

JUL 13 2017

Department of
Business Oversight

FRANCHISE DISCLOSURE DOCUMENT



TBAAR GROUP, LLC
A Nevada Limited Liability Company
3743 S Las Vegas Blvd, Suite 118
Las Vegas, Nevada 89109
Phone (877) 648-2227
Email tbaarus@gmail.com
<http://www.tbaar.com>

We offer qualified individuals and entities a franchise for the right to independently own and operate an establishment featuring a variety of bubble tea, fruit smoothies, and fresh fruit and vegetable juices that are made in accordance with our proprietary recipes and ingredients, as well as any other items that we authorize (each, a "Café"). Each Café is licensed to use our proprietary business operating system (the "System") and our proprietary marks, including the mark TBAAR (the "Proprietary Marks"). We also offer qualified parties the right to own and operate three (3) or more Cafés within a development area that we designate.

The total initial investment necessary to begin operation of a Café ranges from \$150,850 to \$372,900, which includes \$48,500 to \$51,500 you must pay to franchisor or its affiliates prior to opening.

The total investment necessary to operate three (3) or more Cafés 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) Cafés is \$175,850 to \$397,900, which includes (1) a development fee amounting to \$60,000 payable to us upon execution of your development agreement, and (2) the total investment to open and commence operations of your initial Café.

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 Gary Lin, c/o Tbaar Group LLC at 3743 S Las Vegas Blvd, Suite 118, Las Vegas, Nevada 89109 or at telephone number at (877) 648-2227.

The terms of your contract will govern your franchise relationship. Do not rely on the disclosure document alone to understand your contract. Read your entire 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-FTCHELP 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.

Issue Date: June 20, 2017

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 OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT.

Call the state franchise administrator listed in Exhibit A 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 FRANCHISED 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 AT OUR OPTION, THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT REQUIRE YOU TO RESOLVE ALL DISPUTES WITH US BY MEDIATION ONLY IN NEVADA (AT OUR CORPORATE OFFICES OR OTHER LOCATION WE DESIGNATE). OUT OF STATE MEDIATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST YOU MORE TO MEDIATE WITH US IN THE STATE OF NEVADA THAN IN YOUR OWN STATE.
- 2 ANY DISPUTES WITH US NOT SUBJECT TO MEDIATION MUST BE RESOLVED BY LITIGATION ONLY IN NEVADA. IT MAY COST YOU MORE TO LITIGATE WITH US IN THE STATE OF NEVADA THAN IN YOUR OWN STATE.
- 3 THE FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT STATE THAT THEY ARE GOVERNED BY NEVADA. THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
- 4 IF THE FRANCHISEE IS AN INDIVIDUAL, WE REQUIRE THAT THE FRANCHISEE'S SPOUSE EXECUTE THE FRANCHISE AGREEMENT DIRECTLY OR A PERSONAL GUARANTY. IF THE FRANCHISEE IS A BUSINESS ENTITY, EACH OWNER OF THE FRANCHISEE ENTITY AND, AT FRANCHISOR'S OPTION, THE RESPECTIVE SPOUSES OF EACH OWNER MUST EXECUTE A PERSONAL GUARANTY. THIS PLACES THE PERSONAL ASSETS OF THESE INDIVIDUALS AND, IF APPLICABLE, THEIR SPOUSES AT RISK.
- 5 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

STATE EFFECTIVE PAGE

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

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

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

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

To simplify the language of this Disclosure Document, Tbaar Group, LLC (the “Franchisor”) is sometimes referred to in this Disclosure Document as “we,” “us” or “our.” We refer to the person interested in buying the franchise as “franchisee,” “you” or “your.” If you are a corporation, partnership, limited liability company or other business entity, the terms “franchisee,” “you” and “your” also refer to your owners.

The Franchisor

We were organized under the laws of Nevada as a limited liability company on April 3, 2017. Our principal business address is at 3743 S Las Vegas Blvd, Suite 118, Las Vegas, Nevada 89109, and our telephone number is (877) 648-2227. We only do business under our corporate name and our proprietary marks, including the mark TBAAR.

We grant qualified parties a franchise for the right to independently own and operate a Franchised Business that is an establishment that offers and sells (i) a variety of bubble tea, fruit smoothies, and fresh fruit and vegetable juices that are made in accordance with Franchisor’s proprietary recipes and ingredients, and (ii) any other menu items, beverages and/or merchandise that we authorize for sale (collectively, the “Approved Products”). As previously disclosed, each Franchised Business operates using our System and the Proprietary Marks that we designate (now or at any time in the future), including the mark TBAAR.

We first began offering franchises for the right to operate a Franchised Business in the United States as of the Issue Date of this Disclosure Document. We have not operated any businesses that are similar to the Franchised Business. We do not offer or sell franchises in any other line of business and, except as described in this Item, we are not otherwise engaged in any other business activity.

Our agents for service of process are listed in Exhibit A to this Disclosure Document.

The Franchised Business

Your Franchised Business will be a quick casual establishment that offers and serves a menu comprised primarily of bubble tea, fruit smoothies, and fresh fruit and vegetable juices, as well as coffee and other products that we authorize as part of the “Approved Products” that can be offered and sold at your Café to customers in a clean, healthy and friendly environment. Many of the Approved Products must be prepared in accordance with our proprietary recipes, and certain of these recipes call for proprietary ingredients that we may require you to purchase from a supplier that we designate or approve (each, an “Approved Supplier”).

Your Franchised Business will be operated utilizing our Proprietary Marks and in accordance with our System, the latter of which is comprised of (a) our valuable know how, information, trade secrets, and methods associated with the establishment and operation of a Café, including our proprietary recipes associated with the Approved Products, (b) confidential Operations Manual and other proprietary manuals we may loan to you (collectively, the “Manuals”), (c) proprietary initial training program and ongoing training, as well as related instructional materials, (d) certain standards and specifications associated with the establishment and ongoing operation of your Franchised Business, including any plans regarding the prototypical design, layout and build-out of a Café, (e) methods associated with marketing and sales programs, fixture and furniture selection, staffing guidelines and other research and development connected

with the establishment and operation of a Cafe, and (f) established relationships with certain vendors/supplier that might be used in connection with the development/operation of a Cafe. We may modify the System from time to time as we deem appropriate or necessary in our discretion.

Your Franchised Business must be operated from a location that we approve (the "Premises"). The Premises of a Franchised Business will typically (a) have between approximately 300 and 2,000 square feet of leased or owned space (with at least 12 feet of Café frontage), and (b) be located in regional shopping centers, downtown areas or other commercial business areas. You must offer (and only offer) the Approved Products that we authorize at the Premises of your Franchised Business. Once the parties have agreed on the Premises associated with your Franchised Business, this will be defined in the data sheet attached as Exhibit A to your Franchise Agreement (the "Data Sheet"). You will receive certain territorial rights within a defined area around your Premises (your "Designated Territory") for so long as you comply with the terms of your Franchise Agreement, as discussed more fully in Item 12 of this Disclosure Document.

In the event we develop a catering program, we may authorize you to provide off-Premises catering services, provided you (i) complete any additional training that we establish in connection with the provision of such catering services, (ii) demonstrate that you have a vehicle that (a) bears the Proprietary Marks in the manner we prescribe, and (b) is otherwise adequately insured as part of the Franchised Business operations and meets any other reasonably-imposed standards for vehicles used in connection with such catering services, and (iii) are otherwise in material compliance with the terms of the Franchise Agreement at the time you request the right to provide such catering services.

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 (at our discretion), must sign the form of personal guaranty attached as an Exhibit to the Franchise Agreement (the "Personal Guaranty"). The individuals that sign the Personal Guaranty agree to be personally bound by, and personally guarantee, the franchisee entity's obligations under the Franchise Agreement. If the franchisee is an individual, then the franchisee's spouse must also sign the Franchise Agreement (or, in the alternative, the Personal Guaranty).

Multi-Unit Offering

We also offer qualified individuals and entities the right to open and operate three (3) or more Franchised Businesses within a designated geographical area (the "Development 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").

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, and you will eventually need to sign our then-current form of franchise agreement for each of the Franchised Businesses you open under the Development Schedule.

If we grant you the right to develop three (3) or more Franchised Businesses under a Development Agreement, you must pay us a development fee that is based on the number of franchises we grant you the right to open within your Development Area (the "Development Fee"), and the payment schedule for this

fee is described more fully in Item 5 of this Disclosure Document

For purposes of this Disclosure Document, we will refer to the second and each additional Franchised Business you must open under your Development Schedule as an “Additional Franchised Business”

Parents, Predecessors and Affiliates

We do not have any parents or predecessors as defined under the FTC’s Amended Rule on Franchising

Our affiliate, Tbaar Franchising Corporation (“TFC”), is a New York corporation with a business address at 119-119-12 29th Avenue, Flushing, New York 11354 From 2013 to November 2016, TFC offered and granted licenses for the right to own and operate an eating establishment that feature the Approved Products and operate under the Proprietary Mark TBAAR (each, a “Legacy Location”) As of the Issue Date of this Disclosure Document there are approximately 10 Legacy Locations open and operating pursuant to a valid and existing agreement with TFC Prior to the Issue Date of this Disclosure Document, all but one (1) of the Legacy Locations determined to continue operating under their respective license agreements with TFC despite the fact that TFC offered them the right to rescind their respective agreements The Legacy Locations are not operated utilizing the proprietary manuals and all components of the System that will be licensed in connection with a Franchised Business and, as such, are not considered substantially similar businesses to the Franchised Business for purposes of Items 19 and 20 of this Disclosure Document We have not assumed any of the license agreements governing the Legacy Location operations as of the Issue Date of the Disclosure Document, but we may offer these Legacy Locations the right to enter into a franchise agreement with us for the right to operate a Franchised Business TFC is not our predecessor under applicable law because we did not acquire these agreements or other assets necessary to administer our franchise system

Our affiliate, TBA Trading, LLC, a New York limited liability company with a principal place of business at 119-12 29th Avenue, Flushing, New York 11354 (“TBA Trading”) As of the Issue Date, TBA Trading serves as our designated supplier for certain items you must purchase in connection with your Franchised Business, including ingredients and other items necessary to make the Approved Products, packaging, and certain other items as disclosed more fully in Item 8 of this Disclosure Document

Market and Competition

Your Café will offer and sell the Approved Products to the general public, and such sales are not seasonal in nature The Café will compete primarily with local quick casual restaurants and other regional, national, and international chains offering similar menu items as a Franchised Business, as well as other fast foot and sit-down restaurants The quick casual restaurant industry is mature and highly competitive Your competitive advantage in the marketplace will be based on your adherence to our standards and guidelines, as well as your entrepreneurial and managerial abilities and focus on customer service

Industry-Specific Regulations

Your Café will be subject to laws and regulations in your state, county, or municipality regarding the operation of a restaurant generally, including but not limited to laws and regulations relating to the preparation and dispensation of food products such as the Approved Products, as well as occupational hazards and health laws, sanitation laws, and consumer protection laws

You will also be subject to laws or regulations that are not specific to the restaurant industry, but applicable to businesses in general, including zoning laws, labor laws and the Fair Labor Standards Act, workers' compensation laws, business licensing laws, tax regulations, and the Americans with Disabilities Act

We have not investigated the laws or regulations applicable to your Café. You are solely responsible for investigating and adhering to all applicable federal, state, and local laws and regulations, and for your cost to comply with such laws and regulations, and you should do so before purchasing a franchise from us. We strongly suggest that you consult with an attorney, consultant and/or financial advisor regarding such regulations prior to purchasing a franchise from us. Applicable laws and regulations are subject to change.

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

CEO - Guoyao (Gary) Lin

Gary Lin has been our CEO since our inception. He has also served as (i) CEO of TFC, located in New York, New York, since 2011, and (ii) President of Tbaar, Inc., located in New York, New York, since 2006.

CFO - XiaoLin Li

XiaoLin Li has been our Chief Financial Officer since our inception. She has also served as (i) CFO of our TFC, located in New York, New York since 2011, and (ii) President of TBA Trading Inc., located in New York, New York, since 2011.

Operations Manager - Jianfei (John) Lin

John has been our Operations Manager since our inception. He has also served in operations management for TFC, located in New York, New York, since April 2012.

ITEM 3 LITIGATION

Juice Land, Inc. et al v Tbaar Franchising Corporation et al, Case No. 705713/2017 (Supreme Court of the State of New York, County of Queens). On June 6, 2017, TFC and Gary Lin were served with a complaint dated April 28, 2017 that was filed by one (1) of TFC's former licensees that abandoned operation of its licensed location in or around October 2016. The action alleges violations of New York General Business Law §§ 683, 687, fraud and related claims against the named defendants. Defendants expect and intend to respond and otherwise defend against this action.

Franchisor is not a party to any pending or concluded litigation that must be disclosed in this Item.

Except as provided above, no litigation must be disclosed in this Item.

ITEM 4 BANKRUPTCY

No bankruptcy information must be disclosed in this Item

ITEM 5 INITIAL FEES

Franchise Agreement

Initial Franchise Fee

You must pay us an initial franchise fee amounting to \$35,000 (the “Initial Franchise Fee”) immediately upon execution of your Franchise Agreement, which will be deemed fully earned and non-refundable upon payment. Except as provided for in this Item, the Initial Franchise Fee is uniformly imposed.

Initial Training Fee

You must also pay us an initial training fee amounting to \$5,000 (the “Initial Training Fee”) upon execution of your Franchise Agreement, which is partial consideration for the initial training program and on-site assistance we provide in connection with your Franchised Business. The Initial Training Fee is deemed fully earned and non-refundable upon payment.

If you are granted the right to develop three (3) or more Franchised Businesses pursuant to a Development Agreement with us, then (i) you will only be required to pay us an Initial Training Fee for the first Franchised Business you open within your Development Area, and (ii) we have the right, but are under no obligation, to provide training to you in connection with any Additional Franchised Business you open within your Development Area.

Initial Inventory and Equipment

Prior to opening, you must purchase certain ingredients and equipment from TBA Trading that are necessary for you and your staff to prepare the Approved Products that will be offered and sold at your Franchised Business.

We estimate that you will be required to pay TBA Trading between \$8,500 and \$11,500 prior to opening for these required inventory and equipment items, with the exact amount depending on the size, location and anticipated customer demand associated with the initial operations of your Café.

Development Agreement

Development Fee

If we grant you the right to open three (3) or more Franchised Businesses under a Development Agreement, you must pay us a development fee that serves solely as consideration for the territorial rights we are granting to you within your Development Area. The Development Fee is not consideration for, or otherwise tied to, any (i) training, site selection or other obligation that we have in connection with the individual Franchise Agreements that are signed to fulfill your development obligations, or (ii) any subsequent

Franchised Business that you have the right to develop under your Development Agreement

The Development Fee is calculated as follows \$60,500 if you have the right to open three (3) Franchised Businesses within your Development Area, plus \$12,500 for the fourth and each additional Franchised Business that you have the right to develop within your Development Area

The Development Fee is paid to us immediately upon execution of your Development Agreement, and this fee is deemed fully earned and is non-refundable (under any circumstances) upon payment

Reduced Franchise Fee

You will also be required to pay a subsequent franchise fee amounting to \$12,500 in connection with each Additional Franchised Business you are required to develop under your Development Schedule (each, a "Reduced Franchise Fee"), which will be due on the earlier of (a) the date you sign a Franchise Agreement for that Additional Franchised Business, or (b) 10 days from the date a lease is signed for the location of that Additional Franchised Business. The Reduced Franchise Fee is a subsequent amount paid to us as consideration for franchise rights granted in connection with the Additional Franchised Business at issue.

