FRANCHISE DISCLOSURE DOCUMENT 2017 APR -3 AM 10 54

ZIGGI'S COFFEE FRANCHISE, LLC
(a Colorado limited liability company)
400 Main Street
Longmont, Colorado 80501
Telephone (303) 682-5120, ext 9
www ziggiscoffee com
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Ziggi's Coffee Franchise, LLC is offering franchises for the operation of retail coffee shops that sell gourmet specialty coffee, espresso, tea, fruit smoothies, fresh sandwiches and wraps, and other food and drink items, plus packaged coffee and coffee-related merchandise

The total investment necessary to begin operation of one ZIGGI'S Coffee Shop Double Drive Thru franchise ranges from $328,500 to $607,000 The total investment necessary to begin operation of one ZIGGI'S Coffee Shop Cafe with Drive Thru franchise ranges from $263,000 to $602,500 The total investment necessary to begin operation of one ZIGGI'S Coffee Shop Cafe franchise ranges from $194,500 to $521,500 These include between $89,000 and $118,000 that must be paid to the franchisor or its affiliates The franchisor may offer to qualified candidates the right to acquire a 3-Pak to open three ZIGGI'S Coffee Shops The total investment noted above will apply to each type of ZIGGI'S Coffee Shop, but the franchisee will pay an additional $50,000 at the time of the signing of the Franchise Agreements, which amount is paid to the franchisor

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**

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

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

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

Issuance Date March 31, 2017

FOR USE IN AL, AK, AZ, AR, CA, CO, CT, DE, DC, GA, ID, IA, KS, KY, LA, ME, MA, MS, MO, MT, NE, NV, NH, NJ, NM, NC, OH, OK, OR, PA, SC, TN, TX, UT, VT, WV, WY, and U S TERRITORIES

NOT FOR USE IN FL, HI, IL, IN, MD, MI, MN, NY, ND, RI, SD, VA, WA, and WI

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 your state REGISTRATION OF A FRANCHISE BY A STATE DOES NOT MEAN THAT THE STATE RECOMMENDS THE FRANCHISE OR HAS VERIFIED THE INFORMATION IN THIS DISCLOSURE DOCUMENT

Call the state franchise administrator listed in Attachment K for information about the franchisor, or about franchising in your state

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

Please consider the following RISK FACTORS before you buy this franchise

1 THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH US BY ARBITRATION ONLY IN COLORADO OUT-OF-STATE ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES IT MAY ALSO COST YOU MORE TO ARBITRATE WITH US IN COLORADO THAN IN YOUR OWN STATE

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

3 THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE

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

The Effective Dates of this Disclosure Document for the following states are

California __________________

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ATTACHMENTS

ITEM 1

THE FRANCHISOR, AND ANY PARENT, PREDECESSORS AND AFFILIATES

The Franchisor, Predecessors, Affiliates and Parent

The name of the franchisor is Ziggi's Coffee Franchise, LLC For ease of reference, Ziggi's Coffee Franchise, LLC will be referred to as "**we**" or "**us**" in this Disclosure Document We will refer to the person who buys the franchise as "**you**" throughout this Disclosure Document If the franchisee is a corporation, partnership or limited liability company, certain provisions of the Franchise Agreement will also apply to the owners and will be noted in this Disclosure Document

Our principal offices are located at 400 Main Street, Longmont, Colorado 80501 We presently do business under the name "Ziggi's Coffee Franchise, LLC" and no other name We offer and sell franchises that operate under the name "Ziggi's Coffee " We were formed on April 12, 2016 as a Colorado limited liability company Our agents for service of process are listed on Attachment K

We are owned in part by Round Ball Ventures LLC, a Colorado limited liability company formed on May 6, 2016 ("**RBV**"), and Crux Investments LLC, a Colorado limited liability company formed on June 2, 2010 ("**CI**") RBV's principal place of business is the same as ours CI's principal place of business is 1751 East 58th Avenue, Unit B-3, Denver, Colorado 80216 RBV and CI may be deemed parent companies of ours

We acquired many of the techniques and other assets comprised in the Licensed Methods as defined below from BEC Longmont, Inc ("**BEC**"), a Colorado corporation incorporated on August 11, 2004 BEC has operated coffee retail businesses since August 2004 which led to the development of our Licensed Methods, as defined below BEC also owned, and through a serious of transfer steps, assigned to us the Marks, as defined below BEC may be deemed a predecessor and affiliate of ours BEC's principal place of business is the same as ours We have no other predecessors

Coda Coffee Company ("Coda"), which may be deemed to be an affiliate of ours, supplies certain coffee and other products that are sold and used by our franchisees We generally currently require that franchisees order and pay for these products through us, although we may require franchisees to order directly from Coda as well Coda is a Colorado limited liability company formed on July 26, 2005, with its principal offices located at 1751 East 58th Avenue, Unit B-3, Denver, Colorado 80216

We have no other affiliates that offer franchises in any line of business or that provide products or services to our franchisees

Our Business

We franchise the operation of specialty coffee shops ("**ZIGGI'S Coffee Shops**" or "**Coffee Shops**") that sell gourmet specialty coffee, espresso, tea, fruit smoothies, fresh sandwiches and wraps, and other food and drink items, plus packaged coffee and coffee-related merchandise We work with socially responsible local sources to offer a menu of great-tasting items made from the freshest ingredients A ZIGGI'S Coffee Shop has a standardized drink and food menu, which offers a wide variety of flavor options compared to most competing brands

The Franchise

A franchise agreement ("**Franchise Agreement**"), which is attached as Attachment A to this Disclosure Document, is signed for each ZIGGI'S Coffee Shop purchased You are licensed to use the **trade name and** service mark "ZIGGI'S COFFEE" and related trademarks, service marks, logos and designs ("**Marks**") and our distinctive business format, systems, methods, procedures, designs, layouts and specifications ("**Licensed Methods**") in conjunction with the operation of a ZIGGI'S Coffee Shop at a location approved by us and identified in the Franchise Agreement ("**Shop Location**")

There are multiple types of ZIGGI'S Coffee Shops offered under this Disclosure Document First, we offer a double drive through model serving only drive-through customers from a freestanding building in a smaller size of approximately 250 to 500 square feet with no customer seating (a "**Double Drive Thru**") Second, we offer a cafe model serving walk-in customers in a larger building with a size of approximately 1500 to 2000 square feet with an interior service counter and customer seating, typically designed to seat approximately 30 to 40 customers (a "**Cafe**") A Cafe may or may not have a drive-through and is located in a strip mall or other suitable facility A Cafe with a drive-through is typically located at an end cap space We refer in this Disclosure Document to a Cafe with a drive-through as a "**Cafe with Drive Thru**" and is considered another model that we offer under this Disclosure Document The interior decor of a Cafe, including a Cafe with Drive Thru, is intended to create a relaxing, diverse atmosphere, with an emphasis on local art Any references in this Disclosure Document to a ZIGGI'S Coffee Shop or Coffee Shop refer to each type of outlet and the terms of this Disclosure Document apply equally to each type, unless otherwise specifically noted See Item 7 for additional information on each of these Coffee Shop designs and the different investment involved We must approve the location for your Coffee Shop in advance

We also offer to select candidates the right to acquire and operate three ZIGGI'S Coffee Shops (referred to in this Disclosure Document as a "**3-Pak**"), within an area agreed to by you and we (the "**Development Area**") If you are offered the right to acquire a 3-Pak, you will sign three Franchise Agreements at the same time, but the commencement date for each Franchise Agreement will be when you commence operations of the ZIGGI'S Coffee Shop associated with the applicable Franchise Agreement As long as you are not in default of any of the Franchise Agreements, we will not establish, nor will we license any other party to establish, Coffee Shops using the Marks and Licensed Methods anywhere within the Development Area except as is described in Item 12 related to Captive Audience Facilities and Special Venues and Channels

Regulations

You must comply with all local, state and federal health and sanitation laws relating to food handling and the sale of food and drinks Otherwise, we are not aware of any regulations specific to the operation of a ZIGGI'S **Coffee Shop** You should also familiarize yourself with other federal, state or local laws of a more general nature which affect the operation of your Coffee Shop, including but not limited to Occupational Safety and Health Act Regulations, employment laws, workers compensation laws, specific Americans' With Disabilities Act requirements, corporate and taxation laws, specific minimum wage and age requirements, and codes related to construction, facilities and equipment **You should consult with your attorney regarding state and local laws and regulations that may affect the operation of your Coffee Shop at your particular location** It will be your responsibility to become knowledgeable of, and comply with, all applicable laws and regulations

Market and Competition

The market for coffee and coffee drinks is well established and highly competitive Specialty coffee stores have become increasingly recognized and popular in the United States The popularity of this market segment has led to significant competition In addition to the massive market penetration of Starbucks, you will encounter competition from national as well as regional coffee store chains, operating under well-known and recognizable service marks, as well as with independent coffee shops and other businesses which offer coffee Finally, grocery store chains, carts, kiosks and the general retailing of coffee and espresso machines makes the drinks of the type sold in a ZIGGI'S Coffee Shop readily available to the consumer You may even experience competition from other ZIGGI'S Coffee Shops within the same market area as your Coffee Shop and other venues selling ZIGGI'S coffee products Sales by ZIGGI'S Coffee Shops typically are not seasonal, but remain relatively stable throughout the year

Business Experience

Our principals, Brandon Knudsen and Thomas Thwaites, have over 36 years, combined, of experience in the coffee retail and wholesale business Our affiliate BEC has operated coffee retail businesses since August 2004, and currently operates a Double Drive Thru and two Cafes under the "ZIGGI'S COFFEE" name in Colorado Three other companies affilated to us by common ownership also operate coffee retail businesses under the "ZIGGI'S COFFEE" name in Colorado Ziggi Ventures, LLC ("Ziggi Ventures") started business in February 2012 and currently operates two Double Drive Thrus, Ziggi's Colorado Mills, Inc ("Ziggi's CM") started business in July 2014 and currently operates a mall location, and Ziggi's Belle Creek, LLC ("Ziggi's BC") started business in August 2014 and currently operates a Café with Drive Thru We have offered franchises for ZIGGI'S Coffee Shops since May 19, 2016 Coda has been engaged in the sale of coffee products on a wholesale basis and via the Internet since July 2005

We do not operate businesses of the type being franchised or engage in other business activities other than serving as the franchisor for the ZIGGI'S Coffee system Except as described above, none of our predecessors, affiliates or parents have conducted business or offered franchises in this or any other line of business

ITEM 2

BUSINESS EXPERIENCE

Brandon Knudsen – Manager and President

Brandon Knudsen has been one of our Managers and our President since our inception He also has been the President, a manager or director, and a co-owner of our affiliates BEC, Ziggi Ventures, Ziggi's CM, and Ziggi's BC, and of our parent, RBV, since their respective inceptions Mr Knudsen has operated various types of coffee shops since 2003

Thomas Thwaites - Manager and Vice President

Thomas Thwaites has been one of our Managers and our Vice President since our inception He has also served as co-president of Coda since its inception in July 2005 and is a manger of our parent, CI Mr Thwaites has been in the coffee roasting, grinding and serving business for over 23 years

ITEM 3

LITIGATION

No litigation is required to be disclosed in this Item

ITEM 4

BANKRUPTCY

No bankruptcy is required to be disclosed in this Item

ITEM 5

INITIAL FEES

Initial Franchise Fees You must pay an initial franchise fee of $40,000 for the Franchise Agreement that you sign for one ZIGGI'S Coffee Shop franchise, which applies regardless of whether you are acquiring rights to a Double Drive Thru, a Cafe, or a Cafe with Drive Thru (the "**Initial Franchise Fee**") You pay the Initial Franchise Fee in a lump sum on the date when you sign the Franchise Agreement

