's management, after providing Franchisor with notice of and a reasonable opportunity to cure an alleged breach hereunder. Developer must exhaust this internal dispute resolution procedure before bringing a dispute before a third party. This agreement to first attempt resolution of disputes internally will survive termination or expiration of this Agreement.

13 **Mediation** At Franchisor's option, all claims or disputes between Franchisor and Developer or its affiliates arising out of, or in any way relating to, this Agreement or any other agreement by and between Franchisor and Developer or its affiliates, or any of the parties' respective rights and obligations arising from such agreement, which are not first resolved through the internal dispute resolution procedure set forth in Section 12 above, must be submitted first to non-binding mediation, in or near Franchisor's headquarters, under the auspices of the American Arbitration Association ("AAA"), in accordance with AAA's Commercial Mediation Rules then in effect. Before commencing any legal action against Franchisor or its affiliates with respect to any such claim or dispute, Developer must submit a notice to Franchisor, which specifies, in detail, the precise nature and grounds of such claim or dispute. Franchisor will have a period of 30 days following receipt of such notice within which to notify Developer as to whether Franchisor or its affiliates elects to exercise its option to submit such claim or dispute to mediation. Developer may not commence any action against Franchisor or its affiliates with respect to any such claim or dispute in any court unless Franchisor fails to exercise its option to submit such claim or dispute to mediation, or such mediation proceedings have been terminated either (i) as the result of a written declaration of the mediator(s) that further mediation efforts are not worthwhile, or (ii) as a result of a written declaration by Franchisor. Franchisor's rights to mediation, as set forth herein, may be specifically enforced by Franchisor.

13.1 The parties will not be required to first attempt to mediate a controversy, dispute, or claim through mediation as set forth in this Section 13 if such controversy, dispute, or claim concerns an allegation that a party has violated (or threatens to violate, or poses an imminent risk of violating) (i) any federally protected intellectual property rights in the Proprietary Marks, the System, or in any confidential/proprietary information of Franchisor (as such information is defined more fully in the Franchise Agreements), (ii) any of the restrictive covenants contained in this Agreement or any other Franchise Agreements executed in connection with the Franchised Businesses opened within the Site Selection Area, or (iii) any of Developer's payment obligations under this Agreement or any such Franchise Agreement.

13.2 This agreement to mediate will survive any termination or expiration of this Agreement. The parties agree that there will be no class action mediation and that any mediation proceeding involving Franchisor and Developer or its principals that arises out of or relates to this Agreement in any manner must be mediated in a proceeding that does not involve any other third party, including any other franchisee or licensee of Franchisor's franchise system.

14 **Injunctive Relief** Developer acknowledges and agrees that irreparable harm could be caused to Franchisor by Developer's violation of certain provisions of this Agreement and, as such, in addition to any

other relief available at law or equity, Franchisor shall be entitled to obtain in any court of competent jurisdiction, without bond, restraining orders or temporary or permanent injunctions in order to enforce, among other items, the provisions of this Agreement relating to (i) Developer's use of the Proprietary Marks and Franchisor's confidential information, (ii) Developer's covenant not to compete, as well as any other violations of the restrictive covenants set forth in this Agreement or any Franchise Agreement with Franchisor, (iii) Developer's obligations on termination or expiration of this Agreement, (iv) disputes and controversies based on or arising under the Lanham Act, or otherwise involving the Proprietary Marks, as now or hereafter amended, (v) disputes and controversies involving enforcement of the Franchisor's rights with respect to confidentiality under this Agreement, and (vi) prohibiting any act or omission by Developer or its employees that constitutes a violation of applicable law, threatens Franchisor's franchise system or threatens other franchisees of Franchisor. Developer's only remedy if such an injunction is entered will be the dissolution of the injunction, if appropriate, and Developer waives all damage claims if the injunction is wrongfully issued.

15 Jurisdiction and Venue Except for those claims described in Section 14 of this Agreement, the parties agree that any actions arising out of or related to this Agreement must be initiated and litigated to conclusion exclusively in the state court of general jurisdiction closest to Washtenaw County, Michigan or, if appropriate, the United States District Court for the Eastern District of Michigan (unless settled by the parties after such action is initiated). Developer acknowledges that Franchisor may bring an action in any other court of competent jurisdiction to seek and obtain injunctive relief as set forth in Section 14 above. Developer hereby irrevocably consents to the personal jurisdiction of the state and federal courts described in this Section.