Each Reduced Franchise Fee is deemed fully earned upon execution of your Development Agreement and is non-refundable upon payment.

Uniformity

Except as otherwise disclosed in this Item, all fees described herein are calculated and imposed uniformly on franchisees.

ITEM 6 OTHER FEES

TYPE OF FEE⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Royalty	4% of Gross Sales of your Franchised Business (the "Royalty Fee")	Deducted monthly via EFT on or before the 10 th	Your Royalty Fee will begin once your Franchised Business opens. Please note that "EFT" means Electronic Funds Transfer program. See Notes 1, 2 and 3
Local Advertising Requirement	Currently, 1% of the Gross Sales of your Franchised Business	Must be expended monthly	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. We reserve the right to increase your Local Advertising Requirement to an amount equal to up to 2% of your Franchised Business.
POS System Fee	Then-current fee	As agreed	You must use the POS System and POS provider

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
	charged by our Approved Supplier for your point-of-sale ("POS") system Currently, our approved supplier does not charge any ongoing license fee for use of the POS system once the POS system components are purchased	to with Approved Supplier	that we designate in connection with your Café. Should we designate a different POS System at any time, you must implement the new POS System. In addition to the then-current license fee described in this Chart, you will be responsible for the costs associated with (a) initially acquiring the POS hardware, and (b) maintaining that POS hardware, as described more fully in Item 11 of this Disclosure Document. At some point in 2017, our current Approved Supplier for the POS System may start charging an annual maintenance fee of \$1,000 in connection with the POS System. We reserve the right to change the POS System Fee if the POS System requires upgrading.
Training Fee	Our then-current training fee for additional, refresher or remedial training Currently, \$400/day per trainer, plus expenses	As incurred	We may require you and your Designated Manager (if any) to attend (i) up to five (5) days of refresher/additional training in a given year ("Additional Training"), and (ii) up to five (5) days of remedial training that we have the right to require you to attend in complete if you are not operating your Café in compliance with the Franchise Agreement or our Manuals ("Remedial Training"). We will not charge you our then-current training fee (the "Training Fee") in connection with any Additional Training that we require, but we reserve the right to charge our then-current training fee in connection with any (1) Additional Training that you request, or (2) Remedial Training. You will be responsible for all costs and expenses that you and your trainees incur in connection with attending any Additional Training or Remedial Training. We may also charge you this Training Fee if we are required to provide on-site assistance at your Franchised Business at your request, in which case you will also be responsible for the costs

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			and expenses we incur in connection with providing such on-site assistance We will not charge you a Training Fee in connection with any day-to-day assistance we provide to you remotely via the telephone, e-mail, Skype or related channel or for any Additional Training that we require and that you have not requested
Initial Training Fee for Additional or Replacement Personnel	Our then-current fee, which is currently \$2,000 per person	Prior to training being provided	The Initial Training Fee described in Item 5 covers the tuition for you and up to two (2) other management personnel or other trainees you designate. We only reserve the right to charge this fee if you wish to send additional trainees or need to send replacement personnel to our Initial Training Program. Please see Item 11 for additional information.
Inventory	Varies based on customer demand and sales by the Franchised Business	As arranged with provider	You must purchase food items and other inventory for use in the Franchised Business or for resale to your clients from our Approved Supplier, which may include us or our affiliate.
Renewal Fee	50% of the then-current initial franchise fee	Upon renewal	You must also satisfy certain conditions enumerated in the Franchise Agreement in order to renew.
Transfer Fee (both Franchise Agreement and Development Agreement)	FA \$10,000 DA \$10,000 per undeveloped Café you assign	Prior to our approval of the Transfer	There are other conditions that you and the proposed transferee must meet in order for us to approve any proposed transfer/assignment. We will not charge you a transfer fee if you are an existing franchisee and simply assigning your agreement from yourself individually to an entity that is wholly-owned by you.
Annual Convention Contribution Fee	Then-current contribution fee, which is currently \$500/person	As incurred	We may schedule and hold an annual 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 annual conference/convention (lodging, travel,

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
			meals, etc) and we reserve the right to charge you our then-current attendance/registration fee
Regional Advertising Cooperative	An amount determined by the Cooperative	As required by the Cooperative	Payable to us if we assign your Café to a Regional Advertising Cooperative Any payment for a Regional Advertising Cooperative will be credited against your monthly Local Advertising Requirement If there is an affiliate-owned Café 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 Cafés 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 be zero and the maximum monthly contribution will be your Local Advertising Requirement for the month at issue
Insurance	Will vary according to circumstances	Upon demand	If you fail to obtain required insurance, we may obtain such insurance at your expense (but are not required to do so) and charge you a service fee to do so Otherwise, these payments are made directly to your third-party insurance provider Both we and the affiliates we designate must be listed as additional insured
Taxes on Payments to Us	Amount of tax or assessment	When imposed by taxing authority	If any taxing authority, wherever located, imposes any future tax, levy or assessment on any payment you make to us, in addition to all payments due to us, you must pay the tax, levy or assessment
Indemnification	Amount of claim or judgment	When incurred	You must reimburse us for our attorneys' fees and other costs that we incur in connection with any third-party claims brought against us that arise out of, or are related to, the operation of your Franchised Business

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Alternate Supplier and/or Non-Approved Item Testing	Reimbursement of the actual costs we incur in evaluating any proposal you submit We also reserve the right to charge a supplier evaluation fee of \$500	As incurred	As discussed more fully in Item 8, you may propose a non-approved item or non-approved supplier that you would like to use in connection with your Franchised Business If you make such a proposal, we reserve the right to be reimbursed for the actual expenses/costs we incur in evaluating your proposal and also reserve the right to charge you an evaluation fee of \$500
Audit Fees	Actual cost of audit, plus a penalty fee of \$10,000	Upon billing after audit	Payable if audit reveals that you have underreported the Gross Sales of your Franchised Business by 2% or more for any designated reporting period We also reserve the right to charge you a penalty fee of \$10,000 in addition to our actual costs See Note 4
Management Fee	8% of the Gross Sales of the Franchised Business over time period that we operate the business on your behalf, plus the costs/expenses we incur in connection with taking over operations	When incurred	Payable if you are in material default of your Franchise Agreement and we choose to step in and operate your Café for you. We will not charge any Management Fee unless we exercise our "step-in" rights under the Franchise Agreement
Interest	1.5% per month	Upon demand	Payable on all delinquent payments due to us for more than thirty (30) days. See Note 5
Insufficient Funds and Collection Costs	\$50 insufficient funds fee, plus whatever costs and fees we incur in our collection efforts	As incurred	You must pay all collection charges associated with our efforts in collecting any amounts owed to you or us under the Franchise Agreement and/or Development Agreement If any payment due under this Agreement is not received by us by the scheduled date due, you will be in default under the Franchise Agreement and we will be permitted to process an electronic funds payment for one and one-half (1.5) times the payment received for the immediately preceding calendar month

TYPE OF FEE ⁽¹⁾	AMOUNT	DUE DATE	REMARKS
Late Fee (Reports)	\$10 per day, starting the eleventh (11 th) day after a report is due to us	As incurred	Payable only if you fail to timely provide us with any report you are required to provide under your Franchise Agreement and fail to cure that default within ten (10) days of the report's due date
Relocation Fee	\$2,000 if you decide to relocate your Franchised Business within the first year \$10,000 if you decide to relocate your Franchised Business after the first year	When you submit a letter requesting relocation	Payable to us to defray our costs associated with evaluating and approving/rejecting your relocation proposal In the event we approve your relocation (which must be in writing), you must find a site we approve to relocate to within six (6) months of the date we provide you approval

Explanatory Notes

Generally Except as otherwise stated in this Item, all fees listed in this Item 6 Chart are imposed by, and payable to, us and are uniformly imposed on all of the franchisees in our System. These fees are payable in U.S. dollars and are non-refundable unless otherwise stated in this Item. Unless otherwise stated, the fees outlined in the Chart above apply to the Franchise Agreement only (and not the Development Agreement).

- 1 **Royalty Fee and Other Fees** Your Royalty Fee, as well as any other fees payable to us or our affiliates under the Franchise Agreement, may be collected by us via EFT from the bank account you are required to designate solely for use in connection with your Franchised Business (your "EFT Account"). You must provide us with the details of your EFT Account prior to opening and execute all documents necessary to authorize us to make withdrawals from this account throughout the term of your Franchise Agreement, including our then-current EFT Withdrawal Authorization form that is attached as an Exhibit to your Franchise Agreement. You must provide us with advance written notice of any change to the information related to your EFT Account.
- 2 **Collection Interval** We currently require our franchisees to pay us on or before tenth (10th) day of each month based on the Gross Sales of the Franchised Business from the preceding calendar month. We reserve the right to change the interval at which we collect your Royalty Fee and any other recurring fees payable to us or our affiliates under the Franchise Agreement upon written notice to you. For example, we may collect these recurring fees on a weekly rather than monthly basis. Regardless, you are required to provide us with a monthly Gross Sales report detailing your Gross Sales from the preceding calendar month, along with your calculated Royalty Fee and other information that we reasonably require (the "Gross Sales Report") on or before tenth (10th) day of each month if we are unable to access that information through the POS System.
- 3 **Definition of Gross Sales** "Gross Sales" means the means the total revenue generated by your Café, including (i) all revenue generated from the sale and provision of any and all Approved Products (including gift cards) at, from, or otherwise through, the Franchised Business, (ii) orders

which originated at any place other than the Premises but delivery is made at or from the Premises, (iii) catering sales (if and as permitted by Franchisor), and (iv) the proceeds from any business interruption insurance related to the non-operation of your Franchised Business. The term "Gross Sales" does not include (a) tips received by employees of the Franchised Business, (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto, or (c) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by you in full or partial satisfaction of the price of the Approved Products offered in connection with the Franchised Business.

- 4 **Right to Inspect/Audit** We have the right to inspect your books and other financial information associated with your Franchised Business during the term of the Franchise Agreement as well as inspect the Premises for compliance with our System standards of food and service quality. If we conduct an audit and it reveals that you have underreported your Gross Sales by two percent (2%) or more, then we may require you to pay (i) the costs we incur in connection with conducting the audit of your Franchised Business (including any fees paid to auditors and/or attorneys), and (ii) a penalty fee of \$10,000. If we conduct an inspection of your Premises and we find that you are in default of our System standards, you will be responsible for our costs in conducting such inspection.
- 5 **Interest on Late Payments** Interest begins to accrue on the due date of any payment that has not been timely received or is not paid in full.

ITEM 7
ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT

A Traditional Café – Single Unit

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Initial Franchise Fee ¹	\$35,000	Lump Sum	Execution of Franchise Agreement	Us
Initial Training Fee ¹	\$5,000	Lump Sum	Execution of the Franchise Agreement	Us
Training Expenses ²	\$500 to \$5,000	As Arranged	As Incurred	Third-Party Vendors
Security Deposit Associated with Lease ³	\$2,000 to \$25,000	As Arranged	As Arranged	Landlord
Utilities and Deposit ³	\$1,000 - \$3,000	As Arranged	As Arranged	Utility Companies
Insurance Premiums ⁴	\$500 to \$1,200	As Arranged	As Arranged	Insurance Agency
Business Permits and Licenses ⁵	\$1,000 to \$5,000	As Incurred	As Incurred	Government Agencies
Rent (3 months) ⁶	\$6,000 to \$33,000	As Arranged	As Arranged	Landlord
Design and Architectural Fees ⁷	\$3,000 to \$5,000	As Arranged	As Arranged	Third-Party Suppliers
Leasehold Improvements ⁸	\$40,000 to \$150,000	As Arranged	As Arranged	Third-Party Suppliers/Vendors
Signage ⁹	\$3,000 to \$8,000	As Arranged	As Arranged	Approved Supplier
Furniture and Fixtures ¹⁰	\$1,000 to \$3,000	As Arranged	As Arranged	Third-Party Suppliers, which may include our Approved Supplier(s)

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Major Equipment ¹¹	\$20,000 to \$30,000	As Arranged	As Incurred	Third-Party Suppliers, which may include our Approved Supplier(s)
Smallwares	\$750 to \$1,500	As Arranged	As Incurred	Third-Party Suppliers, which may include our Approved Supplier(s)
Office Equipment and Office Supplies	\$500 to \$1,500	As Arranged	As Incurred	Third-Party Suppliers, which may include our Approved Supplier(s)
Initial Inventory ¹²	\$3,000 to \$6,000	As Incurred	As Agreed	Our Approved Supplier
Uniforms	\$100 to \$200	As Incurred	As Agreed	Our Approved Supplier
Grand Opening Advertising ¹³	\$5,000 to \$10,000	As Arranged	As Arranged	Third-Party Suppliers, which may include our Approved Supplier
POS System ¹⁴	\$2,500 to \$3,500	As Arranged	As Incurred	Approved Supplier
Professional Fees (Legal and Accounting)	\$1,000 to \$2,000	As Arranged	As Incurred	Licensed Professionals
Additional Funds (3 Months) ¹⁵	\$20,000 to \$40,000	As Arranged	As Incurred	Various
Total ¹⁶	\$150,850 to \$372,900			

Explanatory Notes

- 1 **Initial Franchise Fee and Initial Training Fee** The details of the Initial Franchise Fee and Initial Training Fee are described in Item 5
- 2 **Training Expenses** We will typically provide our proprietary initial training program (the “Initial Training Program”) at our corporate headquarters or at one of our designated training facilities located in Nevada, New York or California. The low amount of this estimate assumes that (i) only you or your contemplated Designated Manager, as the primary manager of the Franchised Business, attends that Initial Training Program, and (ii) that person is located in close enough proximity to where the Initial Training Program is being conducted to avoid the costs associated with flights, lodging and local transportation (other than gas/tolls). The high estimate assumes that more than

(1) person will be attending the Initial Training Program (most likely 2 or 3), and that such individuals will incur costs associated with flight, lodging, meals and other expenses associated with longer distance travel

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 trainee(s) during training.

3 Security Deposit Associated with Lease, Utilities and Deposits

a *Security Deposit – Lease* The low end of this estimate assumes a security deposit that amounts to one (1) month's rent and a monthly rent of around \$2,000. The high end of this estimate assumes that your security deposit will be two (2) to four (4) months' rent. The security deposit (and rent) for a given Premises can vary greatly based on the location where you are looking to open your Franchised Business. We strongly recommend that you meet and discuss this issue with your local real estate agent and/or other business advisors before you purchase a franchise from us. Please see Explanatory Note No. 6 to this Chart below for additional information.

b *Utilities and Deposits* This estimate includes (a) the security deposit paid in connection with the utilities necessary to operate the Franchised Business, and (b) the actual cost of those utilities over the first three (3) months of operation. These amounts will vary in each market, and may be refundable (as determined by the payee).