If you are offered the right to acquire a 3-Pak, the Initial Franchise Fee is $30,000 per franchise, for a total of $90,000 You must sign a separate Franchise Agreement for each ZIGGI'S Coffee Shop you will operate and pay the Initial Franchise Fee for all three franchises in a lump sum on the date when you sign the Franchise Agreements

Equipment, Product, and Supply Purchases Before opening each ZIGGI'S Coffee Shop, you also pay us for your initial equipment package, consisting of coffee brewing and espresso machines, coffee grinders, blenders and display cases The amount of the equipment package varies based on the type of Coffee Shop you will operate, and is noted in the tables in Item 7 You will also pay us $7,500 for an initial inventory of coffee, espresso, tea, smoothie mix, and other branded materials and merchandise

We do not offer financing for any portion of the initial fees or payments in this Item 5 Each of these initial fees and payments must be paid in full when you sign the applicable agreement We fully earn the Initial Franchise Fee, the Development Fee, and other payments when paid They are not refundable under any circumstances

Except as described in this Item 5, all franchisees currently pay the same applicable initial fees

ITEM 6

OTHER FEES

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Royalty[1]	6% of your actual Gross Sales, after the sixth full month following commencement of operation, the greater of the actual royalty or $900 per month[2]	Payable daily based on the prior day's Gross Sales	We will debit your bank account daily for Royalties due Six months after you commence operations, if the Royalty paid over any calendar month is less than the minimum Royalty, the difference is due at the end of the month
Coffee and Other Inventory and Equipment Purchases[1]	Current published prices	Payable on invoicing or as otherwise described in the Operations Manual	We charge you for inventory and equipment you purchase from us or our affiliates You are also responsible for all taxes and shipping costs incurred by us in selling and shipping items to you If you fail to pay any amounts owed to us or our affiliates on time, you must pay interest, penalties and COD for all items purchased
Marketing and Technology Fee[1]	Currently none, but when established will be 2% of your actual Gross Sales, after the sixth full month following commencement of operation, the greater of the actual Marketing and Technology Fee due or $300 per month[2]	Payable daily with the Royalty based on the prior day's Gross Sales	We reserve the right to impose this fee at any time after there are 10 ZIGGI'S Coffee Shop franchisees in the system When it is implemented, we will debit your bank account daily for amounts due Six months after you commence operations, if the Marketing and Technology Fee paid over any calendar month is less than the minimum Marketing and Technology Fee, the difference is due at the end of the month We may reallocate all or a portion of this fee to a Regional Advertising Program if one is established in your region
Local Advertising Expenditure[4]	Currently none, but we may establish requirements in the future	As incurred	We have the right to direct all or a portion of the local advertising expenditure to be paid to a Regional Advertising program for the benefit of the Coffee Shops within your particular region

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Regional Advertising Fee[1]	Currently none, but we may establish requirements in the future	To be Determined	As of the date of this Disclosure Document, we do not have any designated Regional Advertising Programs If we create a program that includes your area, it may replace some or all of the Marketing and Technology Fee or required local advertising expenditure, as we designate
Initial Training Program Expenses[3 4]	Costs associated with attending our initial training program	As incurred	Payable to third party suppliers
POS System Support and Maintenance Charge[4]	As determined by the POS provider, $50 per POS System per month as of the date of this Disclosure Document	As incurred	Payable to a designated third-party supplier for on-going support and maintenance of your POS System These fees may be changed by the third party vendor Also, we may change the required POS System, in which case these fees may change
Additional Meeting Fee[1 3]	Will vary, but not to exceed $750 per attendee per meeting	As incurred	If we request, you must attend up to two Additional Meetings each year We may prorate the costs of these meetings among all attendees, and charge you 125% of those costs if you do not attend See Item 11
Costs of Inspection and Audit[1]	Cost of audit, underpayment amount, late payment charges and interest Varies according to your location If you commit an Act of Deception (as defined in Section 16 5 of the Franchise Agreement), $25,000	Immediately on receipt of our notice to you of any underpayment Payable in advance	These costs are payable only if you understate your Gross Sales by more than 2%, do not submit reports to us or do not cooperate in performance of inspection and audit If you commit an Act of Deception, you must pay us $25,000 immediately upon notice from us to cover the cost of the audit
Transfer Fee[1]	$8,000	Before the transfer	Payable when your interest in the Franchise Agreement, a material portion of your Coffee Shop's assets, or an interest in you is transferred

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Successor Franchise (Renewal) Fee[1]	40% of the then-current Initial Franchise Fee	When you exercise your right to obtain a successor franchise and sign the then current Franchise Agreement	Payable when you exercise your right to obtain a successor franchise
Testing Fee[1]	Cost of testing	As incurred	This covers the costs of testing new products or inspecting new suppliers you propose
Relocation Fee[1]	25% of the then-current Initial Franchise Fee	Before you move your Coffee Shop	Payable if you move your Coffee Shop from one location to another
Site Acquisition Extension Fee[1]	$500 for each of up to four 90-day extensions	At least 5 days before the date that you are required to sign a lease or purchase an approved location for your Coffee Shop	Payable if you do not sign a lease or otherwise acquire an approved location for your Coffee Shop within six months and you wish to extend the amount of time you have to acquire an approved site
Management Fee[1]	5% of Gross Sales[2] plus our direct out-of-pocket costs and expenses	As incurred	Due if we manage your ZIGGI'S Coffee Shop after your default or abandonment
Insurance Premiums[4]	Will vary depending on your location and insurer	As incurred	If you do not pay your premiums, we can pay them for you and you must reimburse us
Unapproved Products[1]	Gross Sales resulting from sale of unapproved products	As incurred	Payable only if you sell products we have not pre-approved
Interest and Late Payment Charges[1]	Lesser of 1½% per month or highest rate of interest allowed by law, plus a $50 late filing charge	Upon demand	Begins to accrue the day after payments are due for Royalties, product purchases, Marketing and Technology Fees, or any other amounts payable to us or our affiliates

Column 1 Type of Fee	Column 2 Amount	Column 3 Due Date	Column 4 Remarks
Early Termination Fee[1]	$25,000	As incurred	Following the fourth anniversary of when you commence operations, you may terminate your Franchise Agreement without cause by paying this fee to us and abiding by the other conditions upon the termination or expiration of the Franchise Agreement This fee must be paid in advance of the termination You do not have the option to terminate your Franchise Agreement without cause during the first four years
Insufficient Funds Fee[1]	$50 per violation	As incurred	Payable any time you bounce a check to us or your bank account does not have sufficient funds to cover any direct debits that we submit to your bank
Additional Training, Assistance & Refresher Training[1 3]	Then current published rate (currently $500 for classroom training and $1,000 for on-the-job training, not including travel and lodging expenses)	As incurred	We provide an initial training program for up to two persons for free
Costs and Attorneys Fees[1]	Will vary under circumstances	As incurred	Payable only if you do not comply with the Franchise Agreement
Indemnification[1]	Will vary depending on nature of the claim against us	As incurred	You have to reimburse us if we are held liable for claims resulting from your ZIGGI'S Coffee Shop

1 Except as otherwise noted, fees are uniformly imposed and collected by and payable to us or our affiliates No fees or other amounts payable to us or our affiliates are refundable Before you open your Coffee Shop, you must sign and deliver to us and your bank all documents needed to permit us to debit your bank account for each day's Royalty and Marketing and Technology Fees, and all other payments due to us or our affiliates under the Franchise Agreement or otherwise If you change your account or transfer your account to a different bank, you must notify us within one day, and sign and deliver to us and your bank new documents to permit us to debit your bank account within three days However, we may require you to pay all amounts due by means other than automatic debit whenever we deem appropriate

2 "**Gross Sales**" are defined as sales of any kind for all services or products purchased from or through your ZIGGI'S Coffee Shop, including sales made for cash or upon credit, or partly for

cash and partly for credit, regardless of collection of charges for which credit is given, regardless of whether sales are conducted in compliance with or in violation of the terms of the Franchise Agreement, and regardless of whether sales occur at the site of your Coffee Shop or off-site, but excluding discounts, sales taxes, or other similar taxes and credits "Gross Sales" includes revenue from the redemption of ZIGGI'S gift certificates, customer loyalty cards, gift cards and other prepaid cards "Gross Sales" also includes the fair market value of any services or products you receive in barter or exchange for your products and services

3 You will also pay any expenses associated with travel, meals, and lodging while you attend training sessions and meetings All of these expenses are paid to third parties

4 Fees that are not paid to us but may not be refundable

ITEM 7

ESTIMATED INITIAL INVESTMENT

YOUR ESTIMATED INITIAL INVESTMENT
(Double Drive Thru)
(See Note 1)

Column 1	Column 2		Column 3	Column 4	Column 5
Type of expenditure	**Amount (Low)**	**Amount (High)**	**Method of Payment**	**When Due**	**To Whom Payment Is Made**
Initial Franchise Fee (See Note 2)	$30,000	$40,000	Lump Sum	At signing of Franchise Agreement	Us
Lease Deposit and Rent (See Note 3)	$2,500	$5,000	Lump Sum	Signing of Lease and Monthly	Landlord
Drive Thru Building Buildout (See Note 4)	$140,000	$160,000	As arranged	Before Opening	Other Suppliers
Site Work (See Note 4)	$-0-	$200,000	As arranged	Before Opening	Other Suppliers
Architecture/Engineering (See Note 4)	$15,000	$30,000	As arranged	Before Opening	Other Suppliers
Initial Equipment Package (See Note 5)	$70,000	$80,000	Lump Sum	Before Opening	Us and Other Suppliers
Furnishings, Additional Equipment, Computer Equipment, Fixtures, Smallwares, Uniforms (See Note 5)	$500	$2,000	As arranged	Before Opening	Other Suppliers

Column 1	Column 2		Column 3	Column 4	Column 5
POS System (See Note 5)	$7,000	$8,000	As Arranged	Before Opening	Other Suppliers
Signs (See Note 6)	$15,000	$25,000	As arranged	As incurred	Other Suppliers
Initial Inventory (See Note 7)	$7,500	$10,000	Lump Sum	As incurred	Us and Other Suppliers
Grand Opening (See Note 8)	$7,500	$10,000	As arranged	As incurred	Other Suppliers
Utility Deposits, Business Licenses, Etc (See Note 9)	$2,500	$5,000	As arranged	Before Opening	Government Entities, Other Suppliers
Travel and Living Expenses While Attending Training (See Note 10)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Professional Fees (See Note 11)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Insurance (See Note 12)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Additional Funds - 3 months (See Note 13)	$15,000	$20,000	As arranged	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 14)	**$328,500**	**$607,000**			

YOUR ESTIMATED INITIAL INVESTMENT
(Cafe With Drive Thru)
(See Note 1)

Column 1	Column 2		Column 3	Column 4	Column 5
Type of expenditure	**Amount (Low)**	**Amount (High)**	**Method of Payment**	**When Due**	**To Whom Payment Is Made**
Initial Franchise Fee (See Note 2)	$30,000	$40,000	Lump Sum	At signing of Franchise Agreement	Us
Lease Deposit and Rent (See Note 3)	$2,500	$7,500	Lump Sum	Signing of Lease and Monthly	Landlord