16 Third Party Beneficiaries Franchisor's officers, directors, shareholders, agents and/or employees are express third party beneficiaries of this Agreement and the dispute resolution procedures contained herein, including without limitation, the right to specifically utilize and exhaust the mediation procedure with respect to any and all claims asserted against such person(s) by Developer or its principals.

17 JURY TRIAL WAIVER THE PARTIES HEREBY AGREE TO WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR EQUITY, REGARDLESS OF WHICH PARTY BRINGS SUIT. THIS WAIVER WILL APPLY TO ANY MATTER WHATSOEVER BETWEEN THE PARTIES HERETO WHICH ARISES OUT OF OR IS RELATED IN ANY WAY TO THIS AGREEMENT, THE PERFORMANCE OF EITHER PARTY, AND/OR DEVELOPER'S PURCHASE FROM FRANCHISOR OF THE DEVELOPMENT RIGHTS DESCRIBED HEREIN.

18 WAIVER OF CLASS ACTIONS THE PARTIES AGREE THAT ALL PROCEEDINGS ARISING OUT OF OR RELATED TO THIS AGREEMENT, OR THE SALE OF THE FRANCHISED BUSINESS, WILL BE CONDUCTED ON AN INDIVIDUAL, NOT A CLASS-WIDE BASIS, AND THAT ANY PROCEEDING BETWEEN DEVELOPER, DEVELOPER'S GUARANTORS AND FRANCHISOR OR ITS AFFILIATES/OFFICERS/EMPLOYEES MAY NOT BE CONSOLIDATED WITH ANY OTHER PROCEEDING BETWEEN FRANCHISOR AND ANY OTHER THIRD PARTY.

19 Waiver of Punitive Damages Developer waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Developer may have against Franchisor arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, Developer's recovery will be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions will continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20 Attorneys' Fees If either party institutes any judicial or mediation proceeding to enforce any

monetary or nonmonetary obligation or interpret the terms of this Agreement and Franchisor prevails in the action or proceeding, Developer will be liable to Franchisor for all costs, including reasonable attorneys' fees and court costs, incurred in connection with such proceeding

21 **Nonwaiver** Franchisor's failure to insist upon strict compliance with any provision of this Agreement will not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default will not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement will be cumulative. Franchisor's election to exercise any remedy available by law or contract will not be deemed a waiver or preclude exercise of any other remedy.

22 **Severability** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision will have the meaning, which renders it valid and enforceable. The provisions of this Agreement are severable, and this Agreement will be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions will be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement will be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.

23 **Construction of Language** The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as Developer, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.

24 **Successors** References to "Franchisor" or "Developer" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 8 of this Agreement.

25 **Additional Documentation** Developer must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreements and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Developer fails to comply with the provisions of this Section, Developer hereby appoints Franchisor as Developer's attorney-in-fact to execute any and all documents on Developer's behalf, as reasonably necessary to effectuate the transactions contemplated herein.

26 **No Right to Offset** Developer may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe Developer under this Agreement or any related agreements.

27 **Entire Agreement** This Agreement contains the entire agreement between the parties concerning Developer's development rights within the Site Selection Area, no promises, inducements or representations (other than those in the Franchise Disclosure Document) not contained in this Agreement have been made, nor will any be of any force or effect, or binding on the parties. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Franchise Agreement(s), the terms, conditions and intent of this Agreement will control. Nothing in this Agreement, or any related agreement, is intended to disclaim any of the representations

Franchisor made to Developer in the Franchise Disclosure Document that Franchisor provided to Developer

**IN WITNESS WHEREOF, AND INTENDING TO BE LEGALLY BOUND HEREBY, THE PARTIES
HERETO HAVE CAUSED THIS AGREEMENT TO BE EXECUTED EFFECTIVE THE DATE
FIRST SET FORTH ABOVE**

SWEETWATERS GROUP LLC

Print Name _____

Date _____

DEVELOPER

IF AN INDIVIDUAL

By _____

Print Name _____

Date _____

Spouse Signature _____

Spouse Name _____

Date _____

**IF A PARTNERSHIP, CORPORATION, OR
OTHER ENTITY**

By _____

Print Name _____

Title _____

Date _____

Owner Signature _____

Owner Name _____

Date _____

Owner Signature _____

Owner Name _____

Date _____

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

1 **Site Selection Area** The Site Selection Area, as referred to in Section 1 of the Development Agreement, is described below (or an attached map) by geographic boundaries and will consist of the following area or areas