4 Insurance Premiums This is an estimate of insurance premiums for the initial three (3) months of business operation. Your costs will vary depending on your market, the amount of coverage you select, your insurance carrier, and other factors.

5 Business Permits and Licenses 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.

6 Rent You will need to rent or acquire a building for your Franchised Business. Rent varies considerably from market to market, and from location to location in each market. The estimated range here assumes that you will be renting the Premises of your Franchised Business and is designed to cover the rent for the Premises over the first three (3) months of your lease. The low end of this estimate assumes a monthly rent of around \$2,000, while the high end estimate assumes a rent of around \$11,000 per month. This range also takes into account the leasing experience of our Company Location in New York, as well as estimates we have received from site selection personnel.

You may be able to obtain rent concessions (in the form of "free rent," "deferred rent" or "tenant concessions") from your landlord, but the estimate in the Item 7 Chart above does not assume that you will receive these types of concessions from your landlord. If you choose to purchase your Premises, the costs associated with such a purchase will likely be significantly higher than the estimated range set forth in the Chart above for this item.

- 7 **Design and Architectural Fees** After you sign your Franchise Agreement, we may provide you with our current design/layout plans for a prototypical Café to assist you in (a) finding a suitable Premises, and (b) preparing your own specific architectural plans for your Franchised Business. You must engage a third-party architectural services provider to prepare the plans concerning the design and layout of your Franchised Business. We have not designated a third-party architectural services supplier that you are required to use, but we reserve the right to do so in the future.
- 8 **Leasehold Improvements** You will likely need to construct, improve or otherwise “build-out” the Premises at which you will operate your Franchised Business, which will include paying for (i) the necessary materials associated with such build-out and the third-party architects and contractors to implement the plans we have approved for your Franchised Business, and (ii) the sinks and countertops associated with the Franchised Business. The low-end estimate assumes that your Premises will be smaller in size (around 300 sq ft) and/or will not require extensive leasehold improvement work. The high-end estimate assumes your Premises will be on the larger side (around 2,000 sq ft) and/or involve higher leasehold improvement costs on a per square foot basis due to the location of the Premises and relative factors. This estimated range also takes into account the experience of our Company Location in building out its location.
- You may be able to negotiate various terms with your landlord, including paying or reimbursing you for some of the build out costs for your space through “tenant allowance/improvement credits” or similar concession. With a tenant allowance/improvement credit, your landlord may credit some of the costs you incur in building out the Premises towards your monthly rent, but the estimated range in the Item 7 Chart above does not assume any such concessions have been provided by the landlord of your Premises. You may also 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 your landlord or other third party to provide financing, the monthly overall costs of the financing, and other terms relevant to your decision whether to pay or finance the build out costs.
- 9 **Signage** The cost of exterior and interior signage will vary from location to location depending on lease requirements, local ordinances and restrictions, Café frontage, and related factors. We may provide you with a rendering of our prototypical signage used at a Café and require you to use the same at your Franchised Business. Regardless, 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.
- 10 **Furniture and Fixtures** You will need to purchase the furniture and fixtures that meets our System standards and specifications for a Franchised Business, including without limitation, seating for customers and certain fixtures necessary for kitchen operations. You may decide to lease certain furniture and fixtures that are required rather than purchasing them outright. 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 items, the monthly and overall costs of the leases, and other terms relevant to your decision whether to purchase or lease the furniture and/or fixtures. The estimate we provide in the Chart above assumes that you will purchase the required furniture and fixtures to open and operate your Franchised Business. Please note, however, that the range listed is an estimate and your costs will likely vary based on the location of your Premises and surrounding market. We may require you to obtain certain furniture and fixtures from us or our Approved Supplier(s).

- 11 **Major Equipment** You will also need to purchase certain operations equipment that meets our System standards and specifications before you can open or commence operations of your Franchised Business. Examples of major equipment include, but is not limited to, fructose, sealing, and juice machines, ice makers, specialized refrigerators and coolers, refrigerated countertop display cases, blenders, hot water dispensers, and coffee machines.

This estimate does not include the cost to purchase the point-of-sale system ("POS System")

Similar to the preceding Note regarding "Furniture and Fixtures", you may be able to lease certain equipment rather than purchase it outright. The same factors that affect your ability to lease those furniture and fixture items (and the costs associated with such leasing activity) may likewise affect your ability to lease certain equipment (and the costs associated therewith). Our estimate assumes that you will be purchasing the necessary equipment to open and operate your Franchised Business.

- 12 **Initial Inventory** This estimate covers the food items and other inventory you will need to purchase from our Approved Supplier and/or third-party suppliers prior to opening your Franchised Business in order to prepare the menu items and other Approved Products once you first open. The ongoing inventory purchases you will need to make in order to replenish this initial stock of inventory over the first three (3) months you are open is estimated and discussed in Explanatory Note 16 to this Chart below.
- 13 **Grand Opening Advertising Requirement** This is the amount you can expect to expend in connection with your Grand Opening Advertising Requirement (as described in Item 11 of this Disclosure Document). We will designate the exact amount you must expend as your requirement once you have secured a Premises that we approve. All advertising materials you use in connection with your Grand Opening Advertising Requirement (and otherwise) must be approved by us, and we may require that you purchase certain of the materials associated with your grand opening campaign from an Approved Supplier.
- 14 **POS System** This estimate includes the estimated costs associated with purchasing our current POS System as of the Issue Date of this Disclosure Document. We currently have a designated POS System that you must use in connection with your Franchised Business. This estimate also includes estimated costs you will incur in support fees in connection with the hardware/software used in connection with the POS System over the first three (3) months of operation.
- 15 **Additional Funds (3 Months)** You will need additional capital to support on-going expenses during the initial three (3) months after you open your Franchised Business. The estimated range includes costs that may be associated with items such as payroll, ongoing inventory purchases, royalty, additional advertising, repairs and maintenance, bank charges, miscellaneous supplies and equipment, state tax, and other miscellaneous items, that may not be covered by sales revenues. The estimated range does not include any salary or draw for the owner of the Franchised Business, nor does it include any costs associated with debt services.

All figures in the Item 7 Chart above are estimates and we cannot guarantee that you will not have additional expenses in the first (3) months you are operating your Franchised Business. The actual additional expenses you incur during the start-up period may depend on factors such as how much you follow our methods and procedures, your management skills, your experience and business.

acumen, location of your franchise, local economic conditions and market for your product, prevailing wage rate, competition, and sales level reached during this initial period

- 16 **Total** The figures in this table are only estimates. In calculating these estimates, we relied on (a) the experience of our Company Location that is operated in a substantially similar manner to the Franchised Business being offered in this Disclosure Document, and (b) estimates we have received from certain third-party vendors. We do not have any experience franchising or operating Cafés directly. We do not guarantee that you will not have greater start-up expenses other than these estimates or that you will not need more operating funds other than these estimates. We do not imply or guarantee that you will “break even” by any particular time. We do not offer direct or indirect financing to you for any items. The availability of financing through third-party lenders, if any, will depend on factors such as the lending policies of such financial institutions, the collateral you may have, your creditworthiness, and the general availability of financing.

Unless otherwise noted above, expenditures are non-refundable unless otherwise provided by the third-party payee for the expenditure(s) at issue.

B Development Agreement – 3 Pack

YOUR ESTIMATED INITIAL INVESTMENT¹

Type of Expenditure	Amount	Method of Payment	When Due	To Whom Payment Is to be Made
Development Fee ²	\$60,000	Lump Sum	Upon execution of Development Agreement	Franchisor
Initial Investment to Open Initial Franchised Business ³	\$115,850 to \$337,900	See Chart A of this Item 7		
TOTAL	\$175,850 to \$397,900	This is the total estimated initial investment to enter into a Development Agreement for the right to own a total of three (3) Franchised Businesses, as well as the costs to open and commence operating your initial Franchised Business for the first three (3) months (as described more fully in Chart A of this Item 7)		

Explanatory Notes

- 1 General Note** 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) Franchised Businesses, as well as the initial investment to open your first Franchised Business under your Development Schedule.
- 2 Development Fee** The Development Fee is described in greater detail in Item 5 of this Disclosure Document, and the figure in the Chart above is the Development Fee you will be required to pay to us upon execution of your Development Agreement for the right to develop a total of three (3) Franchised Businesses. It does not include the Reduced Franchise Fee that will be due in connection with the second and third Franchised Business because those amounts are not owed to us until the earlier of (a) the date you sign a Franchise Agreement for that Additional Franchised Business, or (b) 10 days from the date you sign a lease for that Additional Franchised Business.
- 3 Initial Investment to Open Initial Franchised Business** 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 the 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). This range does not include any of the costs you will incur in opening any Additional Franchised Business that you are granted the right to open and operate under your Development Agreement because you will not likely incur these fees in the first three (3) months you are operating your initial Franchised Business.

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 change our System standards and specifications from time to time, as we deem appropriate or necessary in our sole discretion, and you will be solely responsible for costs associated with complying with any modifications to the System.

Approved Products

You may only market, offer, sell and provide the Approved Products, as well as any services we authorize, from or through 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 corresponding proprietary recipes and standards and specifications for storage/preparation/presentation, 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.

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.

We currently require you to use our Approved Supplier for the following: (i) our proprietary tea blends and other inventory/ingredients and other food items necessary to prepare the Approved Products, (ii) branded paper and plastic products and uniforms, (iii) certain furniture, fixtures and equipment that must be purchased and used in connection with your Franchised Business, (iv) the POS system and related software, and (v) signage.

As of the Issue Date, we are not an Approved Supplier for any of these items, but TBA Trading is currently the only Approved Supplier for certain of the items described in subparts (i)-(iii) of the paragraph above.

We reserve the right to require you to purchase or lease any other item or services necessary to establish or operate your Franchised Business at any time in the future from an Approved Supplier, which may be us or our affiliate. This may include proprietary products developed for use in your Franchised Business, including private-label products that bear our Proprietary Marks.

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

Except as previously provided in this Item, as of the Issue Date of this Disclosure Document (i) neither we nor any of our affiliates is an Approved Supplier for any items you are required to purchase in connection with your Franchised Business, and (ii) none of our officers own an interest in any of our Approved Suppliers

Required Purchases and Right to Derive Revenue

The products or services we require you to purchase or lease from an Approved Supplier, or purchase or lease in accordance with our standards and specifications, are referred to collectively as your "Required Purchases." We estimate that your Required Purchases will account for approximately 75% to 95% of your total costs incurred in establishing your Franchised Business, and approximately 35% to 75% of your ongoing costs 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.

As we have just started offering franchises as of the Issue Date of this Disclosure Document, neither we nor any affiliate has generated any revenue from our franchisees' required purchases in our past fiscal year.

Non-Approved Product/Service and Alternate Supplier Approval

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

If you wish to undertake either of these actions, you must request and obtain our approval in writing before (i) using or offering the non-approved product or service in connection with your 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. If you make such a proposal, we reserve the right to charge you the greater of (a) the costs/expenses we incur in evaluating/testing your proposal, and (b) \$500 per proposal. We may ask you to submit samples or information so that we can make an informed decision on whether the goods, equipment, supplies or supplier meet our specifications and quality standards. In evaluating a supplier that you propose to us, we consider not only the quality of the particular product at issue, but also the supplier's production and delivery capability, overall business reputation and financial condition. We may provide any alternate supplier you propose with a copy of our then-current specifications for any product(s) you wish the supplier to supply, provided the supplier enters into a confidentiality and non-disclosure agreement in the form we specify. We may also inspect a proposed supplier's facilities and test its products, and request that you reimburse our actual costs associated with the testing/inspection.

We will notify you in writing within thirty (30) days after we receive all necessary information and/or complete our inspection or testing to advise you if we approve or disapprove the proposed item and/or supplier. The criteria we use in approving or rejecting new suppliers is proprietary, but we may (but are not required to) make it available to you upon request. Each supplier that we approve 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.

Purchasing Cooperatives and Right to Receive Compensation

We may, when appropriate, negotiate purchase arrangements, including price terms, with designated and Approved Suppliers on behalf of the System. We may establish strategic alliances or preferred vendor programs with suppliers that are willing to supply some products, equipment, or services to some or all of the TBAAR Cafés 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 affiliates 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 do not currently have any purchasing or distributing cooperatives, but we reserve the right to create such cooperatives in the future.

Franchisee Compliance

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

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 twelve (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 and lease addendum. You must also ensure that

you comply with all of our System standards and specifications related to the build-out, remodeling and/or construction of your Franchised Business at the Premises. In the future, we may provide you with a template form of letter of intent or proposed lease to use in connection with your lease negotiations.

Insurance

You must purchase and maintain the types and amounts of insurance that we designate in our Manuals or otherwise in writing, 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 as additional insureds (except with regards to workers' compensation insurance). All policies must be underwritten by companies having an A.M. Best rating of A-VIII or higher. You must maintain these insurance levels, as described more fully in this paragraph, throughout the term of your Franchise Agreement.

Computer Hardware and Software

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. Currently, you must purchase our designated POS System that will use the software we designate.