Column 1	Column 2		Column 3	Column 4	Column 5
Leasehold Improvements (See Note 4)	$50,000	$300,000	As arranged	Before Opening	Other Suppliers
Architecture/Engineering (See Note 4)	$15,000	$30,000	As arranged	Before Opening	Other Suppliers
Initial Equipment Package (See Note 5)	$100,000	$120,000	Lump Sum	Before Opening	Us and Other Suppliers
Furnishings, Additional Equipment, Computer Equipment, Fixtures, Smallwares, Uniforms (See Note 5)	$5,000	$15,000	As arranged	Before Opening	Other Suppliers
POS System (See Note 5)	$7,000	$8,000	As Arranged	Before Opening	Other Supplies
Signs (See Note 6)	$10,000	$15,000	As arranged	As incurred	Other Suppliers
Initial Inventory (See Note 7)	$7,500	$10,000	Lump Sum	As incurred	Us and Other Suppliers
Grand Opening (See Note 8)	$7,500	$10,000	As arranged	As incurred	Other Suppliers
Utility Deposits, Business Licenses, Etc (See Note 9)	$2,500	$5,000	As arranged	Before Opening	Government Entities, Other Suppliers
Travel and Living Expenses While Attending Training (See Note 10)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Professional Fees (See Note 11)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Insurance (See Note 12)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Additional Funds - 3 months (See Note 13)	$20,000	$30,000	As arranged	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 14)	**$263,000**	**$602,500**			

YOUR ESTIMATED INITIAL INVESTMENT
(Cafe)
(See Note 1)

Column 1	Column 2		Column 3	Column 4	Column 5
Type of expenditure	**Amount (Low)**	**Amount (High)**	**Method of Payment**	**When Due**	**To Whom Payment Is Made**
Initial Franchise Fee (See Note 2)	$30,000	$40,000	Lump Sum	At signing of Franchise Agreement	Us
Lease Deposit and Rent (See Note 3)	$2,500	$7,500	Lump Sum	Signing of Lease and Monthly	Landlord
Leasehold Improvements (See Note 4)	$5,000	$250,000	As arranged	Before Opening	Other Suppliers
Architecture/Engineering (See Note 4)	$15,000	$30,000	As arranged	Before Opening	Other Suppliers
Initial Equipment Package (See Note 5)	$80,000	$90,000	Lump Sum	Before Opening	Us and Other Suppliers
Furnishings, Additional Equipment, Computer Equipment, Fixtures, Smallwares, Uniforms (See Note 5)	$5,000	$15,000	As arranged	Before Opening	Other Suppliers
POS System (See Note 5)	$3,500	$7,000	As arranged	Before Opening	Other Suppliers
Signs (See Note 6)	$10,000	$15,000	As arranged	As incurred	Other Suppliers
Initial Inventory (See Note 7)	$7,500	$10,000	Lump Sum	As incurred	Us and Other Suppliers
Grand Opening (See Note 8)	$7,500	$10,000	As arranged	As incurred	Other Suppliers
Utility Deposits, Business Licenses, Etc (See Note 9)	$2,500	$5,000	As arranged	Before Opening	Government Entities, Other Suppliers
Travel and Living Expenses While Attending Training (See Note 10)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Professional Fees (See Note 11)	$2,000	$4,000	As arranged	As incurred	Other Suppliers

Column 1	Column 2		Column 3	Column 4	Column 5
Insurance (See Note 12)	$2,000	$4,000	As arranged	As incurred	Other Suppliers
Additional Funds - 3 months (See Note 13)	$20,000	$30,000	As arranged	As incurred	Other Suppliers
TOTAL ESTIMATED INITIAL INVESTMENT (See Note 14)	**$194,500**	**$521,500**			

Unless otherwise indicated in this document, all items are non-refundable

Explanatory Notes

Note 1 **Type of Coffee Shop** There are three types of ZIGGI'S Coffee Shop that you may purchase a Double Drive Thru, a Cafe with Drive Thru, or a Cafe Your initial investment will vary depending on which type of Coffee Shop you acquire The charts are based on you acquiring one ZIGGI'S Coffee Shop You may also acquire rights to acquire a 3-Pak to develop three Coffee Shops

Note 2 **Initial Franchise Fee and Development Fee** The Initial Franchise Fee for one ZIGGI'S Coffee Shop franchise is $40,000 If you acquire a 3-Pak to develop three Coffee Shops, the Initial Franchise Fee is $30,000 per franchise for a total of $90,000, which is due when you sign the Franchise Agreements

Note 3 **Lease Deposit and Rent** You must purchase or lease retail space that meets our standards and specifications A Double Drive Thru may be as small as 250 square feet and up to 500 square feet A Cafe and Cafe with Drive Thru may be from 1500 square feet to 2000 square feet In most cases, franchisees rent rather than purchase property In most cases, the landlord will require a security and/or rental deposit equal to one month's rent Rental rates or deposits on an unknown location cannot be predicted in advance, but generally will depend on the market in the area and the size of the facility We are unable to exactly estimate these costs due to the significant variances based on location and market conditions These estimates for the Double Drive Thru are based on one month's rent for a security deposit and the first month's rent in a 350 square foot space in and around Denver, Colorado These estimates for the Cafe and Cafe with Drive Thru are based on one month's rent for a security deposit and the first month's rent in a 1700 square foot space in and around Denver, Colorado The initial investment assumes you will rent If you purchase the property, your initial expenses will dramatically increase

Note 4 **Drive Thru Building Buildout, Site Work, Leasehold Improvements, and Architecture/Engineering** You must construct or renovate the Shop Location for your Coffee Shop to meet our standards and specifications If you acquire a Double Drive Thru Coffee Shop, you will need to conduct site work and construct your Shop Location on an open lot If you acquire a Cafe with Drive Thru or Cafe Coffee Shop, you will most likely lease your Shop Location in a strip mall, outdoor walking mall or other similar shopping area location, and will need to do lease improvements for your Shop Location In all situations, you will have to pay for architecture and engineering design work Your actual costs may vary under or over the estimates, depending on the square footage of your space and construction costs in your area Your costs to improve the Shop Location will depend in large part on whether your space is completely constructed or is the remodel of an existing space The buildout or leasehold improvements that you will typically make include exterior construction (for a Drive Thru Building), interior remodeling, floor covering, painting, wall covering, HVAC, electrical, plumbing, design, millwork, and various other improvements These costs may vary significantly from market to market You will be responsible for these costs

Note 5 **Furnishings, Equipment, Computer Equipment, Fixtures, Smallwares, Uniforms** You must purchase an initial equipment package from us containing certain materials necessary to operate your ZIGGI'S Coffee Shop In addition, you must purchase furnishings, additional equipment, computer equipment, fixtures, smallwares, and uniforms from third party approved suppliers These items include the estimated costs to purchase a computerized POS System (as defined in Item 11) that we require loaded with software customized for ZIGGI'S Coffee Shops and other required back office equipment, including telephone system, photocopier, and fax machine

Note 6 **Signs** This estimate includes costs to purchase both exterior and interior signs for your Coffee Shop, including drive through signage

Note 7 **Opening Inventory** You must pay us $7,500 to purchase an initial opening inventory of coffee, espresso, tea, smoothie mix, and branded materials and merchandise You will also need to purchase other inventory, including milk, sandwiches, and wraps from third party suppliers

Note 8 **Grand Opening Marketing** You will typically spend between $7,500 and $10,000 on the grand opening marketing for your Coffee Shop before the opening and during the first three months of operation We assist you in developing your grand opening program This item includes marketing pieces and advertising related to the grand opening including print ads, door hangers, and giveaways, including the costs directly associated with the free giveaways Any advertising you wish to use must first be approved by us

Note 9 **Utility Deposits, Business Licenses, Etc** You must pay any utility deposits, and to obtain any business licenses and other permits, licenses, and deposits in order to operate from your Shop Location

Note 10 **Initial Training Expenses** We do not charge for our initial training program for up to two persons For each training program, you are required to pay the transportation to and from our training site and pay for the living arrangements, food and other miscellaneous expenses during the time of training for each person attending your training

Note 11 **Professional Fees** It is advised that you consult with an accountant and attorney of your choosing regarding acquiring and operating your ZIGGI S Coffee Shop

Note 12 **Insurance** You must carry, at a minimum, general liability product liability, automotive insurance, personal property insurance, and worker's compensation insurance Insurance varies by state and region We recommend that a franchisee maintain employee theft insurance as well No estimate is given for the cost of that insurance You should consult an attorney or insurance advisor for recommended coverage We may recommend a set package and require you acquire your insurance from an approved supplier in the future

Note 13 **Additional Funds** The disclosure laws require us to include this estimate of all costs and expenses to operate your Coffee Shop during the "initial period" of the business, which is defined as three months or a longer period if "reasonable for the industry " We are not aware of any established longer "reasonable period," so our disclosures cover a three-month period This estimates your pre-operational expenses, which we have not listed above, as well as additional funds necessary for the first three months of your Coffee Shop operations These figures are estimates and we cannot guaranty that you will not have additional expenses starting the business Your costs depend on factors such as how much you follow our methods and procedures, your management skill, experience and business acumen, local economic conditions, the local market for our products and services, the prevailing wage rate, competition, and the sales level reached during this initial period This item includes a variety of expenses and working capital items during your start-up phase such as travel and living expenses associated with the initial training program, insurance premiums, rent, advertising and promotional expenses and materials, employee salaries, and other miscellaneous costs However, this item excludes your salary or other amounts payable to you

Note 14 **<u>Basis for Estimates, Financing</u>** We relied on our principals' more than 36 years of combined experience in the coffee industry and over 13 years of experience in operating similar businesses when preparing these figures You should review these figures carefully with a business advisor before making any decision to purchase a franchise We do not offer any financing in connection with your initial investment The availability and terms of financing from independent third parties depends on factors such as the availability of financing generally, your creditworthiness, other security and collateral you may have and policies of lenders

ITEM 8

RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES

Operations

Your ZIGGI'S Coffee Shop must be established and operated in compliance with your Franchise Agreement It is mandatory that you comply with the standards and specifications contained in an operations manual we provide to you, in the form of one or more manuals, technical bulletins or other written materials (**"Operations Manual"**), which may be made available to you electronically or by other means The Operations Manual is designed to protect our reputation and the goodwill of the Marks, it is not designed to control the day-to-day operations of your ZIGGI's Coffee Shop We provide you with our standards and specifications for the services and products offered at or through your ZIGGI'S Coffee Shop and for the Shop Location, products, fixtures, inventory inventory mix, ordering and storage procedures, uniforms, supplies, forms, advertising and marketing material and other items used at or sold through your Coffee Shop We may modify the terms of the Operations Manual at any time, and you must comply with any modifications upon 30 days' notice from us

Coffee Shop Lease, Design and Build-Out

We must approve any lease or, if applicable, any purchase agreement for your Coffee Shop before you sign any of these agreements A signed copy of the lease must be delivered to us within five days after signing

The primary lease must contain certain provisions granting us certain rights, as your franchisor, including

(i) The initial term of the lease, or the initial term together with any successor franchise terms (for which rent must be specified in the lease) must be for at least 10 years,

(ii) The lease must give the landlord's consent to your use of the Marks and signage which we initially prescribe for the Coffee Shop,

(iii) We must have the right to enter the premises to make any modification necessary to protect the Marks and the Licensed Methods,

(iv) We or our designee, without the landlord's approval, must have the option to assume your occupancy rights under the existing lease terms and have the right to assign the lease or sublet the premises, for all or any part of the lease term, if you are in default under the lease or the Franchise Agreement or if the lease or Franchise Agreement is terminated,

(v) Your lessor must agree to provide us with a notice of default and an opportunity to cure any default, and

(vi) The lease must contain a use provision which is acceptable to us, including the requirement that only a ZIGGI'S Coffee Shop may be operated on the premises without our prior written consent

Your lease is then conditionally assigned to us as security for your timely performance of all obligations under the Franchise Agreement You are responsible for obtaining the landlord's consent to the conditional assignment A copy of a standard form of Conditional Assignment of Lease is attached to this Disclosure Document as Attachment E

You must, at your expense, ensure that the Coffee Shop is constructed, converted, designed and decorated, including installing outdoor signage, in accordance with our plans and specifications, through the assistance of contractors, architects and suppliers designated or approved by us We reserve the right to designate or approve the supplier of architectural drawings