2 **Development Schedule** The Development Schedule referred to in Section 5 of the Development Agreement is as follows

Expiration of Development Period (each, a "Development Period")	# of New Franchised Businesses Opened Within Development Period	Cumulative # of Franchised Businesses that Must Be Open and Operating
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		
___ Months from Effective Date		

APPROVED AND ACCEPTED BY

DEVELOPER

SWEETWATERS GROUP LLC

(Individual, Partnership or Corporation Name)

By _____
Title _____
Date _____

By _____
Title _____
Date _____

EXHIBIT D
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES AS OF SEPTEMBER 30, 2016

Franchisee	Address	City	State	Zip	Phone
Majek LLC Chris Hutton	407 North Fifth Avenue	Ann Arbor	MI	48104	734-622-0084
PGC Coffee, LLC Thomas Lasky	3393 Plymouth Road	Ann Arbor	MI	48015	734-327-6330
Green Bright, LLC Sheila Qin Li	604 E Liberty Street	Ann Arbor	MI	48104	734-929-2398
Kristina and Geoffrey Wilson	578 McKinley Circle	Canton	MI	8188	734-968-3730

**LIST OF FRANCHISEES THAT SIGNED FRANCHISE AGREEMENTS BUT ARE NOT YET
OPEN AS OF SEPTEMBER 30, 2016**

None

EXHIBIT E
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

**LIST OF FORMER FRANCHISEES THAT LEFT FRANCHISE SYSTEM IN 2015 FISCAL
YEAR**

None

EXHIBIT F
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT
LIST OF AGENTS FOR SERVICE OF PROCESS

LIST OF STATE ADMINISTRATORS

California Department of Business Oversight
TOLL FREE 1-(866) 275-2677

LA Office
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344
(213) 576-7500

Sacramento Office
1515 K Street, Suite 200
Sacramento, CA 95814-4052
(866) 275-2677

San Diego Office
1350 Front Street, Room 2034
San Diego, CA 92101-3697
(619) 525-4233

San Francisco Office
One Sansome St., Suite 600
San Francisco, CA 94104
(415) 972-8559

Florida Department of Agricultural
and Consumer Services
Division of Consumer Services
Mayo Building, Second Floor
Tallahassee, Florida 32399-0800
(904) 922-2770

Commissioner of Securities of the State of Hawaii
Department of Commerce and Consumer Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813
(808) 586-2722

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

Indiana Secretary of State
Securities Division
302 West Washington Street, Room E-11
Indianapolis, IN 46204
(317) 232-6681

Kentucky Office of the Attorney General
Consumer Protection Division
P O Box 2000
Frankford, KY 40602
(502) 573-2200

Maryland Office of the Attorney General
Securities Division
200 St Paul Place
Baltimore, MD 21202
(410) 576-6360

Michigan Department of the Attorney General
Consumer Protection Division
Attn Franchise Section
525 W Ottawa Street
G Mennen Williams Building, 1st Floor
Lansing, MI 48933
(517) 373-7117

Minnesota Department of Commerce
85 7th Place East, Suite 500
St Paul, MN 55101-2198
(651) 296-6328

Nebraska Department of Banking and Finance
1200 North Street, Suite 311
P O Box 95006
Lincoln, NE 68509-5006
(402) 471-3445

Office of the New York State Attorney General
Investor Protection Bureau
Franchise Section
Attention Barbara Lasoff
120 Broadway, 23rd Floor
New York, NY 10271-0332
(212) 416-8236 Phone
(212) 416-6042 Fax

North Dakota Securities Department
State Capital, 5th Floor
600 East Boulevard Avenue
Bismarck, ND 58505-0510
(701) 328-2910

Oregon Department of Consumer
and Business Services
Division of Finance and Corporate
Securities labor and Industries
350 Winter Street, NE, Room 410
Salem, OR 97310-3881
(503) 378-4140

Director, Department of Business Regulations
Rhode Island Division of Securities
233 Richmond Street, Suite 232
Providence, RI 02903-4232

South Dakota Department of Labor and
Regulation
445 East Capitol Avenue
Pierre, SD 57501-2017
(605) 773-5953