ITEM 9 FRANCHISEE'S OBLIGATIONS

This table lists your principal obligations under the franchise agreement. It will help you find more detailed information about your obligations in the franchise agreement 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 of the Development Agreement	Item 11
b	Pre-opening purchases/leases	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Items 7, 8, 11
c	Site development and other pre-opening requirements	Sections 2, 5 and 6	Sections 1, 5 and Exhibit A of the Development Agreement	Items 6, 7, 11
d	Initial and ongoing training	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Item 11

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
e	Opening	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Item 11
f	Fees	Sections 3, 4, 9 and 13(E)	Section 2	Items 5, 6, 7, 11
g	Compliance with standards and policies/Confidential Operations Manual	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Items 6, 11
h	Trademarks and proprietary information	Section 7	Nothing Additional (see Franchise Agreements signed)	Items 13, 14
i	Restrictions on products/services offered	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Items 8, 11, 16
j	Warranty and customer service requirements	Section 6	Nothing Additional (see Franchise Agreements signed)	Not Applicable
k	Territorial development and sales quotas	Not Applicable	Section 1 and Exhibit A of the Development Agreement	Item 12
l	Ongoing product/service purchases	Sections 5 and 6	Nothing Additional (see Franchise Agreements signed)	Items 8, 16
m	Maintenance, appearance and remodeling requirements	Section 6	Nothing Additional (see Franchise Agreements signed)	Items 8, 11
n	Insurance	Sections 6 and 11	Nothing Additional (see Franchise Agreements signed)	Items 6, 11
o	Advertising	Sections 4, 5, 6 and 9	Nothing Additional (see Franchise Agreements signed)	Items 6, 11
p	Indemnification	Section 11	Nothing Additional (see Franchise Agreements signed)	Item 9
q	Owner's participation/management/staffing	Section 6	Nothing Additional (see Franchise Agreements signed)	Item 15
r	Records and reports	Sections 4, 6 and 10	Nothing Additional (see Franchise Agreements signed)	Items 6, 9, 21

	Obligation	Section in Franchise Agreement	Section in Development Agreement	Disclosure Document Item
s	Inspections and audits	Section 5 and 10	Nothing Additional (see Franchise Agreements signed)	Items 6, 11, 21
t	Transfer	Section 13	Section 8	Item 17
u	Renewal	Section 3	Nothing Additional (see Franchise Agreements signed)	Item 17
v	Post-termination obligations	Sections 14(B) and 16	Nothing Additional (see Franchise Agreements signed)	Item 17
w	Non-competition covenants	Section 14	Nothing Additional (see Franchise Agreements signed)	Item 17
x	Dispute resolution	Sections 19 and 21	Sections 11 through 19	Item 17

ITEM 10 FINANCING

We do not offer direct or indirect financing, 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

A Pre-Opening Obligations

1 If you have entered into a Development Agreement for the right to operate three (3) or more Franchised Businesses, we will designate your Development Area where you will have the right to secure a Premises (which we must approve) for each of your Franchised Businesses (Development Agreement, Section 3),

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 connect you with our Approved Supplier, if any, for site selection assistance 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 We will provide you with access to, or otherwise loan you, one 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 F and is a total of approximately 170 pages (Franchise Agreement, Section 5(D)),

4 We will provide you with a list of our Approved Products, 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)),

5 We will review and approve your signage, the proposed layout and design of your Premises (which must be prepared by our Approved Supplier unless we agree otherwise in writing), 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(F)), and

6 We will provide you and other management personnel you designate with our proprietary initial training program (the "Initial Training Program") regarding our System methods and techniques related to the establishment and operation of a TBAAR franchise

- a Typically, our Initial Training Program is comprised of (i) two (2) weeks of classroom and "hands on" training that takes place at one of our training facilities (which may include our headquarters) in New York, and (ii) around one (1) week of on-site assistance around the grand opening of your Franchised Business (the "On-Site Assistance")
- b We will provide this training to you and two (2) other management personnel tuition-free, but you are solely responsible for all costs and expenses you (and all other attendees) incur in connection with attending the Initial Training Program at one of our training facilities in New York, California, or Nevada (including travel, lodging, meals and employee wages)
- c You must complete our Initial Training Program to our satisfaction at least thirty (30) days prior to opening your Franchised Business. If you are a partnership, corporation or limited liability company, at least one of the trainees must be your general partner, principal shareholder, or managing member as appropriate. If you have appointed a manager to run the day-to-day operations of the Franchised Business (the "Designated Manager"), then this Designated Manager must also attend the Initial Training Program (Franchise Agreement, Sections 5(A) and 6(N))

d Below please find a Training Chart providing the details of our Initial Training Program

TRAINING CHART

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Introduction and Welcome	1	0	Our designated training location in Nevada, NY or CA
Human Resources	1	0	Our designated training location in Nevada, NY or CA
The Menu	1	0	Our designated training location in NY, CA or Nevada
Introduction to Profit and Loss	1	0	Our designated training location in Nevada, NY or CA
Budgeting, Monitoring Performance and Taking Action	1	0	Our designated training location in Nevada, NY or CA
Customers and Customer Service	1	0	Our designated training location in Nevada, NY or CA
Marketing and Advertising	1	0	Our designated training location in Nevada, NY or CA
Food Safety and Sanitation, Cleaning and Maintenance	1	1	Our designated training location in Nevada, NY or CA
POS System	0	1	Our designated training location in Nevada, NY or CA
Equipment Training, Smallware Review	0	1	Our designated training location in Nevada, NY or CA
Cashier Training	0	16	Our designated training location in Nevada, NY or CA
Tea Bar Training	0	24	Our designated training location in Nevada, NY or CA
Juice Bar Training	0	24	Our designated training location in Nevada, NY or CA
Smoothie Training	0	24	Our designated training location in Nevada, NY or CA
Kitchen Training (tapioca preparation, teas preparation, grass jelly and pudding preparation, and fruits preparation)	0	24	Our designated training location in Nevada, NY or CA

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
Clean Down and Sanitation	0	16	Our designated training location in Nevada, NY or CA
Marketing and Pre-Opening Promotion	3	0	Our designated training location in Nevada, NY or CA
Q & A	2	0	Our designated training location in Nevada, NY or CA
Totals	13	131	

- e We do not currently have a set training schedule, but our Initial Training Program will be made available on an as-needed basis subject to the availability of our personnel. Instructional materials, including components of the Manuals, will be provided to you and used as necessary as you proceed through the Initial Training Program. The Initial Training Program is subject to change without notice to reflect updates in the materials, methods and Manuals, as well changes in personnel. The subjects taught and the time periods allocated for each subject may vary based on the experience of the people being trained. We may, as we deem appropriate in our sole discretion, provide certain portions of your Initial Training Program via the Internet or webinar.
- f Our training managers may utilize other employees to assist them with all aspects of training. Failure to complete the Initial Training Program to our satisfaction within the applicable time period may result in termination of the Franchise Agreement (Franchise Agreement, Section 5(A)).
- g Our Initial Training Program instruction will be supervised and provided by individuals that have been with our company since our inception and that have at least one (1) year of experience with the TBAAR brand. Most of our instructors will have at least two (2) years of experience in the industry generally. We reserve the right to appoint and substitute other individuals to assist in providing training, but all of our training personnel will have at least one (1) year of experience in the subject matters that they teach. We will loan you one (1) copy of our proprietary instructional materials prior to or upon your attendance at our Initial Training Program, which may include our Manuals and certain other instructional materials that we develop. You, or another person that successfully completes our Initial Training Program, will be required to train all other personnel that work at your Franchised Business (Franchise Agreement, Section 6(N) and 6(O)).
- h If you, your Designated Manager (if applicable) or other trainee you designate fails to complete the Initial Training Program to our satisfaction, that person may re-attend or you may send a replacement to our next available Initial Training Program session, provided there is availability. We may charge our then-current training tuition rate for these individuals to re-attend the Initial Training Program as well. In any event, you are solely responsible for all expenses incurred related to your and your employee's attendance at our Initial Training Program, including transportation to and from the training site, lodging, meals and employee wages (Franchise Agreement, Section 5(A) and 6(N)).

- i Your Franchised Business must always be operated by you or a Designated Manager that has successfully completed our Initial Training Program. If you hire a replacement Designated Manager or other individual that will be responsible for the day-to-day management of your Franchised Business, then you must notify us and we reserve the right to (i) require that individual to attend and complete the Initial Training Program prior to undertaking any management responsibility at your Franchised Business, and (ii) charge you our then-current Initial Training Fee to provide such training to that individual if that individual attends at a different time than when we provide the Initial Training Program to you (Franchise Agreement, Section 6(N))
- j We will typically provide the On-Site Assistance around the time period beginning three (3) to five (5) days before you open your Franchised Business, but the provision of this assistance by us will be subject to the schedules and availability of our training personnel. We will also have the right to provide a shorter or longer duration of On-Site Assistance if we determine that you and your management personnel have prior experience in restaurant operations or otherwise have a good grasp of the System and Franchised Business operations

B Site Selection

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

In deciding whether to approve a site, we may also consider, among other things (i) demographic characteristics, traffic patterns, allowed design and building, parking, visibility, allowed signage, and the predominant character of the neighborhood surrounding the proposed site, (ii) competition from other businesses selling similar products and services within the area and the proximity of the site to these businesses, as well as the nature of all other businesses in proximity to the site, (iii) zoning restrictions, soil and environmental issues, and other commercial characteristics, and (iv) the size, appearance, and other physical characteristics of the proposed site.

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 our then-current form of lease addendum (if any), and (ii) receiving a written representation from the landlord of the Premises that you will have the right to operate the Franchised Business throughout the term of your Franchise Agreement (Franchise Agreement, Sections 5(F) and 6(A)). Under the Collateral Assignment of Lease, we will have the option, but not the obligation, to assume or renew the Lease for all or part of the remaining term of the Lease only if (i) your Franchise Agreement or Lease is terminated, or subject to termination, for cause, or (ii) either your

Franchise Agreement or Lease expires (and you do not renew in accordance with the respective terms of those agreements)

We will use reasonable efforts to approve or reject any proposed location (and corresponding lease/purchase agreement) within thirty (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(F))

You must secure a Premises that we approve within six (6) months of executing your Franchise Agreement for that Franchised Business or we may terminate that Franchise Agreement (Franchise Agreement, Section 6(A))

C Time to Open

Single-Unit Cafe

Except as provided in this Item, you must open and commence operations of your Franchised Business within twelve (12) months of the date you execute your Franchise Agreement. We estimate that it will take between three (3) and twelve (12) months to open your Franchised Business from the time you execute your Franchise Agreement. Your total timeframe may be shorter or longer depending on the time necessary to obtain an acceptable Premises, to obtain financing, to obtain the permits and licenses for the construction and operation of the Franchised Business, to complete construction or remodeling as it may be affected by weather conditions, shortages, delivery schedules and other similar factors, to complete the interior and exterior of the Franchised Business, including decorating, purchasing and installing fixtures, equipment and signs, and to complete preparation for operating the Franchised Business, including purchasing any inventory or supplies needed prior to opening. If you do not open or operate your Franchised Business within the time period described above, then we may terminate your Franchise Agreement upon written notice (Franchise Agreement, Section 6(D))

Development Agreement

If you have entered into a Development Agreement to open and operate 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 4(B) and 4(C))

If you fail to open any Franchised Business within the appropriate time period outlined in the Development Agreement, we may terminate your Development Agreement. You will not have any further development rights within the Development Area upon termination of your Development Agreement, except to continue operating the Franchised Business(es) that were already open and operating as of the termination date. We

must approve of the Premises you choose for each Franchised Business you are required to open under the Development Agreement

Typically, your Development Schedule will require you to open and commence operating three (3) Franchised Businesses within two (2) to three (3) years of signing your Development Agreement

D Post-Opening Obligations

1 We may conduct and require you and your Designated Manager to attend (i) up to five (5) days of Additional Training each calendar year, and (ii) up to five (5) days of Remedial Training each calendar year. You will be required to attend any Additional Training and Remedial Training we require, but you will only be required to pay our then-current Training Fee (currently, \$400/day per trainer) in connection with Remedial Training and any Additional Training that you request we provide. You will also be solely responsible for all expenses incurred in attending Additional Training (Franchise Agreement, Section 5(D)),

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, or intranet communication, as we deem advisable and subject to the availability of our personnel (Franchise Agreement, Section 5(H)),

3 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 under the heading "Advertising and Marketing" (Franchise Agreement, Section 5(I)),

4 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)),

5 We may schedule and hold an annual 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 annual conference/convention (lodging, travel, meals, etc.) and we reserve the right to charge you our then-current attendance/registration fee (Franchise Agreement, Section 5(Q)),

6 We will display the contact information of your Franchised Business on the website that we or our designee maintains to advertise and promote the TBAAR brand, our Proprietary Marks and other Café locations, provided you are in compliance with the terms of your Franchise Agreement. Please see below in this Item 11 under the heading "Advertising and Marketing" for further information (Franchise Agreement, Section 5(J)),

7 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 as well as to consult in the development and growth of your Franchised Business. We may also prepare written reports outlining any recommended or required changes or improvements in the operations of the Franchised Business, as we deem appropriate in our sole discretion, and detail any deficiencies that become evident as a result of any inspection or audit. If any inspection

reveals any deficiencies, you will be responsible for our costs in conducting such inspection (Franchise Agreement, Section 5(L)),

8 We may supplement, revise or otherwise modify the Manuals, 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 (Franchise Agreement, Section 2(G)),

9 We may establish and maintain mystery shops programs and/or similar quality assurance/evaluation programs as we deem appropriate in our discretion (Franchise Agreement, Section 5(M)), and

10 We may (i) research new recipes, ingredients, equipment, products, services 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 (including catering services) at or from a TBAAR Café, including proprietary products and services sold under the marks we designate (Franchise Agreement, Section 2(G) and 5(K))

E Advertising

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(B)).

If you wish to use any advertising or promotional materials other than those that we have previously approved or designated within the preceding twelve (12) months, then you must submit the materials you wish to use to us for our prior written approval at least thirty (30) days prior to publication. We will use commercially reasonable efforts to notify you of our approval or disapproval of your proposed materials within thirty (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 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 near your Franchised Business.

Grand Opening Advertising. You are required to expend between \$5,000 and \$10,000 to promote and advertise the grand opening of your Franchised Business (the "Grand Opening Advertising Requirement"), which must typically be expended over the period of time commencing one (1) month before your Franchised Business opens and ending two (2) months from that opening date (Franchise Agreement, Section 9(C)). We will designate the exact requirement for your Franchised Business once you have secured an approved Premises from which to operate.

Local Advertising Recognizing the importance of promoting your Franchised Business within your surrounding area, you must expend a minimum of one percent (1%) of the Gross Sales of your Franchised Business each calendar month (based on the Gross Sales of the Franchised Business during the preceding calendar month) on local advertising and marketing (the “Local Advertising Requirement”) We reserve the right to increase your Local Advertising Requirement to an amount equal to up to two percent (2%) of the Gross Sales of your Franchised Business You must use only those materials that we have previously approved or designated, and we may require that you provide us with reports and other evidence of your local advertising expenditure each month (Franchise Agreement, Section 9(D))

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 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 reserve the right to establish regional advertising cooperatives that are comprised of a geographical market area that contain two (2) or more Cafés (whether a Franchised Business or affiliate-owned) (each a “Cooperative”) If we assign your Franchised Business to a Cooperative we establish, you must work with the other Café owners in your Cooperative and us to develop and implement regional advertising campaigns designed to benefit all the Cafés within the geographical boundaries of the Cooperative We have not established any Cooperatives as of the Issue Date of this Disclosure Document, and have not contemplated how much a Franchised Business might be required to contribute to such a Cooperative We will have the right to establish, modify, merge and dissolve Cooperatives as we deem appropriate Any amounts you expend on Cooperatives will be credited towards your Local Advertising Requirement (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 that your Franchised Business has a dedicated telephone line that is not used for any other purpose (Franchise Agreement, Section 9(G))

F Computer System

We have the right to specify or require that you use certain brands, types, makes, and/or models of computer hardware and software in connection with the Franchised Business, including without limitation (i) a laptop or other computer that meets our System specifications and is capable of running accounting software such as QuickBooks, (ii) printers and other peripheral hardware/devices, (iii) equipment necessary to maintain a physical, electronic or other security system for the Franchised Business that we designate, and (iv) a POS System we designate (collectively, the “Computer System”) We may also require you to use designated software in connection with the Computer System and Franchised Business (the “Required Software”) (Franchise Agreement, Sections 4(C) and 6(J))

As of the Issue Date, our required POS System package includes the following hardware a touchscreen/terminal, a cash register and a thermal printer (each, a “POS Hardware Kit”) The cost for each POS Hardware Kit is between \$2,500 and \$3,500, and we estimate that you will typically need on (1) POS Hardware Kits at your Premises

You will be required to purchase or lease the POS Hardware Kit from our Approved Supplier, and you will also be required to license the POS software to complete the POS System at your Café from this supplier. Our Approved Supplier does not currently charge a license fee associated with the POS software, but this may change in the future.

We do not require you to maintain any type of support or maintenance contract in connection with the POS System other than the POS software license, but we understand that our Approved Supplier is available to provide support assistance over the phone as part of the current license fee. At some point in 2017, our Approved Supplier for the POS System may begin charging an annual maintenance fee amounting to \$1,000 for support/maintenance in connection with the POS System.