Our review and approval of the lease or purchase agreement and our review and approval of any architectural drawings, as applicable, is solely for our benefit, to satisfy us that the proposed documents comply with our minimum requirements and that our interests and those of our affiliates are protected The legal counsel and any other professional advisors we engage to assist with the review will be acting only on our behalf and will not be representing you or your interests in relation to the review and approval It is important that you review the lease closely and understand all of the terms and conditions before signing it You may want to have your own attorney review the lease on your behalf at your expense, and we recommend that you do so

In addition, we reserve the right to designate or approve the real estate broker you use to assist you in site selection and acquisition We reserve the right to designate or approve the building contractors you use You must obtain our written consent to any improvements to the Coffee Shop site before construction begins

POS System and Computer Equipment

You must purchase a designated POS System, which includes the Zebra drink label printer, meeting our specifications A Double Drive Thru and a Cafe with Drive Thru requires two POS systems, while a Cafe requires only one POS system The POS System operating software currently approved for use in the Coffee Shops as of the date of this Disclosure Document is available from our exclusive designated supplier, which is not an affiliate of ours You must purchase hardware and software maintenance and update services for the POS System from our designated supplier and maintain them throughout the term of your Franchise Agreement We may require you to use a new or different POS System and computer equipment in the future, in which case you must convert your POS System and computer equipment

Each of our franchisees must also use cloud-based operations and accounting software that have capabilities meeting our standards and specifications We reserve the right to develop and license to you proprietary software for which we could derive revenue, although we have not developed any at this time

Insurance

You must procure, maintain and provide evidence of (i) comprehensive general liability insurance including product liability, property damage, personal injury liability, bodily injury coverage and premises/operation liability for the Shop Location and its operations with a limit of not less than $1 million per occurrence and $2,000,000 in the aggregate, or such greater limit as may be required as part of any lease agreement for the Shop Location and this policy should include medpay coverage, (ii) umbrella commercial excess coverage with a limit of not less than $1 million, (iii) unemployment and worker's compensation insurance with a broad form all-states endorsement coverage sufficient to meet the requirements of the law, and (iv) all-risk business property insurance covering all equipment, tenant improvements, inventory and other personal property in an amount equal to at least 100 percent of the replacement costs of the contents and tenant improvements located at the ZIGGI'S Coffee Shop, less a reasonable deductible which cannot exceed $5,000 If you own the real estate and building for your Coffee Shop, you must also obtain replacement cost property insurance on your building, less a reasonable deductible which cannot exceed $10,000 We reserve the right to require that you obtain and maintain, in addition to all other policies of insurance, employment practices insurance in such amount as we specify All of the required policies of insurance must name us as an additional insured with waiver of subrogation and must provide for a 30 day advance written notice to us of cancellation Prior to opening your ZIGGI'S Coffee Shop, and within 15 days after each successor franchise term begins, you must provide us with a certificate of insurance as to the insurance coverage maintained

Gift Cards

You must participate in our gift card program by offering customers the ability to buy and make purchases with gift cards, using the system we specify (the "**Gift Card System**") The Gift Card System is designed to work with your POS System The Gift Card System is currently provided and managed by Vantiv Integrated Payments, an unaffiliated third party supplier Your ZIGGI'S Coffee Shop must use the designated equipment that is purchased from approved suppliers

Purchases from Designated or Approved Sources

We require that you purchase all coffee, espresso, tea, smoothie mixes, and all other drink, food, and paper products, including cups and lids, gift cards, and loyalty cards from us We also require that you purchase all brewing and espresso machines, coffee grinders, blenders and display cases from us We are currently the only approved suppliers of these items As described in Item 1, we acquire certain of these products from Coda, although our franchisees currently are required to order and pay for these items through us rather than directly from Coda We may require franchisees to purchase directly from Coda or we may designate another alternative supplier for these items in the future You must maintain minimum levels of inventory of different types of coffee designated by us

We currently have exclusive designated suppliers for milk, sandwiches, wraps, and pastry items All other products and related services sold through your Coffee Shop, and all supplies and services used in your Coffee Shop, must meet our standards and specifications and must be purchased from suppliers approved by us in advance After you pay your Initial Franchise Fee, we give you a list of our approved suppliers, the standards and specifications for products and services to be used, sold or leased by you through your ZIGGI'S Coffee Shop, as well as our criteria for approving a supplier We reserve the right to designated exclusive sources of any items used or sold in your ZIGGI'S Coffee Shop, which exclusive sources may be us or our affiliates

We and Coda will derive revenue from the sale of the items we sell to franchisees We are not currently affiliated with any other approved suppliers, but we may designate our affiliates as approved suppliers in the future We will, and our affiliates may, derive revenues from purchases by our franchisees Since we began franchising in 2016 and had no franchisees open for business during that year, we and our affiliates did not derive any revenues from any products or services to our franchisees during the year 2016 Our officers, Brandon Knudsen and Thomas Thwaites, both own an interest in us and certain of our affiliates Otherwise, no officer of ours owns any interest in any of our approved suppliers

We estimate that the costs of your purchases from designated or approved sources, or according to our standards and specifications, may range from 40 to 50 percent of the total cost of establishing a ZIGGI'S Coffee Shop and approximately 80 to 90 percent of the total cost of operating a ZIGGI'S Coffee Shop after that time

If you want to purchase or lease any inventory items, products, equipment, supplies, or services we have not approved or through a supplier who we have not previously approved, you must notify us in writing and obtain our approval in advance The notification should include sufficient specifications, photographs, drawings and other information and samples to determine whether those items or those suppliers meet our specifications You must reimburse us for the actual cost of any testing and the reasonable cost of investigation to determine whether those items or suppliers meet our specifications We will advise you within 30 days after we receive all required information and complete any inspection or investigation whether the items or suppliers meet our specifications We may, in our sole discretion, for any reason whatsoever, elect to withhold approval of the items or suppliers We reserve the right to change the published standards regarding any approved supplier or any products, equipment, supplies, or services used, offered for sale or leased by franchisees on 30 days written notice to all franchisees and all approved suppliers We may revoke our approval of any products, equipment, supplies, services, or suppliers previously approved by written notice to the supplier and each franchisee using that supplier

We do not provide material benefits, such as renewal or granting additional franchises to you based on your use of designated or approved sources or suppliers

Advertising and Marketing

You must purchase all advertising, marketing, point-of-purchase materials, posters, signage, menu boards, and other display items from us or an approved supplier that we designate All marketing and promotion of your ZIGGI'S Coffee Shop must conform to our standards and specifications You must submit to us samples of all advertising and promotional materials that have not been prepared or previously approved by us You must pay for the cost of any necessary modifications required to conform the materials to our standards and specifications

You must use your best efforts to promote and advertise your Coffee Shop and you must participate in all national or special advertising and promotional programs we establish in the manner we direct You must, at your expense, participate in our Gift Card System, as it may be modified from time to time See Item 8 above

Except as prohibited or limited by law or unless we exempt you from a particular promotion, you must, at your sole cost, fully participate in all promotional campaigns, prize contests, special offers, discount programs including deal-of-the-day and crowdsourcing programs, and other programs, whether national, regional, or local in nature, which we prescribe In addition, at your sole cost, you must honor any coupons, gift certificates, gift cards, discounts, or other authorized promotional offers that we prescribe for the franchise system In our discretion, we may create and make available to the public a mobile device application for the ZIGGI'S system, which may incorporate these type of promotional programs and offers, which you must participate in and honor at your sole cost We may impose additional conditions and requirements related to the application when operational

We require that you purchase all advertising, promotional, and point-of purchase materials from either us or our designated vendor We retain the right to develop and control all advertising using our Marks on the Internet We reserve the right, upon 30 days prior written notice to you, to require that you participate in electronic advertising by creating, customizing or providing access to a linked web page or otherwise All advertising, promotional, and point-of-purchase materials purchased from us must be paid by automatic transfer as described in Footnote 1 of Item 6, unless we agree to another form of payment

Purchasing Arrangements

We have no purchasing or distribution cooperatives at the current time, although we may establish pricing programs with certain suppliers based on volumes purchased Periodically, we may negotiate purchase arrangements with suppliers for the benefit of our franchisees However, you should not rely on the continued availability of any particular pricing or distribution arrangement, or the availability of any particular product or brand in deciding whether to purchase the franchise We and our affiliates have the right to receive payments from suppliers on account of their dealings with you and other franchisees, although we do not do so as of the date of this Disclosure Document As our last fiscal year (ending December 31, 2016), neither we nor any affiliate of ours received any amounts from suppliers as a result of franchisee purchases In the future, we may, in our discretion, either retain the credit of any volume discounts, rebates or incentives received as a result of your purchases or contribute them to the Marketing and Technology Fund, or pass those credits on to franchisees in such manner as we determine in our sole discretion

ITEM 9

FRANCHISEE'S OBLIGATIONS

THIS TABLE LISTS YOUR PRINCIPAL OBLIGATIONS UNDER THE FRANCHISE AND OTHER AGREEMENTS IT WILL HELP YOU FIND MORE DETAILED INFORMATION ABOUT YOUR OBLIGATIONS IN THESE AGREEMENTS AND IN OTHER ITEMS OF THIS DISCLOSURE DOCUMENT

Obligation	Section in Agreement	Item in Disclosure Document
(a) Site selection and acquisition/lease	Sections 3 1, 3 2 and Sections 6 1 through 6 4 of Franchise Agreement ("**FA**")	Items 5, 7, 8 and 11
(b) Pre-opening purchases/leases	Sections 6 5 through 6 8 and Section 11 1 of FA	Items 7 and 8
(c) Site development and other pre-opening requirements	Article 6 and Section 11 1 of FA	Items 7, 8 and 11
(d) Initial and ongoing training	Article 7 of FA	Item 11
(e) Opening	Section 6 8 of FA	Item 11

Obligation	Section in Agreement	Item in Disclosure Document
(f) Fees	Articles 4, 5, and 7, and Sections 6 8, 10 1 d, 13 3, 13 5, 14 3, 14 5, 16 4, 16 5, 17 2, 18 4, 19 5, 19 8, and 19 11 of FA	Items 5, 6, 7 and 10
(g) Compliance with standards and policies/Operations Manual	Sections 2 2, 11 1, 11 4, 12 1, and 13 1 and Articles 6, 8, and 14 of FA	Items 8, 11 and 16
(h) Trademarks and proprietary information	Article 15 of FA	Items 13 and 14
(i) Restrictions on products/services offered	Sections 3 3, 3 4, 10 1, 11 1, 11 4, and 12 1, and Article 14 of FA	Item 16
(j) Warranty and customer service requirements	Not Applicable	Not Applicable
(k) Territorial development and sales quotas	Section 5 1 and 13 3 of FA	Item 12
(l) On-going product/service purchases	Sections 6 5, 6 6, 10 2, 12 1, 14 3 through 14 5, Article 11 of FA	Item 8
(m) Maintenance, appearance and remodeling requirements	Sections 6 2, 6 5, 6 6, 12 1 and 18 2 of FA	Items 7 and 11
(n) Insurance	Sections 12 1 k and 12 1 l of FA	Items 6 and 8
(o) Advertising	Article 13 of FA	Items 6, 7 and 11
(p) Indemnification	Section 20 3 of FA	Item 6
(q) Owner's participation/management/ staffing	Sections 7 1, 7 2 and 12 1 c of FA	Items 11 and 15
(r) Records and reports	Sections 5 3, 12 1, 13 4, Article 16, and 19 5 of FA	Item 11
(s) Inspections and audits	Sections 14 2 and 16 4 of FA	Items 6 and 11
(t) Transfer	Section 12 2 and Article 17 of FA	Item 17
(u) Renewal	Article 18 of FA	Item 17
(v) Post-termination obligations	Sections 19 7, 19 8, 19 11, 21 2 and 21 3 of FA	Item 17
(w) Non-competition covenants	Sections 21 1 through 21 5 of FA	Item 17
(x) Dispute Resolution	Article 22 of FA	Item 17