Statutory Document Section
Texas Secretary of State
P O Box 12887
Austin, TX 78711
(512) 475-1769

State of Utah
Division of Consumer Protection
P O Box 45804
Salt Lake City, Utah 84145-0804
(801) 530-6601

State Corporation Commission
Division of Securities and Retail Franchising
1300 East Main Street, 9th Floor
Richmond, VA 23219
(804) 371-9051

State of Washington
Director, Department of Financial Institutions
Securities Division
150 Israel Road, SW
Olympia, WA 98501
(360) 902-8760

Wisconsin Commissioner of Securities
345 W Washington Ave , 4th Floor
Madison, WI 53703
(608) 266-8550

AGENTS FOR SERVICE OF PROCESS

Attn Lisa Bee
Sweetwaters Group LLC
123 W Washington Street
Ann Arbor, Michigan 48104

Commissioner of the Department of Business
Oversight
320 West 4th Street, Suite 750
Los Angeles, CA 90013-2344

Commissioner of the Department of Business
Oversight
One Sansome St , Suite 600
San Francisco, California 94104

Commissioner of the Department of Business
Oversight
1515 K Street , Suite 200
Sacramento, CA 95814

Commissioner of Securities of the State of
Hawaii
Department of Commerce and Consumer
Affairs
Business Registration Division
335 Merchant Street, Room 203
Honolulu, HI 96813

Illinois Attorney General
500 South Second Street
Springfield, IL 62706

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

Maryland Securities Commissioner
Office of Attorney General
Securities Division
200 St Paul Place
Baltimore, MD 21202-2020

Michigan Department of Attorney General
Consumer Protection Division
Antitrust and Franchise Unit
P O Box 30054, 6546 Mercantile Way
Lansing, MI 48909

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

New York Department of State
Attention UCC
One Commerce Plaza,
99 Washington Avenue, 6th Floor
Albany, NY 12231
(518) 473-2492

North Dakota Securities Commissioner
State Capitol – 5th Floor
600 E Boulevard Avenue
Bismarck, ND 58505

Director, Department of Business Regulation
Division of Securities
Suite 232
233 Richmond Street
Providence, RI 02903-4232

Department of Labor and Regulation
Division of Securities
445 East Capitol Avenue
Pierre, SD 57501-3185

Clerk of the State Corporation Commission
Tyler Building, 1st Floor
1300 East Main Street
Richmond, VA 23219

Director, Department of Financial Institutions
Securities Division
150 Israel Road, Southwest
Olympia, WA 98501

Wisconsin Commissioner of Securities
345 West Washington Avenue, 4th Floor
Madison, WI 53703
(608) 261-9555

**EXHIBIT G
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT**

STATE SPECIFIC ADDENDA

[Reserved]

EXHIBIT H
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

TABLE OF CONTENTS OF CONFIDENTIAL OPERATING MANUAL

OPERATIONS MANUAL OUTLINE 2016

STORE OPERATIONS MANUAL

TEAM MANUAL	30 pages
SWEETWATERS 101	48 pages
TRAINING MANUAL	67 pages
DRINKS & RECIPES MANUAL	47 pages
TEAM LEADER MANUAL	56 pages
CATERING MANUAL	18 pages

Total Pages 266

GM MANUAL

HIRING	16 pages
TRAINING	22 pages
DAILY & BI-WEEKLY	23 pages
MONTHLY	5 pages

Total Pages 66

EXHIBIT I
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

SAMPLE RELEASE AGREEMENT

In consideration for the consent of Sweetwaters Group, LLC (the "Franchisor"), to the assignment by _____ ("Franchisee") of its interest in that certain franchise agreement entered into by and between Franchisor and Franchisee dated _____ (the "Franchise Agreement"), Franchisee hereby remises, releases, and forever discharges Franchisor, its officers, directors and employees and agents, and their respective successors, assigns, heirs and personal representatives, from all debts, covenants, liabilities, actions, and causes of action of every kind and nature, including but not limited to those arising out of or existing under the Franchise Agreement, the offer and sale of the SWEETWATERS franchised business described therein, and out of the franchise relationship between the parties hereto, whether in law or in equity, from the beginning of time to the date hereof Franchisee acknowledges that this Release is intended to release all claims held by any person against the parties to be released, arising out of any of the matters to be released

This Release has been entered into and agreed to as of the ____ day of _____, 20____