In addition to the POS System, you must have a basic computer/laptop to use exclusively in connection with your Computer System that must have (i) the ability to access high-speed Internet, (ii) Windows XP, Vista or newer Windows operating system software installed, along with a Microsoft Office software suite containing Word and Excel, and (iii) the ability to run the accounting/bookkeeping software we designate (if any). The principal functions of the Computer System will be for bookkeeping, creating invoices, preparing materials, and for other general use in connection with the Franchised Business. We do not currently have any minimum requirements regarding the RAM storage that your computer/laptop must have, so long as the hardware you are using can perform the tasks outlined in this Item and the Manuals. You will also need a basic printer to use in connection with your back office computer/laptop. The computer/laptop you use in connection with the Franchised Business may not be used for any other business purpose. We may modify our System standards and specifications for our Computer System, and may otherwise require you to use any Required Software we designate (Franchise Agreement, Sections 4(C), 5(J) and 6(J)).

If you already have computer hardware and/or software that meets our then-current standards for your back office computer, then you may use these items in connection with your Franchised Business provided you obtain our approval. Otherwise, we estimate the costs to obtain a new computer/laptop and printer for “back office” functions at your Café to be between \$750 and \$1,500.

You must keep the entire Computer System described above under this heading (including the POS System) in good maintenance and repair and install such additions, changes, modifications, substitutions, and/or replacements to the Computer System or Required Software as we direct from time to time in writing. We estimate that you will spend approximately \$0 to \$1,000 annually on maintenance and support contracts for your Computer System, which includes the costs associated with upgrades.

You must have the components necessary to ensure that the entire Premises of the Franchised Business has access to the Internet via Wi-Fi connection and that guests may access your Wi-Fi network. We may require that (i) you comply with our standards and specifications for Internet access and speed, and (ii) the Computer System be programmed to automatically transmit data and reports about the operation of the Franchised Business to us. We will also have the right to, at any time without notice, electronically and independently connect with your Computer System to monitor or retrieve data on the Computer System (or for any other purpose we deem necessary). There are no contractual limitations on our right to access the information and data on any component of your Computer System.

You are also required to participate in any System-wide area computer network, intranet system, or extranet system that we implement, and may be required to use such networks or system to, among other things, (i) submit your reports due under the Franchise Agreement to us online, (ii) view and print portions of the

Manuals, (iii) download approved local advertising materials, (iv) communicate with us and other System franchisees, and (v) complete certain components of any ongoing training we designate (Franchise Agreement, Section 5(J))

G 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, Snapchat 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 9(G))

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.tbaar.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.

H Provision of Services by Certain Third Parties

At our option, certain third parties may act as our representative in fulfilling certain of our obligations to you. Such obligations include, but are not limited to, site evaluation, training, supervision, advice and guidance with respect to operations, marketing, business procedures and compliance with any requirement of the System. Further, certain third parties may be responsible for monitoring and cooperating in the enforcement of your obligations under the Franchise Agreement.

ITEM 12 TERRITORY

Premises and Relocation

You may only operate your Franchised Business from the Premises we approve. Once we agree on the Premises, we will designate it on the Data Sheet attached to your Franchise Agreement.

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.

Franchise Agreement Designated Territory

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 or densely populated area. If your Franchised Business is located in such an area, then your Designated Territory may be limited to the geographic area comprised of anywhere from a radius of one (1) block to one (1) mile around your Premises, as we deem appropriate in our discretion. The size of your Designated Territory will 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.

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 Café 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.

Limitations on Soliciting and Other Activities Outside of Your Designated Territory, Revenue Sharing

There are no territorial restrictions from accepting business from customers that reside/work or are otherwise based outside of your Designated Territory if these customers contact you and/or visit your Franchised Business. You may solicit prospective customers outside of your Designated Territory, provided (a) these prospective customers do not reside within the territory granted to another franchisee or Café, and (b) you obtain our prior written consent. You may not use alternative channels of distribution, such as the Internet, catalog sales, telemarketing or other direct marketing, to make any sales inside or outside of your Designated Territory.

Please note that if a customer purchases a gift card or gift certificate from a given TBAAR Café and subsequently redeems such gift card or membership at a different TBAAR location, then the two (2)

locations at issue will need to handle this situation as we require in our Manuals or otherwise in writing

Development Agreement Development Area

If you are granted the right to open three (3) or more Franchised Businesses under our form of Development Agreement, then we will provide you with a Development Area upon execution of this agreement. The size of your Development Area will substantially vary from other System developers based on (i) the number of Franchised Businesses we grant you the right to open and operate, and (ii) the location and demographics of the general area where we mutually agree you will be opening these locations. The boundaries of your Development Area 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.

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

We will not own or operate, or license a third party the right to own or operate, a Café utilizing the Proprietary Marks and System within the Development Area until the earlier of (i) the date we define the Designated Territory of the final Franchised Business you were granted the right to operate under the Development Agreement, or (ii) the expiration or termination of the Development Agreement for any reason.

Upon the occurrence of any one of the events described in the preceding paragraph, your territorial rights within the Development Area will be terminated, except that each Franchised Business that you have opened and are continuously operating as of the date of such occurrence will continue to enjoy the territorial rights within their respective Designated Territories that were granted under the franchise agreement(s) you entered into for those Franchised Business(es).

You must comply with your development obligations under the Development Agreement, including your Development Schedule, in order to maintain your rights within the Development Area. If you do not comply with your Development Schedule, we may terminate your Development Agreement and any further development rights you have under that agreement. Otherwise, we will not modify the size of your Development Area except by mutual written agreement signed by both parties.

Reserved Rights

We, and our parent/affiliates reserve the exclusive right to conduct the following activities under the Franchise Agreement and/or Development Agreement (as applicable): (i) establish and operate, and license any third party the right to establish and operate, other Cafés and Franchised Businesses using the Proprietary Marks and System at any location outside of your Designated Territory(ies) and, if applicable, Development 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 Development Area, (iii) use the Proprietary Marks and System, and other such marks we designate, to distribute our Approved Products in any alternative channel of distribution, within or outside the Designated Territory(ies) and Development Area (including the Internet, grocery stores and wholesale stores, convenience stores and/or gas stations, catalog sales, toll-free numbers, wholesale stores, etc.), (iv) 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 applicable, Development Area, (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 applicable, your Development Agreement, and (vi) own and operate Cafés in “Non-Traditional Sites” including, but not limited to, shopping centers, amusement parks, military bases, college campuses, mobile food trucks, hospitals, airports, sports arenas and stadia, train stations, travel plazas, toll roads and casinos, both within or outside your Designated Territory(ies) and, if applicable, Development Area

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 affiliate, our parent, our other 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. We have the exclusive right to negotiate and enter into agreements or approve forms of agreements to operate Cafés at Non-Traditional Sites, either directly or through our parent, our affiliates, licensees, or designees, and you will not be entitled to any compensation as a result of our operation of Cafés at Non-Traditional Sites.

The Designated Territory you are granted under the Franchise Agreement is not “exclusive” because we have the right to open and operate Cafés at Non-Traditional Sites within your Designated Territory. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control.

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 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 certain Proprietary Marks we designate in connection with the operation of your Franchised Business only at your Premises, provided you use these Proprietary Marks as outlined in your Franchise Agreement and our Manuals. You do not obtain any additional rights to use any of our Proprietary Marks under any Development Agreement you execute.

Our affiliate is the owner of the following Proprietary Marks on the Principal Register of the United States Patent and Trademark Office (“USPTO”)

Mark	Registration Number	Registration Date
TBAAR (and design)	4,880,025	January 5, 2016
TBAAR	4,818,025	September 22, 2015
TBAAR (and design)	4,876,978	December 29, 2015
TBAAR	4,817,970	September 22, 2015
TBAAR	4,817,661	September 22, 2015
TBAAR (and design)	4,576,291	July 29, 2014

We expect and intend to work with our affiliate to file all affidavits and other documents with the USPTO to maintain the federal registration(s) described above. As of the Issue Date, we are not aware of any agreement that substantially impacts your right to use the Proprietary Marks in connection with your Franchised Business.

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

As of the Issue Date of this Disclosure Document, there is no litigation pending arising out of our Proprietary Marks, and we are not aware of any superior rights in, or infringing uses of, our Proprietary Marks that could materially affect your right to use these marks. Presently, there are not any effective material determinations of the USPTO, the Trademark Trial and Appeal Board, the trademark administrator of any state, province, territory, or region, or any court adverse to our rights in the Proprietary Marks, nor are there any pending infringement, opposition or cancellation proceedings, or any material litigation, involving the Proprietary Marks. Lastly, besides the license agreement described above, there are no agreements in effect that significantly limit our right to use, or license the use of, the Proprietary Marks that are material to the franchise.

You may not use all or any portion of our Proprietary Marks as part of your company name and, without our prior written consent, as part of your trade name or “d/b/a.” You may not modify the Proprietary Marks with words, designs or symbols, except those that we license to you. You may not use our Proprietary Marks in connection with the sale of an unauthorized product or service or in a manner not authorized in writing by us. During the term of the Franchise Agreement and continuing after the expiration or termination of the Franchise Agreement, neither you nor any of your managers will, directly or indirectly,

contest, challenge or assist in the contesting or challenging of, our right, title, ownership, or interest in our Proprietary Marks, trade secrets, methods, procedures, and advertising techniques that are part of our franchise System, or contest our sole right to register, use, or license others to use, our Proprietary Marks, trade secrets, methods, procedures, advertising techniques, and any other mark or name that incorporates the word TBAAR or any similar word/phrase

You must immediately notify us, in writing, if you become aware of any unauthorized use of our Proprietary Marks or other proprietary information, and you must permit us to participate in any litigation involving you and our Proprietary Marks. We will take the action we think appropriate. We will indemnify, defend and hold you harmless in connection with any third-party claims that are brought against you that arise solely out of your authorized use of any Proprietary Marks in the manner we prescribe, provided you immediately notify us of the proceeding (within three (3) calendar days) and you have complied with our directions with regard to the proceeding. We have the right to control the defense and settlement of any proceeding. We will not reimburse you for your expenses and legal fees for separate, independent legal counsel, unless we approve of your use of such counsel in writing prior to you engaging counsel. We will not reimburse you for disputes where we challenge your use of our Proprietary Marks.

You must modify or discontinue using any of the Proprietary Marks, and add new names, designs, logos or commercial symbols to the Proprietary Marks as we instruct. We may, at our sole discretion, impose changes whenever we believe the change is advisable. We do not have to compensate you for any costs you incur to make the changes we require. You will receive written notice of any change, and will be given a reasonable time to conform to our directions (including changing signage, marketing displays, trade dress and other advertising), at your sole expense.

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

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

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

During the term of the Franchise Agreement and/or Development Agreement, you will receive information which we consider trade secrets and confidential information. You may not, during the term of the Franchise Agreement/Development Agreement or any time after that, communicate, divulge, or use for the benefit of any other person, partnership, association, corporation, or limited liability company any of these trade secrets, copyrighted materials, methods and other techniques and know-how concerning the operation of the Franchised Business (the "Confidential Information"). You may divulge such Confidential Information only to your employees who must have access to it in order to perform their employment obligations.

You must require your Designated Manager and any personnel having access to any of our Confidential Information to sign our then-current form of Confidentiality and Non-Competition Agreement that is attached to the Franchise Agreement as Exhibit E, where these individuals agree that they will maintain the confidentiality of information they receive in connection with their employment and restrict their right to work for a competitor while they are employed by you. This confidentiality agreement, which will be in a form that we prescribe, will identify us as a third-party beneficiary to the agreement and will give us independent enforcement rights.

The Franchise Agreement and Development Agreement provide that if you, your employees, or principals develop any 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"), you must disclose those Improvements to us and all such Improvements will automatically and without further action be owned by us without compensation to you (including all intellectual property rights therein). Whenever requested to do so by us, you 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.

We may revise any of our copyrighted materials at our discretion, and may require that you cease using any outdated item or portion of the Manuals.

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

While we recommend that you personally participate and manage the day-to-day operations of your Café, you may hire a Designated Manager to manage daily operations with our approval. Both you and your Designated Manager will be required to complete the Initial Training Program to our satisfaction (prior to undertaking any management responsibilities). We will not unreasonably withhold our approval of any Designated Manager you propose, provided the Designated Manager has attended and successfully completed our Initial Training Program to our satisfaction.

We do not require your Designated Manager to own any interest in the Franchised Business or Franchisee (if Franchisee is a business entity), but any and all Designated Manager(s) must sign our prescribed form of Confidentiality and Non-Competition Agreement. If and when a Designated Manager leaves his or her employment at your Franchised Business, you must recruit a new Designated Manager within thirty (30) days and submit the replacement's qualifications to us for our review and approval (which may be conditioned on completion of all Management Criteria) before substituting a new Designated Manager at any of your locations (unless you resume taking over the day-to-day operations of the Franchised Business on a full-time basis).

Your Café must, at all times, be managed and staffed with at least one (1) individual who has successfully completed our Initial Training Program. In the event that you operate more than one Café, you must have a properly trained Designated Manager at each Café you own and operate.

ITEM 16
RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You may only offer the Approved Products that we expressly approve through your Café, and may only offer these products and services at the Premises and in the manner prescribed in your Franchise Agreement and our Manuals. You may not use nor sell any products, materials, ingredients, supplies, paper goods, uniforms, fixtures, furnishings, signs, or equipment which do not meet our standards and specifications, unless approved in writing. We may supplement, revise and/or modify our Approved Products as we deem appropriate from time to time, as well as our System standards and specifications associated with the provision of these products/services. These changes will be outlined in our Manuals or otherwise in writing, and there are no contractual limitations on our right to make these types of changes.

You must offer and sell all private label food and beverage items which we may now or in the future designate for sale by System franchisees, including prepackaged or frozen food and beverage items and related merchandise. You agree that failure to offer and sell only Approved Products and Services through the Café is grounds for default under the Franchise Agreement.

You will prepare and present all menu items in accordance with our standards and specifications, using the ingredients and preparation techniques we prescribe. We have the right to require you to offer and sell additional goods or services as we may designate. There are no limits on our right to do so. You will at all times maintain sufficient levels of inventory to adequately satisfy consumer demand.

If we discontinue any Approved Product or Service offered by the Café, then you must cease offering or selling such product/service within a reasonable time, unless such product/service represents a health or safety hazard (in which case you must immediately comply upon receipt of notice from us).

You may not use the Premises of your Café for any other business purpose other than the operation of your Business. In the event we authorize you to provide any catering services from your Café, you will need to (i) obtain any additional training we designate in connection with such catering services, and (ii) provide such catering services in accordance with our System standards and specifications.