ITEM 10

FINANCING

Neither we nor any agent or affiliate of ours offers direct or indirect financing We do not guarantee your note, lease, or obligation We reserve the right to offer financing or assist franchisees in obtaining financing in the future

ITEM 11

FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING

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

Pre-Opening Assistance

Before you open your ZIGGI'S Coffee Shop, we or our designee, if applicable, will

1 Give you specifications for the Store's site if you do not have an approved location when you sign the Franchise Agreement We base our approval of any proposed site on information you submit in a form sufficient to assess the location (Section 9 1 a, Franchise Agreement)

2 Give you advice regarding our standards and specifications for the required build out, interior design, layout, floor plan, signs, design, color, and decoration of the Coffee Shop's premises (Section 9 1 b, Franchise Agreement)

3 Give you advice regarding our standards and specifications for the equipment, supplies, and materials used in, and the selection of suppliers and menu items offered for sale by, your Coffee Shop We give you a list of approved and designated suppliers of equipment, supplies, and materials and, if available, a description of any national or central purchase and supply agreements that approved suppliers offer for the benefit of our franchisees (Section 9 1 c, Franchise Agreement)

4 Provide the initial training program in Longmont, Colorado or at another location we designate (Sections 7 1 and 9 1 e, Franchise Agreement)

5 Make available for purchase by you your opening inventory of ZIGGI'S coffee and other products for the operation of your Coffee Shop, together with an initial equipment package consisting of coffee brewing and espresso machines, coffee grinders, blenders and display cases designated by us for your Coffee Shop We will advise you about approved suppliers of fixtures, supplies, equipment and materials used in and products sold through your ZIGGI'S Coffee Shop (Sections 10 2 and 11 1, Franchise Agreement)

6 We will make available to you, electronically online or by any other means we choose, a copy of our Operations Manual covering the operating and marketing techniques of the ZIGGI'S Coffee Shop, and all updates and revisions (Article 8 and Section 9 1 g, Franchise Agreement)

7 If this is your first ZIGGI'S Coffee Shop, provide on-site opening assistance, from one or more of our representatives, to assist you for up to 10 days in opening your Coffee Shop (Section 9 1 f, Franchise Agreement)

8 Provide guidance in implementing grand opening advertising and marketing programs, operating and sales procedures (Section 9 1 d, Franchise Agreement)

Continuing Assistance

During the operation of your ZIGGI'S Coffee Shop, we or our designee, if applicable, will

1 If you request, consult with you by telephone or e-mail regarding the operation and management of your ZIGGI'S Coffee Shop and give you advice regarding Coffee Shop services, product quality control, menu items, customer relations, and similar matters (Section 10 1 a, Franchise Agreement)

2 Give you access to advertising and promotional materials developed by us, the cost of which we may pass on to you (Section 10 1 b, Franchise Agreement)

3 Provide you, as we deem necessary, on-going updates of information and programs regarding menu items and their preparation, the competition, the industry, the Coffee Shop business and related Licensed Methods, including information about special or new services or products which we may develop and make available to franchisees (Section 10 1 c, Franchise Agreement)

4 At our discretion, train replacement or additional managers for your Coffee Shop during the term of the Franchise Agreement We reserve the right to charge a tuition or fee for training, payable in advance, according to our then current published prices You must pay all travel and living expenses for your personnel during the training program The availability of the training programs depends on the availability of training staff, space considerations and prior commitments to new Ziggi's franchisees (Section 10 1 d, Franchise Agreement)

5 Make available for purchase, through us or through our designated suppliers, ZIGGI'S coffee, equipment, branded coffee related products and branded merchandise for sale at or through your Coffee Shop (Section 10 2, Franchise Agreement)

Advertising and Promotion

Grand Opening Advertising You must submit to us for our approval a written plan for the grand opening marketing campaign for your ZIGGI'S Coffee Shop, to be conducted before and during the first three months after your Coffee Shop opens for business You typically will spend between $7,500 and $10,000, but may spend more if you desire, during this period on in-house promotions and local marketing campaigns, which you will pay to third party suppliers

Local Advertising Other than the grand opening marketing requirements, you are not required to spend any minimum amounts for local advertising, although we strongly recommend you conduct ongoing local advertising Although we currently do not require you to expend a specific amount or percentage of your Gross Sales on ongoing advertising, we reserve the right to do so in the future In that event, you will be required to submit regular reports to us accounting for the use of these funds If a Regional Advertising program in your area is established, as discussed below, we may allocate a portion of your local advertising amounts to the Regional Advertising program

If you propose to use any advertising not previously developed or approved by our designated vendor, you must submit the proposed advertising to us for review and approval or, if necessary, modification, at your cost You are responsible for the costs of printing all materials and any proposed supplier of printing services must be first approved by us All advertising and promotion of your Coffee

Shop must also be in such media and of such type and format as we first approve in writing, and it must be conducted in a dignified manner and must conform to the standards and requirements as we may specify Any proposed written advertising or a description of a marketing or promotional program not previously approved by us must be submitted to us at least 10 days prior to publication, broadcast or use

Marketing and Technology Fee We reserve the right to require you to pay us a Marketing and Technology Fee at any time after there are 10 ZIGGI'S Coffee Shop franchisees in the system The Marketing and Technology Fee, when it is implemented, is due to us along with your Royalty payment, payable daily by automatic transfer based on the amount of Gross Sales in the previous day Once the Marketing and Technology Fee is implemented, it will be the greater of 2 percent of your Gross Sales, or, after the sixth full month following commencement of operation, a minimum of $300 per month We will deposit the Marketing and Technology Fees in a separate bank account, commercial account or savings account ("**Marketing and Technology Fund**") All company-owned and affiliate-owned Coffee Shops will pay into the Marketing and Technology Fund on an equal percentage basis with all franchised Coffee Shops, except that we in our sole discretion may designate some or all of the Marketing and Technology Fees of a particular ZIGGI'S Coffee Shop be paid to a Regional Advertising program instead of the Marketing and Technology Fund

We will administer the Marketing and Technology Fund in our sole discretion The Marketing and Technology Fund may be used for researching preparing, maintaining, administering and directing advertising and promotional materials and public relations programs, including production of commercial print, radio, television, magazine, newspaper, Internet advertising, direct response literature, direct mailings, brochures, collateral materials advertising, surveys of advertising effectiveness, the establishment and operation of gift card and loyalty card programs, and other advertising or public relations expenditures, for any international, national, or regional media (collectively, the "**Marketing**") We may also use the Marketing and Technology Fund to pay for the expenses related to researching, developing, implementing, servicing, and operating any technology used in any manner related to the ZIGGI'S franchise system or the ZIGGI'S Coffee Shop businesses, including our website, search engine optimization, reporting of information for ZIGGI'S Coffee Shops, the equipment used in ZIGGI'S Coffee Shops, or ZIGGI'S Coffee Shop POS and computer systems (collectively, the "**Technology**") We may further use the Marketing and Technology Fund for product development and menu changes We will not spend the Marketing and Technology Fund's money on advertising that is principally a solicitation for the sale of franchises

We may reimburse ourselves from the Marketing and Technology Fund for administrative costs, salaries and overhead expenses related to the administration of the Marketing and Technology Fund and its Marketing programs and Technology, including conducting Marketing and Technology research, preparing material, collecting and accounting for Marketing and Technology Fees, bookkeeping, independent audits, legal expenses, taxes, and all other reasonable direct or indirect expenses that we or our authorized representatives incur with the programs or work funded by the Marketing and Technology Fund In any fiscal year we may spend an amount greater or less than the aggregate contribution of all ZIGGI'S Coffee Shops to the Marketing and Technology Fund in that year The Marketing and Technology Fund may borrow from us or other lenders to cover deficits or cause the Marketing and Technology Fund to invest any surplus for future use Any amounts remaining in the Marketing and Technology Fund at the end of each year accrue and we apply them toward the next year's expenses We do not guaranty that advertising expenditures from the Marketing and Technology Fund will benefit you or any other franchisee directly or on a pro rata basis We are not obligated to spend any amount on Marketing in or Technology related to your geographic area We have no fiduciary obligation to you or other franchisees in regard to our administration of the Marketing and Technology Fund We assume no other direct or indirect liability or obligation to you for collecting amounts due to any advertising account or for maintaining, directing or administering any advertising account

We may use outside advertising agencies, consultants, and vendors or in-house personnel, or both, to provide services for Technology or create local, regional or national Marketing, including ad slicks, radio spots, direct mail and other marketing pieces and programs

We have the right, but not the obligation, to cause the Marketing and Technology Fund to be incorporated or operated through an entity separate from us as we deem appropriate, and any successor entity will have all rights and duties of ours relating to the Marketing and Technology Fund

Since we began franchising in 2016 and had no franchisees open for business during that year, no Marketing and Technology Fees were collected and the Marketing and Technology Fund was not operated in 2016

We do not currently intend to have the Marketing and Technology Fund audited If you request it in writing, we will send you no later than 120 days after the end of each calendar year, an annual unaudited financial statement for the Marketing and Technology Fund that indicates how the Marketing and Technology Fees have been spent during the previous year Because we will not have the Marketing and Technology Fund audited, audited financial statements will not be available to franchisees

There is not currently any advertising council composed of franchisees that advises us on Marketing, Technology, or advertising policies, although we may establish one or more councils in the future on terms we elect in our discretion

We may remit a portion of Marketing and Technology Fund contributions back to one or more franchisees on any terms and conditions we determine in our sole discretion, including reimbursement of local Marketing expenditures made by a franchisee We may waive and/or compromise claims for contributions to, and/or claims against or with respect to, the Marketing and Technology Fund in our sole discretion, using the Marketing and Technology Fund to pay any of these claims We will have sole discretion as to whether or not we take legal or other action against any franchisee who is in default of his, her or its obligations concerning the Marketing and Technology Fund (including obligations to make contributions) and whether a franchisee may be allowed to make direct advertising expenditures in place of contributions to the Marketing and Technology Fund

Although we intend the Marketing and Technology Fund to be of perpetual duration, we reserve the right to terminate the Marketing and Technology Fund We will not terminate the Marketing and Technology Fund, however, until all monies in the Marketing and Technology Fund have been expended for Technology, Marketing, advertising, or promotional purposes

Regional Advertising Programs

We may, on written notice to you, create a regional advertising program ("**Regional Advertising**") in the market area where you are located, at which time you must become a member of the Regional Advertising program We may require you to submit a portion or all of your required Marketing and Technology Fee to the Regional Advertising program or your required local advertising expenditure, if any, for marketing and advertising programs, up to a maximum total of 2 percent of your Gross Sales We may make these funds available on a regular basis or intermittently for specific programs selected by the majority of the Regional Advertising program members and approved in advance by us If and when a Regional Advertising program is established for a region, all franchised, company-owned, and affiliate-owned Coffee Shops in the defined region will be required to pay on an equal percentage basis the dues and assessments into the Regional Advertising program If we form a Regional Advertising program, you will be bound by the decisions of the majority of the members of the Regional Advertising program regardıng expendıtures, assessments and dues, to the extent we approve them Each franchısed, company-owned, and affilıate-owned Coffee Shop ın the defined regıon wıll be entıtled to one vote on all matters that are subject to a vote by the members of the Regıonal Advertısıng program If you faıl to partıcıpate ın the Regıonal Advertısıng program or pay any Regıonal Advertısıng program dues or other payments, you wıll be ın breach of the Franchıse Agreement