FRANCHISEE

By _____

Print Name _____

By _____

Print Name _____

EXHIBIT J
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT

FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

FRANCHISEE QUESTIONNAIRE/COMPLIANCE CERTIFICATION

As you know, Sweetwaters Group LLC ("we", "us"), and you are preparing to enter into a Franchise Agreement and/or Development Agreement for the right to open and operate one (1) or more SWEETWATERS franchises (each, a "Franchised Business") The purpose of this Questionnaire is to (i) determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, (ii) be certain that you have been properly represented in this transaction, and (iii) be certain that you understand the limitations on claims you may make by reason of the purchase and operation of your franchise **You cannot sign or date this Questionnaire the same day as the Receipt for the Franchise Disclosure Document but you must sign and date it the same day you sign the Development Agreement and/or Franchise Agreement, and pay us the appropriate franchise/development fee** Please review each of the following questions carefully and provide honest responses to each question If you answer "No" to any of the questions below, please explain your answer on the back of this sheet

- Yes____ No ____ 1 Have you received and personally reviewed the Franchise Agreement and/or Development Agreement, as well as each exhibit or schedule attached to these agreements, that you intend to enter into with us?
- Yes____ No ____ 2 Have you received and personally reviewed the Franchise Disclosure Document we provided?
- Yes____ No ____ 3 Did you sign a receipt for the Disclosure Document indicating the date you received it?
- Yes____ No ____ 4 Do you understand all the information contained in the Disclosure Document and the Franchise Agreement you intend to enter into with us?
- Yes____ No ____ 5 Have you reviewed the Disclosure Document and Franchise Agreement (and/or Development Agreement) with a lawyer, accountant or other professional advisor and discussed the benefits and risks of operating the Franchised Business(es) with these professional advisor(s)?
- Yes____ No ____ 6 Do you understand the success or failure of your Franchised Business(es) will depend in large part upon your skills, abilities and efforts and those of the persons you employ, as well as many factors beyond your control such as demographics of your Premises (or Site Selection Area), competition, interest rates, the economy, inflation, labor and supply costs, lease terms and the marketplace?
- Yes____ No ____ 7 Do you understand we have only granted you certain, limited territorial rights under the Franchise Agreement, and that we have reserved certain rights under the Franchise Agreement?
- Yes____ No ____ 8 Do you understand we and our affiliates retain the exclusive unrestricted right to engage, directly or through others, in the providing of services under the SWEETWATERS mark or any other mark at any location (a) outside your Designated Territory under the Franchise Agreement and (b) outside or within any Site Selection Area granted under any Franchise Agreement or Development Agreement, without regard to the proximity of these activities to you're the premises of your Franchised Business(es) or Site Selection Area?

- Yes___ No___ 9 Do you understand all disputes or claims you may have arising out of or relating to the Franchise Agreement must be mediated, at our option, at our then-current headquarters?
- Yes___ No___ 10 Do you understand the Franchise Agreement and Development Agreement provide that you can only collect actual damages on any claim under or relating to the Franchise Agreement and are not entitled to any punitive, consequential or other special damages?
- Yes___ No___ 11 Do you understand the sole entity or person against whom you may bring a claim under the Franchise Agreement or Development Agreement is us?
- Yes___ No___ 12 Do you understand that the Franchisee (or one of its principals if Franchisee is an organization), as well as any Designated Managers (as defined in the Franchise Agreement), must successfully complete the appropriate initial training program(s) before we will allow the Franchised Business to open or consent to a transfer of that Franchised Business?
- Yes___ No___ 13 Do you understand that we require you to successfully complete certain initial training program(s) and if you do not successfully complete the applicable training program(s) to our satisfaction, we may terminate your Franchise Agreement?
- Yes___ No___ 14 Do you understand that we do not have to sell you a franchise or additional franchises or consent to your purchase of existing franchises (other than those that you timely fulfill your development obligations and have contracted to open under the Development Agreement, provided you have not materially breached that agreement and failed to timely cure that breach)?
- Yes___ No___ 15 Do you understand that we will send written notices, as required by your Franchise Agreement and/or Development Agreement, to either your Franchised Business or home address until you designate a different address by sending written notice to us?
- Yes___ No___ 16 Do you understand that we will not approve your purchase of a SWEETWATERS franchise, or we may immediately terminate your Franchise Agreement, if we are prohibited from doing business with you under any anti-terrorism law enacted by the United States Government?
- Yes___ No___ 17 Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the costs involved in operating a Franchised Business that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes___ No___ 18 Is it true that no broker, employee or other person speaking on our behalf made any statement or promise regarding the actual, average or projected profits or earnings, the likelihood of success, the amount of money you may earn, or the total amount of revenue a Franchised Business will generate, that is not contained in the Disclosure Document or that is contrary to, or different from, the information contained in the Disclosure Document?
- Yes___ No___ 19 Is it true that no broker, employee or other person speaking on our behalf made any statement or promise or agreement, other than those matters addressed in your