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 Agreement	Summary
a	Term of the Franchise	Section 3	The initial term is for ten (10) years commencing on the date we execute your Franchise Agreement
b	Renewal or extension of the term	Section 3	You have the right to be considered for two (2) additional (and successive) ten (10) year renewal terms
c	Requirements for franchisee to renew or extend	Section 3	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 twelve (12)-month period preceding the renewal request date or renewal date, be in good financial standing, have continued right of possession to the Premises, complete required renovation and modernization of your Franchised Business, pay us our then-current Renewal Fee, execute our then-current form of franchise agreement (which may contain materially different terms and conditions than your original franchise agreement), complete our then-current refresher training course (typically three (3) days), pay out then-current renewal fee, and execute a general release in our favor (as well as related parties)
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)	You must cure all monetary defaults under your Franchise Agreement within ten (10) days of being provided with notice by us, as well as the following defaults: failure to purchase any Required Item, failure to purchase from our Approved Suppliers, any purchase of a non-approved item or offering of a product/service at the Franchised Business that we have not authorized, failure to pay us, our affiliates,

	Provision	Section in Franchise Agreement	Summary
			or our Approved Suppliers any amount due, and failure to obtain any necessary permit/certificate/approval to operate the Franchised Business If you receive notice that you have failed to provide us with access to your POS system or the live video feed from your security system, you must cure such a default within 3 days Section 15(C) 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 thirty (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 thirty (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 sixty (60) days (or longer period if we consent), or 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 (3) or more notices to cure the same or similar defaults under Section 15(C) of your Franchise Agreement in any twelve (12) month period (whether or not subsequently cured), you violate any in-term restrictive covenants, you misuse the Proprietary Marks, Proprietary Information or other confidential information provided to you, 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

	Provision	Section in Franchise Agreement	Summary
			required time period, you abandon your Franchised Business, you are convicted of a felony or any other crime of moral turpitude or offense that 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 (3) or more occasions in any twelve (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, ceasing 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 Proprietary Information to us, providing us with all customer information, lists and applicable contracts, cancel or, at our option, assigning 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, compliance with all post-term restrictive covenants, at our written option, assigning the lease for the Premises to us, paying us all outstanding amounts, compliance with our option to purchase the business, if we so choose, and providing us with written confirmation of compliance with these obligations within thirty (30) days
j	Assignment of contract by franchisor	Section 13	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
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 must have been satisfied, you must cure all existing defaults, the new franchisee must meet our then-current qualifications and criteria for a new franchisee, transferee must assume all of your obligations under the Franchise Agreement, transferee must complete our training program, transferee must execute our then-current form of franchise agreement, transferee must pay our Transfer Fee and successfully complete our Initial Training Program (and pay the applicable training fee),

	Provision	Section in Franchise Agreement	Summary
		Section 13(F)	and you must execute a general release in our favor (as well as related parties) You will not be required to pay any transfer fee in the event (i) you wish to transfer your rights under the Franchise Agreement to a newly-established legal business entity that is wholly owned by you and established solely for purposes of operating the Franchised Business under that Franchise Agreement, or (ii) you are required to encumber certain assets of the Franchised Business (or subordinate Franchisor's security interest with respect to the Franchised Business) in order to receive SBA or other traditional bank financing, provided we otherwise approve of the transfer
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 thirty (30) days to match any third-party bona fide offer to purchase any interest in the Franchise Agreement or Franchised Business. If we do not exercise this right, then you will have sixty (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 thirty (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 obligation, 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 ninety (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 ninety (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

	Provision	Section in Franchise Agreement	Summary
			with, any 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, 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 is involved in the licensing or franchising of Competing Businesses at any location within the United States where we can demonstrate we have offered this franchise offering
		Section 14(B)(2)	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 within a twenty (20) mile radius of (i) the perimeter of your Designated Territory, or (ii) any other Cafe location that exists or is under development as of the date your Franchise Agreement is terminated, expires or is transferred During this two (2) 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

	Provision	Section in Franchise Agreement	Summary
			related agreement is intended to disclaim the representations made in this Disclosure Document
u	Dispute resolution by arbitration or mediation	Section 21(B) Section 21(C)	You must first submit all disputes 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 in Nevada or at one of our training locations or corporate offices. 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	Sections 21(D) and 21(E)	Subject to Sections 21(C) and 21(D) of the Franchise Agreement, all claims and causes of action arising out of the Franchise Agreement must be initiated and litigated to conclusion (unless settled) in the state or, if appropriate, the United States District Court for the District of Nevada (subject to state law).
w	Choice of law	Section 21(A)	The Franchise Agreement is governed by the laws of the state of Nevada, without reference to this state's conflict of laws principles (subject to state law).

B Development Agreement

	Provision	Section in Development Agreement	Summary
a	Term of franchise	6 1	The Development Agreement will commence on the date it is fully executed and end on the earlier of (a) the last day of the calendar month that the final Franchised Business is required to be opened and operating under the Development Schedule or (b) the day that the final Franchised Business is opened
b	Renewal or extension of the term	Not Applicable	Not Applicable
c	Requirements for you to renew or extend	Not Applicable	Not Applicable
d	Termination by you	Not Applicable	Not Applicable
e	Termination by us without cause	Not Applicable	Not Applicable
f	Termination by us with cause	6 2	We may terminate your Development Agreement with cause
g	Cause defined - default which can be cured	Not Applicable	Not Applicable
h	Cause defined - default which cannot be cured	6 2	Your Development Agreement can be terminated by us if (i) you cease to actively engage in development activities in the Development Area or otherwise abandon your development business for three (3) consecutive months, or any shorter period that indicates an intent by you to discontinue development of the Franchised Businesses within the Development Area, (ii) you become insolvent or are adjudicated bankrupt, or if any action is taken by Franchisee, or by others against 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, (iii) you fail to meet your development obligations under the Development Schedule for any single Development Period, and fail to cure such default within thirty (30) days of receiving notice thereof, or (iv) 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	Your obligations on termination/non-renewal	Not Applicable	Not Applicable

	Provision	Section in Development Agreement	Summary
j	Assignment of contract by us	8	We have the right to assign our rights under the Development Agreement
k	"Transfer" by you - definition	8	Any transfer in you (if you are an entity) or your rights/obligations under the Development Agreement
l	Our approval of transfer by franchisee	8	You may not transfer any rights or obligations under the Development Agreement without our prior written consent
m	Conditions for our approval of transfer	Not Applicable	Not Applicable
n	Our right of first refusal to acquire your business	Not Applicable	Not Applicable
o	Our option to purchase your business	Not Applicable	Not Applicable
p	Your death or disability	Not Applicable	Not Applicable
q	Non-competition 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	Non-competition 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 Franchise Agreement	27	Any modification of the Development Agreement must be in writing and signed by both parties
t	Integration/ merger clauses	27	Only the terms of the Development Agreement are binding (subject to state law) Any representations or promises made outside of the disclosure document and the Development Agreement may not be enforceable
u	Dispute resolution by mediation	13	At our option, all claims or disputes between you and us must be submitted first to mediation to take place at one or our training locations or corporate offices in Nevada in accordance with the American Arbitration Association's Commercial Mediation Rules then in effect and if mediation is not successful, then by litigation
v	Choice of forum	15	Subject to Sections 13 and 14 of the Development Agreement, all claims must be brought before a state court of general jurisdiction or, if appropriate, the United States District Court for the District of Nevada (subject to state law)
w	Choice of law	9	The Development Agreement is governed by the laws of the State of Nevada (subject to state law)

**ITEM 18
PUBLIC FIGURES**

We do not use any public figures to promote our franchise, but we reserve the right to use one in the future

**ITEM 19
FINANCIAL PERFORMANCE REPRESENTATION**

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

In the Chart below, we disclose the total sales generated by each of the six (6) Cafes that were (i) owned and operated throughout the entire 2016 calendar year (the "Measurement Period") by an (a) affiliate or principal of Franchisor, (b) an entity under common control with Franchisor (each, a "Company-Owned Location"), and (ii) open and operating as of the Issue Date of this Disclosure Document. We excluded (i) five (5) Company-Owned Locations because they did not open until some point in 2016 and, as such, were not open and operating for the entire Measurement Period, and (ii) one (1) Company-Owned Location that ceased operations prior to the Issue Date of this Disclosure Document.

Company Location	2016 Total Sales
Location No. 1	\$326,649
Location No. 2	\$420,882
Location No. 3	\$334,704
Location No. 4	\$76,912
Location No. 5	\$186,831
Location No. 6	\$150,669

Except as provided in this Item, we do not make any additional 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 our management by contacting our corporate offices at Tbaar Group LLC at 3743 S Las Vegas Blvd, Suite 118, Las Vegas, Nevada 89109 or the telephone number (347) 350-3522, the Federal Trade Commission, and the appropriate state regulatory agencies.

ITEM 20
Outlets and Franchisee Information

Table No 1
System-wide Outlet Summary
For Years 2014 to 2016

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Company-Owned*	2014	2	6	+4
	2015	6	7	+1
	2016	7	12	+5
Total Outlets	2014	2	6	+4
	2015	6	7	+1
	2016	7	12	+5

Table No 2
Transfers of Outlets from Franchisees to New Owners
(other than the Franchisor)
For Years 2014 to 2016

State	Year	Number of Transfers
Total	2014	0
	2015	0
	2016	0

Table No 3
Status of Franchised Outlets
For years 2014 to 2016

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Total	2014	0	0	0	0	0	0	0
	2015	0	0	0	0	0	0	0
	2016	0	0	0	0	0	0	0

Table No 4
Status of Company-Owned Outlets
For years 2014 to 2016

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
California	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	1	0	0	0	1
Nevada	2014	0	0	0	0	0	0
	2015	0	0	0	0	0	0
	2016	0	2	0	0	0	2
New York	2014	2	4	0	0	0	6
	2015	6	1	0	0	0	7
	2016	7	2	0	0	0	9
Total	2014	2	4	0	0	0	6
	2015	6	1	0	0	0	7
	2016	7	5	0	0	0	12

Table No 5
Projected Openings as of Issue Date

State	Franchise Agreements Signed But Outlet Not Open	Projected New Franchised Outlets In The Next Fiscal Year	Projected New Company-Owned Outlets in the Current Fiscal Year
Nevada	0	1	0
Total	0	1	0

We do not currently have any franchisees that have entered into a Franchise Agreement with us. A list of the names of all franchisees and the addresses and telephone numbers of their respective businesses will be provided in Exhibit H to this Franchise Disclosure Document. Accordingly, we have never terminated, canceled, not renewed, or otherwise voluntarily or involuntarily ceased to do business with any franchisee as of the issue date of this Franchise Disclosure Document, nor has any franchisee not communicated with us within the ten-week period immediately preceding the issue date. There is presently no trademark

specific franchisee organization associated with the System. If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system. No franchisees have signed confidentiality clauses with us in the past three (3) years.

ITEM 21 FINANCIAL STATEMENTS

Exhibit D of this Franchise Disclosure Document contains our audited opening day balance sheet as of June 5, 2017. We have not been franchising for three (3) or more years, and therefore cannot provide all financial statements that would have otherwise been required in this Item. Our fiscal year end is December 31 of each year.

ITEM 22 CONTRACTS

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

Franchise Agreement (and Exhibits)	Exhibit B
Area Development Agreement (and Exhibits)	Exhibit C
State Specific Addenda	Exhibit E
Sample Termination and Release	Exhibit G

ITEM 23 RECEIPTS

Exhibit J of 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 Franchise Administrator at Tbaar Group LLC at 3743 S. Las Vegas Blvd., Suite 118, Las Vegas, Nevada 89109 or the telephone number (347) 350-3522.

**EXHIBIT A
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF STATE ADMINISTRATORS AND 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 , #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
Attention Barbara Lasoff
Investor Protection Bureau
Franchise Section
120 Broadway, 23rd Floor
New York, NY 10271-0332
(212) 416-8236

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 Gary Lin
Tbaar Group LLC
3743 S Las Vegas Blvd , Suite 118
Las Vegas, Nevada 89109

California 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 , #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 B
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT
FRANCHISE AGREEMENT

TBAAR GROUP LLC
FRANCHISE AGREEMENT

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**TBAAR 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) Tbaar Group LLC, a Nevada limited liability company with its principal place of business at 3743 S Las Vegas Boulevard, Suite 118, Las Vegas, Nevada 89109 (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 an establishment (each, a "Café") featuring a variety of bubble tea, fruit smoothies, and fresh fruit and vegetable juices that are made in accordance with Franchisor's proprietary recipes and ingredients, as well as any other items that Franchisor authorizes (collectively, the "Approved Products")

B Franchisor's System is comprised of various proprietary and, in some cases, distinguishing elements, including without limitation (a) Franchisor's valuable know how, information, trade secrets, and methods associated with the establishment and operation of a Café, including proprietary recipes associated with the Approved Products, (b) confidential Operations Manual and other proprietary manuals, (c) proprietary initial training program and ongoing training, as well as related instructional materials, (d) certain standards and specifications associated with the establishment and ongoing operation of a Café, including any plans regarding the prototypical design, layout and build-out of a Café, (e) methods associated with marketing and sales programs, fixture and furniture selection, staffing guidelines and other research and development connected with the establishment and operation of a Café, and (f) established relationships with certain vendors/supplier that might be used in connection with the development/operation of a Café. 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 Cafés are identified by the mark TBAAR, as well as certain other trade names, trademarks, service marks and trade dress, all of which Franchisor may modify, update, supplement, discontinue or substitute in the future (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 is in the business of granting qualified parties a franchise for the right to independently own and operate a single establishment 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 TBAAR Café 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 Café 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 disclosed to Franchisee by Franchisor (the "FDD")
- 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 juice bar and tea house 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 to sign or enter into this Agreement by any representation inconsistent with the terms of this Agreement or inconsistent with the FDD disclosed 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 the Approved Products, including those related to the preparation and dispensation of food products, 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 (defined below) 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 TBAAR Café, 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 TBAAR Café (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"). Once Franchisor approves the Premises of the Franchised Business, the location will be set forth

in the Data Sheet. If the parties have not agreed on a Premises as of the date this Agreement is executed, Franchisor will designate a general marketing area (the "Site Selection Area") in 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 Café 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 Store, 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 TBAAR Café, and (ii) Franchisee pays Franchisor a relocation fee amounting to Two Thousand Dollars (\$2,000) within the first year prior to Franchisor's approval of the relocation, or Ten Thousand Dollars (\$10,000) if Franchisee relocates the Franchised Business after the first year with Franchisor's approval.
- 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 TBAAR Café 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 There are no territorial restrictions for a Franchisee to accept business from customers that reside/work or are otherwise based outside of the Designated Territory if these customers contact Franchisee and/or visit the Franchised Business.
 - 2 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 TBAAR Café 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 Cafés 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 Cafés, 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) establish and operate, and license any third party the right to establish and operate, other Cafés and Franchised Businesses using the Proprietary Marks and System at any location outside of the Designated Territory, (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, (iii) use the Proprietary Marks and System, other such marks Franchisor may designate, to distribute the Approved Products in any alternative channel of distribution, within or outside the Designated Territory (including the Internet, grocery stores and wholesale stores, convenience stores and/or gas stations, catalog sales, toll-free numbers, mobile food trucks/carts, 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 the Designated Territory, (v) own and operate Cafés in “Non-Traditional Sites” including, but not limited to, shopping centers, amusement parks, mobile food trucks, military bases, college campuses, hospitals, airports, sports arenas and stadia, train stations, travel plazas, toll roads and casinos or other captive venues, both within or outside the Designated Territory, and (vi) 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 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, 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 fifty percent (50%) of the then-current initial franchise fee at least ninety (90) days prior to the expiration of the then-current term. Franchisee will not be required to pay an additional Initial Franchise 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. 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 Café 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 TBAAR Café