Each Regıonal Advertısıng program must prepare unaudıted annual financıal statements and send them to you ıf you request them We can form, change and dıssolve the Regıonal Advertısıng program Each Regıonal Advertısıng program would operate under a wrıtten document (e g , bylaws) that we must approve and whıch franchısees can vıew Eıther we, our desıgnated vendor or the Regıonal Advertısıng program may create the Regıonal Advertısıng program's advertısıng, but advertısıng created by the Regıonal Advertısıng program would be requıred to have our or our desıgnated advertısıng vendor's wrıtten approval before use There may be a charge to the Regıonal Advertısıng program for revıew of proposed advertısıng, or any modıficatıons necessary for approval All advertısıng materıals must be approved before they are used by a Regıonal Advertısıng program or furnıshed to ıts members We can requıre Regıonal Advertısıng programs to be changed, dıssolved, or merged

Poınt of Sale and Computer Systems

As descrıbed ın Item 8 above, you must purchase computer equıpment and software for your electronıc poınt-of-sale system meetıng our specıficatıons (together wıth the software, referred to as "**POS System**") and your back office computer system

The POS System hardware currently approved for use ın the Coffee Shops ıs a Revel ıPad POS System wıth a Zebra drınk label prınter, avaılable through our desıgnated supplıer It wıll access cloud-based software, some of whıch has been customızed for ZIGGI'S Coffee Shops As of the date of thıs Dısclosure Document, the cost of purchasıng one POS System ıs $3,500 to $4,000 You wıll need two POS Systems for the Double Drıve Thru or Cafe wıth Drıve Thru concept and one POS System for the Cafe Concept You may purchase more than one at your electıon Costs for support and maıntenance, whıch you are requıred to purchase from our desıgnated supplıer of the POS System, are currently $600 per POS System per year We reserve the rıght to requıre you to pay us or our affilıated entıtıes for support and maıntenance We requıre that you purchase from the supplıer of the POS System or another desıgnated supplıer all modıficatıons and upgrades to the POS System software, ıncludıng upgrades to antı-vırus software Except for the support, maıntenance, repaırs, upgrades, and updates provıded ın exchange for these payments to us or the approved supplıer, neıther we nor any approved supplıer ıs oblıgated to provıde ongoıng support, maıntenance, repaırs, upgrades, or updates for your POS System You may not ınstall software on the POS System that has not been approved ın advanced by us

You also must use a computer separate from your POS System for your back office management We do not requıre any specıfic type or brand of computer and you may use a computer system that you currently own ıf ıt meets our requırements If you must purchase your back office computer, you should be able to obtaın one for less than $1,000 The only current requırements for thıs computer system are that ıt must be capable of connectıng to the Internet for the purpose of sendıng and receıvıng e-maıl and utılızıng onlıne software programs that we requıre, and be compatıble wıth any software or programs we requıre you to use, ıncludıng QuıckBooks Onlıne You may also desıre to use thıs computer for your management systems, ınventory control systems, and bookkeepıng systems We may, however, revıse our polıcy ın our dıscretıon so that you must obtaın specıfic hardware, software or other systems for thıs computer ın the future In thıs case, you must purchase or lease all software and hardware desıgnated by us Currently, you are not requıred to obtaın any support or maıntenance agreements for your back office computer although we recommend you do so We may requıre you to obtaın support and maıntenance from our approved supplıers ın the future Except for support and maıntenance provıded ın exchange for payments made to you to a third party, neither we nor any approved supplier of ours is obligated to provide ongoing maintenance, repairs, upgrades, or updates to you

We have the right to independently access all POS System and back office computer system information and will do so in order to determine your daily Gross Sales We have no contractual limitation on our right to receive information through the POS System and other computer systems The POS System installation, configuration, integration and operation must be performed in accordance with our standards and specifications, which are subject to change at our discretion without any contractual limitation

We review and consider for approval any compatible equivalent hardware, but we require you to purchase the software specified above from our designated supplier We reserve the right to charge you for this review We may revise our specifications occasionally We may change the required POS System and back office computer hardware and software, in which case you will be required to convert your POS System, hardware, and software at your cost The costs associated with any new POS System, hardware, or software, may differ from those described above We may require you to upgrade and update your POS System and your back office computer hardware and software, at your cost No contractual limitation exists on the frequency or cost of this obligation

You must accept credit and debit cards from customers of your ZIGGI'S Coffee Shop You may not charge your customers any additional fees or service charges if they elect to pay by credit or debit card The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit or debit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**") Therefore, you must be PCI compliant by following and adhering to the then-current PCI DSS, currently found at www pcisecuritystandards org, or any similar or subsequent standard for the protection of cardholder data throughout the term of your Franchise Agreement PCI mandates the PCI DSS compliance

Site Selection Assistance

You must obtain our prior written approval of the location for your Shop Location You must select the premises for your ZIGGI'S Coffee Shop and sign a lease or otherwise acquire the right to use the location You must follow our site selection procedures and submit a completed site submittal package that we require We do not generally own the premises that franchisees lease for their ZIGGI'S Coffee Shops, and instead the property is typically leased from a third party If we approve the location, we must also review and approve your lease, or, if applicable, purchase agreement, to ensure that it meets our minimum requirements If we do not approve your site, you must propose a new site You must not, without our prior written approval, enter into any contract or letter of intent to contract to purchase or lease the premises you intend to use as a Shop Location We consider the following factors when we approve or disapprove your proposed Shop Location the nature and location of other competitive coffee stores, coffee kiosks and potential customers, population density, traffic patterns, accessibility, visibility, and other factors we deem relevant on a case by case basis Approval of a Shop Location and negotiation of a lease do not imply or guarantee the success or profitability of a Shop Location Other franchisees of ours may have rights of first refusal as described in Item 12 related to your proposed Shop Location, and our approval of your Shop Location will be subject to any obligation of ours to provide other franchisees the right of first refusal related to that Shop Location There is no contractual limit on the time it takes us to approve or disapprove your proposed site and lease Once we have all of the necessary documentation for review, we typically take 30 days to approve or disapprove your proposed Shop Location and lease

We usually submit our initial lease review comments to you or your landlord within one to two weeks after receiving your lease but the entire lease negotiation process typically takes anywhere from two weeks to two months depending on the landlord's responsiveness Our review and approval of your lease, or, if applicable, purchase agreement, is conducted solely for the purpose of determining that it meets our minimum criteria for the operation of a ZIGGI'S **Coffee Shop** and that our interests and those of our affiliates are protected The legal counsel and any other professional advisors we engage to assist with the review will be acting only on our behalf and will not be representing you or your interests in relation to the review and approval Our approval of the lease does not guarantee that the Coffee Shop will be successful We recommend that you have your own attorney review the lease on your behalf

You must select your Shop Location and sign a lease or otherwise acquire the right to use the location within six months of signing the Franchise Agreement We will extend this deadline for up to four successive 90-day periods if (i) factors beyond your reasonable control prevent you from meeting the applicable deadline, (ii) you have made reasonable and continuing efforts to obtain and submit for approval an acceptable site and lease, (iii) you deliver a written request to extend the time to sign a lease at least five days prior to the applicable deadline, and (iv) for each extension, at the time you deliver the written request to us, you pay us the Site Acquisition Extension Fee for each additional 90-day extension period However, during any extension period, we may locate a Shop Location in your Target Area to put our own Coffee Shop or for another franchisee to put a Coffee Shop, provided that we will give you a 15 day right of first refusal to accept that Shop Location for your Coffee Shop You do not have any right to extend these deadlines if you are otherwise in default of the Franchise Agreement or any other agreement with us If you have failed to obtain our approval for your site and sign a lease or otherwise acquire the rights to a location within the time frame indicated in this paragraph, then we may terminate your Franchise Agreement

Schedule For Opening

We estimate that the typical length of time between the date you sign the Franchise Agreement and the date your ZIGGI'S Coffee Shop opens will be six to eight months The factors which may affect this time period are your ability to locate a site, secure financing, and obtain a lease, the time that it takes you to apply for and receive all required permits, certificates and licenses from local authorities, the extent to which you must upgrade or remodel an existing location, the delivery schedule for equipment, inventory and supplies, and the time that it takes you to complete training You must open your Coffee Shop within one year after you sign the Franchise Agreement (Section 6 8, Franchise Agreement), unless we agree otherwise We will extend the Coffee Shop opening deadline for up to four successive 90-day periods, on those terms discussed above If you acquire a 3-PAK, you and we will agree on a development schedule for you to open your second and third ZIGGI'S Coffee Shop

Training Program

Initial Training

Before the opening of your ZIGGI'S Coffee Shop, you (or if the franchisee is an entity, its managing owner) and the person designated by you to assume primary responsibility for the management of the Coffee Shop ("**Designated Manager**"), must attend and complete to our satisfaction the initial training program We do not charge you for this training for up to four individuals to attend the classroom training and up to two individuals to attend the on-the-job training, although you pay the travel, living expenses and wages for you and all employees who attend the training session We may charge a fee for any additional representatives of yours who attend the initial training program All training is currently conducted in the Longmont, Colorado area The training includes classroom training and on-the-job training Our training program consists of approximately four days of classroom instruction, either at our corporate headquarters in Longmont, Colorado or at another location in Colorado and up to approximately five days of hands-on training at a ZIGGI'S Coffee Shop in Colorado On-the-job training shall occur within 60 days before you are scheduled to open your Coffee Shop

If you are opening your first ZIGGI'S Coffee Shop, we provide up to ten days of on-site training at your Coffee Shop to you and your staff, commencing two days before you open your Coffee Shop, to assist you in the opening of your Coffee Shop We do not provide on-site training if you have previously operated a ZIGGI'S Coffee Shop

Our training programs are supervised by our President, Brandon Knudsen Mr Knudsen has over 13 years' experience in the field and has experience with us since our inception All of our instructors have demonstrated to us satisfactory knowledge of the basics they teach, have at least one year experience in the field, and will be supervised by Mr Knudsen We utilize the following materials in our training classes the Operations Manual, hands-on training and other written materials

As of the date of this Disclosure Document, we plan to provide the following initial training to franchisees

TRAINING PROGRAM

Subject	Hours of Classroom Training	Hours of On-the-Job Training	Location
DAY 1			
Basic Orientation	6		Coda's corporate headquarters in Denver, Colorado
DAY 2			
Intro to Coffee	2		Coda's corporate headquarters in Denver, Colorado
Espresso Machine Maintenance & Know How	2		Coda's corporate headquarters in Denver, Colorado
Hands on Espresso Training	3		Coda's corporate headquarters in Denver, Colorado
DAY 3			
Follow up to Espresso Training	2		Coda's corporate headquarters in Denver, Colorado
POS Overview/ Customer Service	2		Coda's corporate headquarters in Denver, Colorado
COGS, Accounting, Finance, CC Processing	2		Coda's corporate headquarters in Denver, Colorado
Store Tour	2		Northern Colorado

DAY 4			
Ordering (Coda, Pastries, Sam's Club)	2		Coda's corporate headquarters in Denver, Colorado
Revel Backend Training	2		Coda's corporate headquarters in Denver, Colorado
Protecting Yourself and Your Company (Insurance)	1		Coda's corporate headquarters in Denver, Colorado
Marketing	1		
General Question and Answers and week wrap up	1		Coda's corporate headquarters in Denver, Colorado
DAY 5-9 Hands-on in Store Training		50	Northern CO
Totals	**28**	**50**	

We hold training classes as often as needed We reserve the right to waive all or any portion of the training or alter the training schedule based on your experience and ability or if you have previously operated a ZIGGI'S Coffee Shop

Additional Training

During the term of your Franchise Agreement, we may require you (or your managing owner) or your Designated Manager to attend, at your expense, meetings, national or regional conventions, seminars, or conferences which we present to discuss topics such as advertising programs, new operations methods, new or additional products, equipment, training, management, sales, or sales promotion ("**Additional Meetings**") Attendance is optional unless we give you 30 days' prior written notice that it is mandatory We will not require you to attend Additional Meetings more than twice a year