Franchise Agreement and/or Development Agreement concerning advertising, marketing, media support, marketing penetration, training, support service or assistance that is contrary to, or different from, the information contained in the Disclosure Document?

Yes____ No____ 20 Is it true that no broker, employee or other person providing services to you on our behalf has solicited or accepted any loan, gratuity, bribe, gift or any other payment in money, property or services from you in connection with a Franchised Business purchase with exception of those payments or loans provided in the Disclosure Document?

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM BY SIGNING THIS QUESTIONNAIRE, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____, 20____

Dated _____, 20____

Signature of Franchise Applicant

Signature of Franchise Applicant

Name (please print)

Name (please print)

Dated _____, 20____

Dated _____, 20____

GIVE A COMPLETE EXPLANATION OF ANY NEGATIVE RESPONSES ON BACK OF THIS PAGE (REFER TO QUESTION NUMBER)

**EXHIBIT K
TO THE SWEETWATERS GROUP, LLC
FRANCHISE DISCLOSURE DOCUMENT**

RECEIPTS

RECEIPT (OUR COPY)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Sweetwaters Group, LLC offers you a franchise it must provide this Disclosure Document to you within 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

New York and Rhode Island require that we give you this Disclosure Document at the earlier of the first personal meeting or 10 business days before the execution of the franchise or other agreements or payment of any consideration that relates the franchise relationship. Michigan, Oregon and Wisconsin require that we give you this Disclosure Document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If Sweetwaters Group, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D C 20580 and the state administrator identified in Exhibit A of this Franchise Disclosure Document.

The Issue Date of this Disclosure Document is July 15, 2016. A list of franchisor's agents registered to receive service of process is listed as Exhibit A to this Franchise Disclosure Document.

I have received a Franchise Disclosure Document with an issue date of July 15, 2016, which contained the following Exhibits:

- | | | |
|-------------------------|-------------------------------------|----------------------------|
| A Financial Statements | E List of Former Franchisees | I Sample Release Agreement |
| B Franchise Agreement | F Agents for Service of Process | J Franchisee |
| C Development Agreement | G State Specific Addenda | Questionnaire/Compliance |
| D List of Franchisees | H Table of Contents of Confidential | Certification |
| | Operating Manual | K Receipts |

A list of the names, principal business addresses, and telephone numbers of each franchise seller offering this franchise is as follows:

- Lisa Bee and Woei Bee at 123 W Washington Street, Ann Arbor, Michigan 48104, (734) 769-2331
- Franchise Administration Team c/o Franworth, 106 Liberty St #310, Ann Arbor, Michigan 48104 or (734) 619-0919
- Kurt Landwehr, 7472 Kimberly Ct North, Maple Grove, MN 55311, (763) 423-9995
- Jason Barclay, 15716 Eagleview Drive, Charlotte, NC 28278, (704) 577-5302
- Peter Barkman, 230 Lehigh Drive, Richboro, PA 18954, (215) 364-2453

Franchisee _____	<u>If Franchisee is a Partnership, Corporation or</u>
Print Name _____	<u>Limited Liability Corporation</u>
Telephone Number _____	Name _____
Date _____	Title _____
	Company _____
	Address _____

RECEIPT (YOUR COPY)

This Disclosure Document summarizes certain provisions of the Franchise Agreement and other information in plain language. Read this Disclosure Document and all agreements carefully.

If Sweetwaters Group, LLC offers you a franchise, it must provide this Disclosure Document to you within 14 calendar days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale.

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Franchisee _____
Print Name _____
Telephone Number _____
Date _____

If Franchisee is a Partnership, Corporation or
Limited Liability Corporation
Name _____
Title _____
Company _____
Address _____