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 Thirty-Five Thousand Dollars (\$35,000.00) (the "Initial Franchise Fee"), which fee shall be deemed fully earned and non-refundable under any circumstances upon payment
- 2 Prior to opening the Franchised Business, Franchisee must purchase certain ingredients and other items from Franchisor or Franchisor's designated supplier that are necessary for Franchisee and its staff to prepare the Approved Products

that will be offered and sold at the Franchised Business (the "Initial Inventory Expense") The exact amount of the Initial Inventory Expense will depend on the size, location and anticipated customer demand associated with the initial operations of the Café

- 3 On or before the tenth (10th) of each month (or other day Franchisor designates) that 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 four percent (4%) of the Gross Sales (as defined in Section 4(D)) generated by the Franchised Business in the preceding month (the "Royalty Fee")
- 4 In connection with the required computer software to be used in connection with the point-of-sale system at the Café (the "POS System"), Franchisee is required to pay the then-current fee charged by Franchisor's designated supplier for the POS System
- 5 In connection with any music to be played at the Franchised Business, Franchisee is required to pay the then-current fee charged by Franchisor's designated supplier for the appropriate licensing rights for such music
- 6 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 such amounts become due and owing 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 shall 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 Café, in order to obtain Gross Sales, product sales levels, security camera footage, 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, security camera footage, 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, security system 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/or 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 means the total revenue generated by Franchisee’s Café, including (i) all revenue generated from the sale and provision of any and all Approved Products (including gift cards) at, from, or otherwise through, the Franchised Business, (ii) orders which originated at any place other than the Premises but delivery is made at or from the Premises, (iii) catering sales (if and as permitted by Franchisor), and (iv) the proceeds from any business interruption insurance related to the non-operation of the Franchised Business. “Gross Sales” does not include (a) tips received by employees of the Franchised Business, (b) any sales and equivalent taxes that are collected by you for or on behalf of any governmental taxing authority and paid thereto, or (c) the value of any allowance issued or granted to any client of the Franchised Business that is credited in good faith by you 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** Each month, 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 month, (ii) Franchisee’s calculated Royalty Fee based on the Gross Sales from the preceding month, 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 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 weekly rather than monthly basis). In such event, Franchisee’s reporting obligations may also be modified by Franchisor accordingly.
- 3 If Franchisee fails to provide Gross Sales Reports by the tenth (10th) day of the month and subsequently fails to cure such default within ten (10) days of the report’s due date, then Franchisee will be required to pay Franchisor a fee

amounting to Ten Dollars (\$10) per additional day that the Gross Sales Reports are not submitted

- 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 thirty (30) days 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 this Section 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 this Section 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. This provision is contingent on Franchisee having adequate business interruption insurance, as required by this Agreement or otherwise by Franchisor in writing.

5 **DUTIES OF FRANCHISOR**

A **Initial Training Program** Franchisor shall offer and make available an initial training program (the "Initial Training Program") tuition-free for Franchisee and any additional management personnel designated by Franchisee, provided these individuals attend at the same time. One of the trainees must be Franchisee (or one of Franchisee's principals responsible for the Franchised Business if Franchisee is an entity) and, if applicable, the other attendee must be the individual that Franchisee appoints that will be responsible for the day to day management of the Franchised Business and that Franchisor approves (the "Designated Manager")

- 1 The Initial Training Program may be provided by Franchisor and its training personnel through (i) online training that can be completed remotely via webinar, (ii) classroom training and other instruction that takes place at Franchisor's training facilities, and (iii) on-site assistance that Franchisor provides at the Premises around the grand opening of the Franchised Business (the "On-Site Assistance")
- 2 The Initial Training Program will be provided subject to the schedule and availability of Franchisor's training personnel. In addition to Franchisee and its Designated Manager, Franchisee must ensure that its initial staff is available to receive and participate in the On-Site Assistance that Franchisor provides as described above.

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, Remedial Training**

- 1 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 will not require Franchisee and its designated attendees to pay its then-current training fee (the "Training Fee") in connection with attending additional/refresher training, unless (a) Franchisee requests such additional/refresher training, and/or (b) such additional/refresher training is provided on-site at the Premises of the Franchised Business. Franchisee will always be responsible for the costs and expenses that it and its trainees incur in connection with attending any additional/refresher training under this Agreement. Franchisor will not require Franchisee and its management to attend more than five (5) days of additional/refresher training each year.
- 2 If Franchisor determines that Franchisee is operating the Franchised Business in a manner that is not consistent with the terms of this Agreement or the Manuals, or if Franchisee is otherwise in material default of this Agreement, Franchisor may also

require that Franchisee, its Designated Manager (if applicable) and/or other management personnel of the Franchised Business attend and complete up to five (5) additional days of training at (a) Franchisor's designated training facility, (b) the Franchised Business or (c) other location Franchisor designates, that is designed to address the default or other non-compliance issue (the "Remedial Training") Franchisor may require Franchisee and its designated trainees to pay Franchisor its then-current training fee in connection with attending Remedial Training, and Franchisee will be responsible for the costs and expenses associated with Franchisee and any personnel attending such training

- D **Manuals** Franchisor will provide 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 provide 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 TBAAR website portal (the "TBAAR 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 TBAAR 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 may 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 (if any), as it deems appropriate in its sole discretion Franchisor will 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 Franchisor may require Franchisee to use one (1) or more of its approved suppliers for site selection and other assistance related to securing an approved Premises

- 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. 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 TBAAR brand, System and Proprietary Marks (collectively, the "Website"), Franchisor will list the contact information of the Franchised Business on this Website, provided (a) the Franchised Business is open and actively operating, and (ii) this Agreement is not subject to termination. 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 that Franchisor designates.
- K **Inspections of the Franchised Business and Premises** Franchisor may, 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 common area of the Premises, taking samples of any Approved Products for sale at the Café, 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.
- J **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

- K **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
- L **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
- M **Annual Conference** Franchisor may establish and conduct an annual conference for all Café owners and operators, and may require Franchisee and its Designated Manager to attend this conference for no more than five (5) days each year. Franchisor reserves the right to charge Franchisee its then-current registration fee in connection with any conference conducted pursuant to this Section, and Franchisee will be solely responsible for all expenses incurred in attending such conferences

6 **DUTIES OF FRANCHISEE**

- A **Secure a Premises** Franchisee must secure a Premises within the Designated Territory within six (6) months of executing this Agreement, unless Franchisor agrees to an extension of time in writing. 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. Franchisee may be required to use Franchisor's designated supplier for site selection and other assistance related to securing a Premises. Franchisor may require that Franchisee use an Approved Supplier for site-selection assistance services
- 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 Café

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

- 1 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 may require 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.
- 2 Notwithstanding the above, 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 preparation and dispensation of food products such as the Approved Products 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. Franchisee shall be compensated for fulfilling prepaid services as specified in the Manual or otherwise in writing by Franchisor.

- 1 ***Gift Card Sales*** Franchisee must sell or otherwise issue gift cards or certificates (collectively, the “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 TBAAR Café location.
 - 2 ***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, 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 TBAAR Café locations and for making timely payment to Franchisor, other operators of a TBAAR Café, or a third-party service provider for Gift Cards issued from the Franchised Business that are honored by another TBAAR Café 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 Café 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, décor 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.
- 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 preparation and dispensation of food products such as the Approved Products. 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, which may include (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 (ii) 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 and pay Franchisor's then-current product/supplier evaluation fee, which will amount to the greater of (a) the costs and expenses incurred in connection with the evaluation, or (ii) \$500 per proposal. At Franchisor's request, Franchisee must also provide Franchisor, for testing purposes, a sample of the item Franchisee wishes to purchase. 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, including any Additional Training or Remedial Training that Franchisor requires during the term hereunder
- 1 Franchisee, its Designated Manager (if applicable) and any other trainees that Franchisee designates to participate in the Initial Training Program prior to opening must attend (or otherwise participate in) and complete all portions of the Initial Training Program at least 30 days prior to opening the Franchised Business
 - 2 Franchisee must also cover all costs associated with the costs and expenses that Franchisee and any of its personnel incur in connection with attending any part of the Initial Training Program, including costs associated with travel, lodging, meals and personnel compensation
 - 3 Franchisee and, if applicable, Franchisee's Designated Manager must (i) attend and complete any additional or refresher training the Franchisor is permitted to require Franchisee to attend each year, and (ii) attend Franchisor's annual conference if such a conference is conducted by Franchisor (and pay Franchisor's then-current registration fee)
 - 4 Any failure to attend and complete the Initial Training Program or other training/conferences, including any Remedial or Refresher Training, 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
- R **Customer Information** Franchisee must (i) maintain information related to its current and former customers, as well as their purchase histories, at the Premises, and (ii) make such information available for Franchisor's inspection upon request. Franchisee must promptly return this information, which is deemed "Confidential Information" (as defined herein) 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 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 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, including honoring any re-do services, 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 Business** 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 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 attend and successfully complete the Initial Training Program to Franchisor's satisfaction and otherwise be approved by Franchisor 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** Franchisor may require Franchisee to accept credit cards at the Premises to facilitate sales, including Visa, MasterCard, American Express and any other major credit cards.

- X **Payments to Franchisor** Franchisee agrees to promptly pay Franchisor all payment and other amounts that are due to Franchisor, its affiliates or any Approved Supplier
- Y **Employment Decisions** The parties agree and acknowledge that Franchisee shall be solely responsible for all employment decisions and must 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 personnel must be competent, conscientious, and properly trained Nothing in this Agreement is intended or may be construed to create any type of employer or joint employer relationship between (a) Franchisee and/or its personnel and (b) Franchisor

7 **PROPRIETARY MARKS AND OTHER INTELLECTUAL PROPERTY**

- 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 TBAAR marks, under a license agreement with Tbaar 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 **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.
- G **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.
- H **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.
- I **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 TBAAR 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.

- J **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.

- K **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.

- L **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.

- M **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.

N **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.

O **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 Business** Franchisee acknowledges the Manuals provided by Franchisor to Franchisee is intended to protect Franchisor's standards, systems, names, and marks, but that such Manuals are not intended to control the day-to-day operation of Franchisee's business. Franchisee further acknowledges and agrees that Franchisee's Café 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** 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. 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 TBAAR Café or the System that is not commonly known by, or available to, the public, including without limitation (i) proprietary recipes associated with Approved Products and the standards and specifications for storage, preparation, and transportation of Approved Products, (ii) information and materials related to the architectural plans, design, layout, equipping, build-out and/or construction of a Café, (iii) 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, (iv) 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), (v) the Computer System and related software that has been customized in any manner for use by Franchisor and/or a Franchisor, (vi) 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, and (vii) any passwords, logins or other keys necessary to access Franchisee's POS system, Computer System or related software used in connection with the Franchised Business, and
- 3 All information and data Franchisee collects regarding the customers and clientele of the Franchised Business at any time during the term of this Agreement,
- 4 Any other information that may be imparted to Franchisee from time to time and designated by Franchisor as confidential (collectively, the types of information described in this Section 8(D) will be referred to as "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 **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.

- J **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.
- K **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 **Designated or Pre-Approved Advertising Materials and Campaigns** 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 TBAAR Cafés 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 Other 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 thirty (30) 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 unless (a) Franchisor prescribes a different time period for use, or (b) Franchisor

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 spend between \$5,000 and \$10,000 on the initial advertising and grand opening of the Franchised Business, which must be expended over the period of time commencing one (1) month before the Franchised Business opens and ending two (2) months from that opening date (the "Grand Opening Advertising Requirement"). Franchisor may require that Franchisee expend all or any portion of the Grand Opening Advertising Requirement on materials or services that are purchased from an Approved Supplier. Franchisor will designate the exact amount of the Grand Opening Advertising within 30 days of the date Franchisee has secured its Premises.
- D **Local Advertising Requirement** Franchisee must expend a minimum of one percent (1%) of the Gross Sales of the Franchised Business for the purpose of 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 (i) the Franchised Business has a dedicated phone line for use in connection with the Franchised Business only (and no other business, including any other TBAAR 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, provided (a) the prospective customers do not reside within the territory granted to another franchisee or Café, and (b) Franchisor otherwise provides its prior written consent in writing.
 - 4 Upon written notice to Franchisee, Franchisor may increase Franchisee's Local Advertising Requirement to an amount equal to up to two percent (2%) of the Gross Sales of the Franchised Business.
- E **Advertising Council** Franchisor may establish, if and when it deems appropriate in its sole discretion, a council to provide advice and guidance regarding advertising and/or 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 Cafés, 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.
- F **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

- G **Cooperatives** Franchisor may establish regional advertising cooperatives that are comprised of multiple Café 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 Franchisee's then-current Local Advertising Requirement 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 the term of this Agreement and at least three (3) years thereafter 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, security camera footage, 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, (ii) pay any amount due and owing Franchisor as a result of Franchisee's underreporting, along with any accrued interest on said amounts, and (iii) at Franchisor's option, pay a penalty fee of up to \$10,000

- 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 **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
- F **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 the tenth (10th) of each month, (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
- G **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 umbrella coverage of TWO MILLION DOLLARS (\$2,000,000) or, if higher, the statutory minimum limit required by state law,
- 4 If applicable with respect to a vehicle used in connection with the Franchised Business or displaying the Proprietary Marks, 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,
- 5 The business interruption insurance, as well as any other type of insurance, in the amount that Franchisor designates in the Manuals or otherwise in writing, and
- 6 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 other party that Franchisor designates 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 or incurred by 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 Café 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 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,
- 5 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,
- 6 Franchisee or transferee shall pay Franchisor a transfer fee equal to Ten Thousand Dollars (\$10,000), as well as any third-party broker fees that are due in connection with the proposed transfer,
- 7 The transferee shall satisfactorily complete Franchisor's Initial Training Program at the transferee's expense within the time frame Franchisor sets forth, and the transferee will be responsible for all training fees, costs and expenses associated with attending the initial training program,
- 8 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,
- 9 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,
- 10 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,
- 11 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,

- 12 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,
- 13 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
- 14 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'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 concept that (a) is a juice bar, tea house or other establishment that features bubble tea, fruit smoothies, and fresh fruit and vegetable juices and/or any of the other types of Approved Products offered by a TBAAR Café location (each, a "Competing Business"), or (b) 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 concept 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 twenty (20) mile radius of (a) the Designated Territory or (b) any other TBAAR Café 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, or

c 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 14 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 14 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, security system footage, 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, or if Franchisee loses its approval from any city, state, or other regulatory agency to operate the Franchised Business

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 eight percent (8%) of the Gross Sales of the Franchised Business 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 Business, 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 TBAAR franchise at or with respect to the Premises (unless Franchisor agrees otherwise in writing),
- B **Return Manuals and Confidential Information, Pay Outstanding Amounts Due**
- 1 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, and
 - 2 Pay any outstanding amounts due to Franchisor, its affiliates or any Approved Supplier within 30 days of the date this Agreement is terminated or expires
- 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 TBAAR franchise system and, upon Franchisor's request, as a past franchisee of Franchisor or the TBAAR 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 of Franchisor's 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 FDD** Nothing in this Agreement or in any related agreement is intended to disclaim the representations Franchisor made in the FDD.