We may allocate some or all of the costs incurred in holding the Additional Meetings, including expenses for the facility, travel and lodging expenses for the presenters, materials, food, activities and all other direct and indirect costs which are associated with holding these Additional Meetings, equally among the attendees, not to exceed $750 per Additional Meeting Unless we agree otherwise, you must pay your pro-rata share of all of these costs if you or your Designated Manager, or other person on your behalf, attend a mandatory Additional Meeting If you do not attend a mandatory Additional Meeting, unless we agree otherwise, you will be required to pay an amount equal to 125 percent of the pro rata amount attributable to each of the attendees of the mandatory Additional Meeting At our sole option, we may choose to waive all or a portion of the costs of attendance for any attendees or non-attendees of any mandatory Additional Meeting without being obligated to waive any costs for other attendees or non-attendees of the same Additional Meeting Our waiver of this requirement for any other franchisee does not in any way affect your payment obligation

You are responsible for the cost of all transportation and living expenses or related activities incurred while attending these Additional Meetings During our annual national convention and regional meetings, you are required to stay at the hotel where the primary functions are held, unless we agree otherwise, in which case, we may assess additional fees to you

Operations Manual

Attached to this Disclosure Document as Attachment G is the table of contents of our Operations Manual There are 259 total pages in our Operations Manual

ITEM 12

TERRITORY

You may operate your Coffee Shop and use the Marks and the Licensed Methods only at the Shop Location that has been approved by us You may not operate another ZIGGI'S Coffee Shop at any site other than the Shop Location without first obtaining our written consent We base our approval of your proposed Shop Location on a variety of factors including the viability of the location and demographics of the proposed Shop Location See Item 11 If, as of the date you sign your Franchise Agreement, you do not have the Shop Location chosen and approved by us, we will designate, by Addendum to the Franchise Agreement, a "**Target Area**" within which to find a Shop Location The designation of the Target Area does not in any manner grant you any continuing territorial rights in or to the Target Area If the Addendum lists only a Target Area and not the Shop Location, then we and you will sign the Shop Location Supplement to Franchise Agreement attached as Exhibit II to the Franchise Agreement upon our later approval of the Shop Location

You will not be granted a geographic area around your Shop Location You will not receive an exclusive 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 You do not have the right to make sales through alternative channels of distribution The placement of a ZIGGI'S Coffee Shop by us depends on various market conditions around a proposed Shop Location, including density of population, character of the neighborhood, pedestrian counts, number of competitors in the vicinity, site availability, parking and ingress and egress and growth potential You may advertise your ZIGGI'S Coffee Shop in any geographic area, and you may serve all customers who enter your Coffee Shop You may not change the location of your Shop Location without our written consent and payment of a Relocation Fee as described in Item 6

In the event we or a prospective franchisee desires to open a ZIGGI'S Coffee Shop at a location, other than any Captive Audience Facilities or Special Venues and Channels as defined below, within one mile of your Shop Location (a "**Franchisee Right of First Refusal Area**"), we will first offer you the right to acquire the franchise for that location under the terms and conditions of our then current Franchise Agreement You will have 30 days after notice is given to you in which to accept the offer by signing our then current Franchise Agreement and paying the then current Initial Franchise Fee in full If you fail to do so, we will be entitled to operate or grant a franchise for the operation of a ZIGGI'S Coffee Shop at the location selected, and you will have no right to prevent or prohibit us from operating or granting a franchise for the ZIGGI'S Coffee Shop at that location Our obligation to make the offer described above is subject to the condition that you are in substantial compliance with all of the provisions of the Franchise Agreement

In the event that you and another ZIGGI'S Coffee Shop franchisee have overlapping Franchisee Right of First Refusal Areas, then you and the other franchisee will each be given consecutive 30 day periods in which to exercise your respective rights of first refusal The franchisee whose ZIGGI'S Coffee Shop began operating first shall have the first 30 day period If that franchisee does not exercise its rights by signing a Franchise Agreement by the end of that 30 day period, then the second franchisee shall have the next 30 day period in which to exercise its right of first refusal If neither you nor the other franchisee signs a Franchise Agreement during the applicable time period, we will be entitled to proceed to operate or grant a franchise for that location as described above

Except as described above, you have no other option, right of first refusal or similar contractual right to acquire additional ZIGGI'S Coffee Shop franchises

After the sixth full month following commencement of operation, you will be required to achieve minimum Gross Sales sufficient to pay us the minimum Royalty of $900 per month and the minimum Marketing and Technology Fee of $300 per month, or, if you fail to do so in any calendar month, you must pay us the minimum Royalty and the minimum Marketing and Technology Fee regardless of your actual Gross Sales In the event you obtain an extension of time to acquire your site as described in Item 11, the commencement date for the minimum Royalty and the minimum Marketing and Technology Fee will be extended by the same period of time We have the right, in our sole discretion and on a case-by-case basis, to waive the obligation of you or any other franchisee to pay the minimum monthly Royalty and the minimum Marketing and Technology Fee

We reserve the right, regardless of location, including a location near your Shop Location or within your Franchisee Right of First Refusal Area or Development Area, if applicable, for us and our affiliates to market, offer, and sell, and to authorize third parties to market, offer, and sell, any and all products and services (i) through venues and channels of distribution other than franchised and company-owned ZIGGI'S Coffee Shops, including but not limited to grocery stores, wholesale distributors, coffee shops that are not ZIGGI'S Coffee Shops, restaurants, offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and catering (collectively, "**Special Venues and Channels**"), and (ii) in ZIGGI'S Coffee Shops located in facilities with a concentration of foot traffic gathered in a "captive" facility for a primary purpose other than consuming food and beverages ("**Captive Audience Facilities**"), such as airports and other transportation hubs, hospitals, college campuses and other educational facilities, convention centers, grocery stores, department stores, "big box" retail centers, video/DVD rental stores, resorts, sports arenas and stadiums, hotels and office buildings, military installations (Army and Air Force Exchange Services), and food courts The products and services available through Special Venues and Channels and in a ZIGGI'S Coffee Shop located in a Captive Audience Facility may include those that are the same as or similar to those which you will offer and sell, such as ZIGGI'S coffee, tea, and other beverages in any form, or entirely different services and products The Special Venues and Channels and Captive Audience Facilities may be in any location, including in close proximity to your Shop Location or in your Franchisee Right of First Refusal Area or Development Area, if applicable, and will be without any compensation to you The marketing, offer, and sale of products and services through the Special Venues and Channels or the Captive Audience Facilities may be under the Marks and Licensed Methods or different trademarks, service marks, and methods The prices advertised and charged by us and our affiliates for the sale of the products and services to operators of Special Venues and Channels or Captive Audience Facilities, and the prices advertised and charged by the operators of the Special Venues and Channels or Captive Audience Facilities to third parties and the public for the products and services, may be higher or lower than the prices at which the same or similar products and services are made available by us and our affiliates to you and the prices charged by you to customers of your Coffee Shop

We and our affiliates further retain the rights, in addition to the rights set forth above, without compensation to you, to

1 use and license others to use, the Marks and Licensed Methods for the operation of a ZIGGI'S Coffee Shop at any location other than at your Shop Location, and

2 use the Marks and Licensed Methods or different trademarks and business methods to identify services and products, promotional and marketing efforts or related items similar to or the same as, similar to, or different from those which you will sell, through Special Venues and Channels or through ZIGGI'S Coffee Shops located in Captive Audience Facilities, without regard to location, and

3 use and license the use of alternative proprietary marks or methods in connection with the operation of coffee shops, other retail locations or other businesses under names which are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from ZIGGI'S Coffee Shops, without regard to location, and

4 engage in any other activities not expressly prohibited in the Franchise Agreement

Coda, which may be deemed an affiliate of ours, currently sells products similar to those you will offer in your ZIGGI'S Coffee Shop nationwide via the Internet and other channels, under the trademark "CODA COFFEE COMPANY®" and other trademarks, on a retail and wholesale basis It may sell its coffee and other products on a wholesale basis to a restaurant, other coffee shop, or other business that is close to your Coffee Shop It does not offer any franchises The principal business address of Coda is disclosed in Item 1

3-Pak

If you are offered the right to acquire a 3-Pak to operate three ZIGGI'S Coffee Shops, you will sign all three Franchise Agreements at the same time You will be assigned a Target Area in which to develop your first ZIGGI'S Coffee Shop and a Development Area in which to develop your second and third ZIGGI'S Coffee Shop along with a development time schedule in which you must open your second and third ZIGGI'S Coffee Shops As long as you are not in default of any of your Franchise Agreements, we will not establish, nor shall we license any other party to establish, Coffee Shops using the Marks and Licensed Methods anywhere within the Development Area except in Captive Audience Facilities and Special Venues and Channels Each Coffee Shop opened under a Franchise Agreement is subject to the terms and conditions of that Franchise Agreement Nothing in any of the Franchise Agreements prevents, prohibits, or otherwise restricts at any time the operation of any Coffee Shops in the Development Area which are operated under any existing franchise agreements at the time you sign your Franchise Agreements, or the grant of successor franchise rights related to such existing franchise agreements

We have the right, in our sole discretion and on a case-by-case basis, to waive the obligation of you or any other franchisees to meet the development time schedule A waiver by us of this obligation for one or more other franchisees does not in any way affect your obligation to meet your development schedule

Except as stated in this Item 12, the continuation of your rights described in this Item 12 does not depend on achieving a certain sales volume, market penetration, or other contingency

ITEM 13

TRADEMARKS

We license to you the right to use the Mark "ZIGGI'S COFFEE" and other trademarks, service marks and commercial symbols that we may authorize, which we collectively refer to as the Marks Through a license from BEC, we have full right and authority to use and license franchisees to use the Marks

Our affiliate BEC has applied to register the following Marks with the United States Patent and Trademark Office ("**USPTO**") on the Principal Register

Mark	Registration Number	Registration Date
ZIGGI'S COFFEE	5031319	August 30, 2016

On May 16, 2016, BEC, through a series of transfer steps, assigned all of its rights in and to those Marks to us We intend to file all required affidavits related to our Marks

In addition to those Marks listed above, we claim common law service or trademark rights to a number of other words, phrases, or designs that you may use in your ZIGGI'S Coffee Shop, including the following

Mark
Ziggi's COFFEE
Ziggi's COFFEE

We do not have a federal registration for our principal trademarks Therefore, our trademarks do not have many legal benefits and rights as a federally registered trademark If our right to use the trademarks is challenged, you may have to change to an alternative trademark, which may increase your expenses

Under the Franchise Agreement we grant you the right and license to use the Marks solely in connection with your Coffee Shop You may use the Marks only in the manner authorized and permitted by us and you may not directly or indirectly contest the ownership or rights of BEC or us in the Marks You cannot use any of the Marks or any portions or variations of them as part of your business name You cannot use the Marks as part of an electronic address, domain name or on any websites on the Internet, or with modifying words, designs or symbols, except as we may license to you, without our prior written consent, which may be withheld for any reason You may not use the Marks with an unauthorized product or service, or in a manner not authorized in writing by us You must modify or discontinue your use of the Marks if we require the modification or discontinuance of them, at your expense

To our knowledge, there are no agreements in effect that significantly limit our rights to use or license the use of the Marks in any manner To our knowledge, there are no presently effective determinations of the United States Patent and Trademark Office, the Trademark Trial and Appeal Board, the trademark administrator of any state or any court, any pending infringement, opposition or cancellation proceedings or any pending material litigation involving any of the Marks which are relevant to their use

You must notify us immediately if you become aware of any apparent infringement of or challenge to your use of any Mark