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 Tbaar Group LLC
 Attn: Gary Lin
 3743 S. Las Vegas Blvd., Suite 118
 Las Vegas, Nevada 89109

With a copy to Lane J. Fisher, Esq.
 Fisher Zucker, LLC
 21 South 21st Street
 Philadelphia, Pennsylvania 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 Nevada, 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** Subject to Sections 22(B)-(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 District of Nevada Franchisee hereby irrevocably consents to the personal jurisdiction of the state and federal courts closest to Franchisor's then-current headquarters, 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 or claim arising out of or under this Agreement may be maintained by Franchisee against Franchisor unless Franchisee brings an action/suit against Franchisor containing such cause of action or claim 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 Any action/suit that Franchisee does not bring 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
- 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.
- B Franchisee acknowledges that this Agreement, the 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.
- C 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. 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.

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

FRANCHISOR

TBAAR 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

TBAAR GROUP LLC

By _____
Gary Lin, President

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 Tbaar 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 of 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 Tbaar 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, that may include 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 TBAAR franchised business (hereafter, a "Franchised Business"), (iii) proprietary recipes associated with Approved Products and the standards and specifications for storage, preparation, and transportation of Approved Products, (iv) marketing research and promotional, marketing and advertising programs for the Franchised Business, (v) 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 locations utilizing the System, (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 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 of 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 that (a) is a juice bar, tea house or other establishment that features bubble tea, fruit smoothies, and fresh fruit and vegetable juices and/or any of the other types of Approved Products offered by a TBAAR Cafe location (each, a "Competing Business"), or (b) 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 TBAAR 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

2 2 1 1 at the Premises of the Franchised Business,

2 2 1 2 within the Designated Territory granted under the Franchise Agreement, or

2 2 1 3 within a 20-mile radius miles of (a) the Designated Territory or (b) any TBAAR Café at any time beginning from the expiration, transfer or termination of this Agreement through the date of your involvement in any Competing Business

2 2 2 Solicit business from customers of Franchisee's former Franchised Business or contact any of Franchisor's suppliers or vendors for any competitive 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 Nevada

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 management. 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** Subject to the other dispute resolution provisions in this Guaranty, 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 Las Vegas, Nevada or, if applicable, the United States District Court for the District of Nevada. 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 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 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 **No waiver** 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) Tbaar Group LLC, a Nevada limited liability company with its principal place of business at 3743 S Las Vegas Boulevard, Suite 118, Las Vegas, Nevada 89109 (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 TBAAR 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 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 irrevocably appoint 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, waive 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

TBAAR 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 Tbaar 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) marketing and advertising fees or reimbursement costs, (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 monthly 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

TBAAR GROUP LLC

By _____
Gary Lin, President

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 Tbaar Group LLC (the "Company") to (i) establish and operate TBAAR 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 TBAAR Cafés (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 TBAAR Cafés, 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 TBAAR Cafés 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 (a) is a juice bar, tea house or other establishment that features bubble tea, fruit smoothies, and fresh fruit and vegetable juices and/or any of the other types of Approved Products offered by a TBAAR Café location (each, a "Competing Business"), or (ii) grants or has granted franchises or licenses, or establishes or has established joint ventures, for one or more businesses that offer or provide a variety of bubble tea, fruit smoothies, and fresh fruit and vegetable juices or the other types of Approved Products offered by a TBAAR Café location (collectively, 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 20-mile radius of the Premises, or (ii) within a 20-mile radius of any other TBAAR Café 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 **[STATE WHERE FRANCHISEE IS LOCATED]** AND I HEREBY IRREVOCABLY SUBMIT MYSELF TO THE JURISDICTION OF THE STATE COURT CLOSEST TO FRANCHISEE'S THEN-CURRENT HEADQUARTERS OR, IF APPROPRIATE, THE FEDERAL COURT CLOSEST TO FRANCHISEE'S THEN-CURRENT HEADQUARTERS. 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 **[STATE WHERE FRANCHISEE IS LOCATED]** 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

Tbaar Group LLC
Attn Gary Lin
3743 S Las Vegas Blvd
Suite 118
Las Vegas, Nevada 89109

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 TBAAR Café (the "Assignor"), in exchange for valuable consideration provided by Tbaar 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 TBAAR 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

TBAAR GROUP LLC

BY _____
Gary Lin, President

EXHIBIT G TO THE FRANCHISE AGREEMENT

FRANCHISEE COMPLIANCE CERTIFICATION

As you know, **TBAAR GROUP LLC** (“we” or “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 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 Franchise Agreement, and pay us the appropriate franchise 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 this agreement, which 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 with these professional advisor(s)?
- Yes ___ No ___ 6 Do you understand the success or failure of your Franchised Business 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 Development 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 TBAAR mark or any other mark at any location outside your Development Area if you have entered into a Development Agreement, without regard to the proximity of these activities to the premises of your Franchised Business(es) or Development 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 corporate offices?
- 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 or otherwise in connection with the franchise sale 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 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

Name (please print)

Dated _____, 20____

Signature of Franchise Applicant

Name (please print)

Dated _____, 20____

Signature of Franchise Applicant

Name (please print)

Dated _____, 20____

Signature of Franchise Applicant

Name (please print)

Dated _____, 20____

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

EXHIBIT C
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT
AREA DEVELOPMENT AGREEMENT

DEVELOPMENT AGREEMENT

This Development Agreement ("Agreement") entered into this ____ day of ____, 201__, between (i) TBAAR Group LLC, a Nevada limited liability company with its principal place of business at 3743 S Las Vegas Boulevard, Suite 118, Las Vegas, Nevada 89109 (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 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 an establishment (each, a "Café") featuring a variety of bubble tea, fruit smoothies, and fresh fruit and vegetable juices that are made in accordance with Franchisor's proprietary recipes and ingredients, as well as any other items that Franchisor authorizes (collectively, the "Approved Products")

B The distinguishing characteristics of the System include, without limitation (a) Franchisor's valuable know-how, information, trade secrets, and methods associated with the establishment and operation of a Café, including proprietary recipes associated with the Approved Products, (b) confidential Operations manual and other proprietary manuals, (c) proprietary initial training program and ongoing training, as well as related instructional materials, (d) certain standards and specifications associated with the establishment and ongoing operation of a Café, including any plans regarding the prototypical design, layout and build-out of a Café, (e) methods associated with marketing and sales programs, fixture and furniture selection, staffing guidelines and other research and development connected with the establishment and operation of a Café, and (f) established relationships with certain vendors/supplier that might be used in connection with the development/operation of a Café. 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 TBAAR, 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 (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 Cafés within a defined geographical area (the "Development Area") in accordance with the terms of this Agreement to which Developer must be strictly adhere. Each Café within the Development Area and related franchise rights are granted only 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 has applied for the right to open and operate a certain number of Cafés within the Development 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.

F 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 **Development Area** 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 Development 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. During the term of this Agreement and except as provided herein, Franchisor will not open, or license any third party the right to open, any Café utilizing the Proprietary Marks and System within the Development Area

2 **Development Fee** Developer shall pay Franchisor a development fee equal to \$ _____ (the "Development Fee") for the foregoing territorial rights within the Development Area, which is deemed fully earned upon payment and is not refundable under any circumstances. The parties agree and acknowledge that the Development Fee is consideration for Franchisor granting the territorial rights within the Development Area, with the parties agreeing and acknowledging that this payment is not tied to any type of pre-opening development obligations

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 (the "Initial Franchised Business") that Developer is required to open within the Development 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, Reduced Franchise Fee

4.1 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 Development Schedule

4.2 Developer must pay Franchisor a franchise and training fee amounting to \$12,500 (the "Reduced Franchise Fee") in connection with each additional Franchised Business that Developer is required to develop hereunder, with such Reduced Franchise Fee due at the earlier of the date the Developer (i) signs a lease for that additional Franchised Business, or (ii) signs a Franchise Agreement for that Franchised Business as required under Section 4.1 hereunder

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)

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 rights within the Development Area other than the territorial rights granted in connection with any "Designated Territory" associated with a Franchised Business that Developer has opened and commenced operating as of the date this Agreement is terminated or expires (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 Development 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 Development 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 (including timely paying each Reduced Franchise Fee in accordance with Section 4.2 above), and Developer fails to cure such default within 30 days of receiving notice thereof, or (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 for the specific territorial rights described 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 Nevada, without reference to this state's conflict of laws principles. This Agreement is not a franchise and does not grant Developer any right or license to (i) operate a TBAAR Cafe, or (ii) use Franchisor's Proprietary Marks in any manner. Such rights are solely granted under a Franchise Agreement.

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, at a location closest to 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, 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 that 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 Development 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 Subject to Sections 12 through 14 above, 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 headquarters or, if appropriate, the United States District Court for the District of Nevada (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 agrees 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 Development 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

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

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

DEVELOPER

By _____

Name _____

Title _____

FRANCHISOR

TBAAR GROUP LLC

By _____
Gary Lin, President

EXHIBIT A to DEVELOPMENT AGREEMENT

DATA SHEET

1 **Development Area** The Development 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		

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SIGNATURES ON THE FOLLOWING PAGE**

APPROVED AND ACCEPTED BY

TBAAR GROUP LLC

By _____
Gary Lin, President

DEVELOPER

(Individual, Partnership or Corporation Name)

By _____
Title _____
Date _____

EXHIBIT D
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT
FINANCIAL STATEMENTS

TBAAR GROUP LLC
A Developmental Stage Company
FINANCIAL STATEMENTS
June 5, 2017

TBAAR GROUP LLC

A Developmental Stage Company

Independent Auditor's Report	Page 1
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BARRY KNEPPER
CERTIFIED PUBLIC ACCOUNTANT
18 WESTCHESTER AVENUE JERICHO, NEW YORK 11753

INDEPENDENT AUDITOR'S REPORT

**To the Member of
TBARR GROUP, LLC**

We have audited the accompanying balance sheet of TBARR GROUP, LLC (the "Company") as of June 5, 2017, and the related notes to the financial statements

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

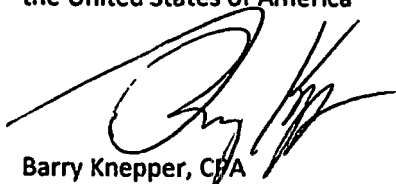
Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about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

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

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

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of TBARR GROUP, LLC, in accordance with accounting principles generally accepted in the United States of America.



Barry Knepper, CPA
June 7, 2017

TBAAR GROUP LLC
A Developmental Stage Company
BALANCE SHEET
JUNE 5, 2017

ASSETS

Cash	<u>\$ 75,000</u>
Total Assets	<u><u>\$ 75,000</u></u>

LIABILITIES AND MEMBER'S EQUITY

Member's Equity	<u>\$ 75,000</u>
Total Liabilities and Member's Equity	<u><u>\$ 75,000</u></u>

See notes to financial statements

TBAAR GROUP LLC
A Developmental Stage company
NOTES TO FINANCIAL STATEMENTS

1 THE COMPANY

Tbaar Group LLC ("the Company") is Nevada Limited Liability Company formed in April 2017 to offer franchises for the operation of a quick casual restaurant that offers a variety of bubble tea, fruit smoothies, and fresh fruit and vegetable juices that are made in accordance with Company's proprietary recipes and ingredients

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue Recognition—In accordance with FASB ASC Subtopic 952-06, Franchisors, Revenue Recognition, nonrefundable initial franchise fees paid by franchise owners are recognized as revenue the earlier of when the franchisee commences operations or upon termination of the franchise agreement. Initial franchise fees collected prior to commencing operations are recorded as deferred initial franchise fees.

Franchise Activity—As of June 5, 2017 the Company had no franchisees.

Concentration of Credit Risk—financial instruments that potentially expose the Company to concentration of credit risk primarily consist of cash and cash equivalents. The balances in the Company's cash accounts did not exceed the Federal Deposit Insurance Company's (FDIC) insurance limit of \$ 250,000. The Company maintains its cash and cash equivalents with accredited financial institutions.

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

Taxes on Income - The Company has elected to be taxed as a limited liability company for income tax purposes. Income for the Company passes through directly to its member and is reported on the member's individual income tax returns. Therefore, no provision or liability for federal or state income tax has been included in the financial statements.

3 DEVELOPMENT STAGE OPERATIONS

The Company has been formed to grant the rights to own and operate the Franchised Business. The Company has incurred legal, professional and development expenses and expenses related to the implementation of the franchise program. No revenues have yet been generated, since the Company has not sold any franchises as of the balance sheet date.

EXHIBIT E
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT
STATE SPECIFIC ADDENDA
TO THE FDD, FRANCHISE AGREEMENT AND DEVELOPMENT AGREEMENT
[Reserved]

EXHIBIT F
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT
OPERATIONS MANUAL TABLE OF CONTENTS

T-Baar - Master Table of Contents

Franchise Operations Manual

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Total Pages Approximately 170

EXHIBIT G
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT

SAMPLE TERMINATION AND RELEASE AGREEMENT

In consideration for the consent of Tbaar 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 TBAAR 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 H
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT

LIST OF FRANCHISEES

As we are a new franchise offering, we do not currently have any franchisees as of the Issue Date of this Disclosure Document in the United States

**EXHIBIT I
TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT**

LIST OF FRANCHISEES WHO HAVE LEFT THE SYSTEM

As we are a new franchise offering, we do not have any (a) former franchisees that have left the system in the past fiscal year, or (b) franchisees that have otherwise failed to communicate with us in the ten (10) weeks preceding the Issue Date, that we must disclose in this Disclosure Document

EXHIBIT J
TO THE TO THE TBAAR GROUP LLC
FRANCHISE DISCLOSURE DOCUMENT

RECEIPTS

RECEIPTS (OUR COPY)

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

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

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

If TBAAR 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 June 20, 2017.

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 June 20, 2017, which contained the following Exhibits:

Exhibit A – List of State Administrators and List of Agents for Service of Process
Exhibit B – Franchise Agreement
Exhibit C – Area Development Agreement
Exhibit D – Financial Statements
Exhibit E – State Specific Addenda

Exhibit F – Operations Manual Table of Contents
Exhibit G – Sample Termination and Release Agreement
Exhibit H – List of Franchisees
Exhibit I – List of Franchisees that Left the System in the Past Year or That Have Failed to Communicate with Us in the 10 Weeks Preceding the Issue Date
Exhibit J – Receipt

The franchise seller(s) for this offering is/are as follows:

Gary Lin at Tbaar Group LLC at 3743 S Las Vegas Blvd, Suite 118, Las Vegas, Nevada 89109 or at telephone number (347) 350-3522, and Steven Gardner, 100 Winston Dr, Cliffside Park, New Jersey 07010, (201) 873-2463

If an individual

By _____

Name _____

Date _____

Telephone Number _____

If a Partnership, Corporation or Limited Liability Corporation

Name _____

Title _____

Name of Entity _____

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

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 to the franchise relationship. Michigan requires that we give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement, or the payment of any consideration, whichever occurs first.

If TBAAR 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.

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If an individual

By _____

Name _____

Date _____

Telephone Number _____

If a Partnership, Corporation or Limited Liability Corporation

Name _____

Title _____

Name of Entity _____

Address _____