The Franchise Agreement does not contain any provisions under which we are required to defend or indemnify you against any claims of infringement or unfair competition arising out of your use of the Marks However, we may take action to protect you against claims of infringement or unfair competition involving the Marks, when you are using the Marks in compliance with your Franchise Agreement, if, in the opinion of our counsel, the circumstances justify our intervention If we decide to protect you, we will reimburse you for your costs, including attorney's fees and court costs, associated with any litigation we commence or defend on your behalf to protect the licensed Marks and your rights to use them, from amounts we recover in the litigation (if any), which are in excess of our costs You are obligated to fully cooperate with us in any litigation we commence or defend related to the Marks If we do not elect to protect you against claims of infringement or unfair competition, you may take steps to protect yourself at your own expense We will control all proceedings and litigation involving the Marks, except that you will control your defense if we have elected not to protect you against claims of infringement or unfair competition

We have no actual knowledge of either superior prior rights or infringing uses that could materially affect your use of the Marks

ITEM 14

PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION

No patents or pending patent applications are material to the franchise

We claim a copyright in our Operations Manual We also claim a copyright in our other written materials, but you are permitted to use the materials as part of your Coffee Shop

The Operations Manual and related materials are proprietary and confidential They are our property to be used by you only as described in and during the term of the Franchise Agreement The Operations Manual and other materials that contain the Marks or are otherwise proprietary to us must be returned to us if the Franchise Agreement expires or is terminated for any reason

We treat the information in the Operations Manual and other written materials of ours as our confidential trade secrets This includes our site selection criteria, methods, formats, specifications, standards, systems, recipes, coffee and food preparation procedures, sales and marketing techniques, knowledge and experience in developing and operating ZIGGI'S Coffee Shops, marketing and advertising programs for Coffee Shops, franchise sales methods, knowledge of specifications for and suppliers of certain equipment, products, materials, and supplies, and knowledge of the operating results and financial performance of Coffee Shops other than your Coffee Shop The Franchise Agreement requires you to maintain all of our Licensed Methods, which includes our trade secrets, as confidential both during and after the term of the Franchise Agreement You may not at any time disclose or use any of our proprietary information except as specifically authorized by us Under the Franchise Agreement, you agree that all ideas, concepts, techniques, or materials developed or assembled by you or your employees or agents during the term of the Agreement and concerning a Coffee Shop will be deemed our property and part of the proprietary information protected under the Franchise Agreement You may not use our proprietary information in any unauthorized manner and you must take reasonable steps to prevent their disclosure to others We may, in our discretion, require you and each of your Designated Managers, officers, partners, directors, beneficial owners and employees who become aware of or have access to our proprietary information, and their immediate family members, to execute our Nondisclosure and Noncompetition Agreement in the form attached to this Disclosure Document as Attachment C You must provide us with a copy of each Nondisclosure and Noncompetition Agreement at the time it is signed and thereafter upon our request

Our right to use or license the copyrighted and other proprietary and confidential materials is not materially limited by any agreement or known infringing use There is no determination of any administrative office or any court regarding these materials

ITEM 15

OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS

Under the Franchise Agreement, you personally (or, if you are not an individual, your managing owner) or your Designated Manager must devote full time and best efforts to managing and operating your ZIGGI'S Coffee Shop on a day-to-day basis, and you (or your managing owner) and your Designated Manager must successfully complete our mandatory training program You (or your managing owner) need not participate personally in the day-to-day operations of your Coffee Shop In that case, however, your Designated Manager must manage the Coffee Shop's daily operations

You are responsible for recruiting, hiring, firing, and supervising your employees, independent agents, managers, and other representatives You are solely responsible for implementing training and other programs for your employees and agents related to the legal, safe, and proper performance of their work, regardless of the fact that we may provide advice, suggestions, and certain training programs The advice, suggestions, and training we provide are to protect our brand and the Marks and not to control the day-to-day operation of your ZIGGI'S Coffee Shop You will have sole authority and control over the day-to-day operations of your ZIGGI'S Coffee Shop and its employees and other representatives

If you are a corporation, limited liability company or partnership, or other entity, we do not require your Designated Manager to own an equity interest in you However, your Designated Manager, other employees and all of your officers, directors, partners, shareholders, and members (and, if you are an individual, your spouse) must agree to be bound by the nondisclosure and noncompetition provisions of the Franchise Agreement, by signing our form of agreement attached to this Disclosure Document as Attachment C You must provide us a copy of each Nondisclosure and Noncompetition Agreement at the time it is signed and thereafter upon our request We make no other recommendations and have no other requirements regarding employment or other written agreements between you and your employees

We may require each of your officers, directors, shareholders, partners, or members and each of their respective spouses to sign a guaranty (Exhibit V to the Franchise Agreement) personally assuming and agreeing to perform all obligations of the franchisee and to be bound by the terms of the Franchise Agreement, whichever is applicable

ITEM 16

RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL

You will sell only those products and services approved by us and will not use the Coffee Shop or the Shop Location for any purposes other than the operation of a ZIGGI'S Coffee Shop You will not fill "wholesale orders," sell products or services off-premises, on the Internet or by other electronic communications methods, by mail order or through catalogs, or transship, repackage or reship products without our prior written consent You must sell all of the products and services designated by us You must comply with our standards and specifications for product mix and inventory levels We have the right to change or supplement the types of authorized products and services, and there are no limits on our right to do so

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may advertise and charge for products and services offered by your ZIGGI'S Coffee Shop If we establish a maximum price for any products or services, you shall not offer or sell those products or services at any greater price If we establish a minimum price for any products or services, you shall not offer or sell those products or services at any lesser price If we do not establish pricing limits, we may establish suggested prices You must abide by our advertising policies related to advertising prices

Other than the above, there are no restrictions on goods or services offered by you or on the customers to whom you may sell

ITEM 17

RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION

This table lists certain important provisions of the Franchise Agreement and related agreements You should read these provisions in the exhibits attached to this Disclosure Document

THE FRANCHISE RELATIONSHIP

Provision	Section in Franchise or Other Agreement	Summary
a Length of the franchise term	Section 18 1 of Franchise Agreement ("**FA**"),	10 years
b Renewal or extension of the term	Section 18 3 of FA	Option to renew for three additional 10 year terms
c Requirements for you to renew or extend	Sections 18 3 and 18 4 of FA	Written notice at least 180 days before expiration, sign then-current form of Franchise Agreement (which may contain materially different terms from your original contract) and a successor franchise rider in the form we provide which will include a release, be in compliance with Franchise Agreement, pay fee, and renovate (if applicable)
d Termination by you	Section 19 1 of FA	You can terminate (i) without cause at any time following the fourth anniversary of the Franchise Agreement upon 90 days' notice and payment of the early termination fee, or (ii) if we materially breach the Franchise Agreement, if you provide us with written notice within 30 days of the breach and a reasonable opportunity to cure of not less than 90 days For the
e Termination by us without cause	Section 19 4	We can terminate at our option if there is a force majeure event that prevents us from performing our obligations under the Franchise Agreement and continues for longer than six months
f Termination by us with cause	Sections 19 2, 19 3 and 19 5 of FA	We can terminate only if you commit any one of several listed violations

	Provision	Section in Franchise or Other Agreement	Summary
g	"Cause" defined - curable defaults	Sections 19 2 and 19 3 of FA	72 hours for violations of health, safety, or sanitation laws, 5 days to discharge executions against property, or for failure to authorize transfer of funds, 10 days for failure to pay amounts owed or for misuse of Marks, and 30 days for all other defaults
h	"Cause" defined - non-curable defaults	Section 19 2 of FA	Material misrepresentations in application, unauthorized opening, abandonment, criminal conviction, sexual harassment or discrimination, dishonest or unethical conduct, Acts of Deception, unauthorized transfer, loss of possession of Coffee Shop, unauthorized use of confidential information, assignment for benefit of creditors, bankruptcy, repeated violations, underreporting Gross Sales, failure to complete training or to open, condemnation of or casualty damage to Shop Location if you fail to obtain a new location or recommence operations within 90 days, sale of unapproved products, defaults under any lease or other agreement with third parties or us material to the franchise, guaranty becomes unenforceable or inadequate, violation of non-compete or other in-term restrictive covenants
i	Your obligations on termination/ nonrenewal	Sections 19 8 and 19 11 of FA, Conditional Assignment of Lease, Attachment E	Pay all amounts due, including payment of an amount equal to the minimum Royalties due over the shorter of three years or the remaining term under the Franchise Agreement, if terminated due to your default, cease operating franchised business, cease using confidential information and Marks, deliver Operations Manual, other proprietary materials, and property containing the Marks, cancel assumed or similar name registrations, assign lease or de-identify, assign phone numbers, and comply with covenants, we may assume your Coffee Shop's management
j	Assignment of contract by us	Section 17 7 of FA	No restriction on our right to assign
k	"Transfer" by you – defined	Section 17 1 of FA	Includes transfer of any interest in the Franchise Agreement, Coffee Shop assets, or your entity
l	Our approval of transfer by you	Section 17 3 of FA	No transfer without our approval

	Provision	Section in Franchise or Other Agreement	Summary
m	Conditions for our approval of transfer	Section 17 2 of FA	Full compliance, transferee qualifies, all amounts due are paid in full, all reports submitted, you have not breached any obligation during 60 day period before you requested our consent to transfer or during period between your request and the effective date of the transfer, transferee signs our then current form of franchise agreement (which may differ materially), transferee and its owners and affiliates do not operate or have ownership interest in competitive business, lease transferred, subordination of amounts due to you and your owners from transferee, completion of training, transfer fee paid, and sign and deliver other required documents (including release)
n	Our right of first refusal to acquire your business	Section 17 4 of FA	For 30 day period, we have right to match offer
o	Our option to purchase your business	Section 19 7 of FA	Fair market value of your Coffee Shop, less the amount of the goodwill associated with our Marks
p	Your death or disability	Section 17 6 of FA	Franchise must be assigned to approved buyer within 120 days (or longer if required by probate proceedings), there must at all times be a Designated Manager at the Coffee Shop
q	Non-competition covenants during the term of the franchise	Section 21 1 of FA	No involvement in Competitive Business wherever located or operating
r	Non-competition covenants after the franchise is terminated or expires	Section 21 2 of FA	No interest in Competitive Business for 2 years within 10 miles of the former Shop Location or any other ZIGGI'S Coffee Shop
s	Modification of the agreement	Section 24 1 of FA	Operations Manual is subject to change The Franchise Agreement may be modified by a writing signed by both parties or, at our option, upon approval of 75% of our franchisees and licensees affected by the modification Unless prohibited by law or waived by us, you must provide a general release of any and all claims against us if you request and we consent to modify any provisions of the Franchise Agreement after it has been signed

Provision	Section in Franchise or Other Agreement	Summary
t Integration/merger clause	Section 24 2 of FA	Only terms of the Franchise Agreement are binding (subject to state law) Any representations or promises outside of the Franchise Agreement may not be enforceable Nothing in the Franchise Agreement is intended to disclaim any representations made by us in this Disclosure Document
u Dispute resolution by arbitration or mediation	Article 22 of FA	Arbitration or litigation in Denver, Colorado
v Choice of forum	Section 22 5 of FA	Arbitration or litigation in Denver, Colorado (subject to state law)
w Choice of law	Section 22 5 of FA	Except for federal law, Colorado law applies (unless prohibited by laws of state where Coffee Shop is located)

ITEM 18

PUBLIC FIGURES

We do not presently use any public figures to promote our franchise You may use the name of a public figure or celebrity in your promotional efforts or advertising only with our approval

ITEM 19

FINANCIAL PERFORMANCE REPRESENTATIONS

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

CHART OF AVERAGE ANNUAL GROSS SALES

The chart below shows the average annual gross sale numbers for the Cafe, Cafe with Drive Thru, and Double Drive Thru models operated by our affiliated companies for the various years shown The Notes that follow the chart explain the data included in the chart and you should review them carefully

AVERAGE ANNUAL GROSS SALES OF THE VARIOUS COFFEE SHOPS MODELS OFFERED UNDER THIS DISCLOSURE DOCUMENT THAT WERE OPERATED BY OUR AFFILIATED COMPANIES DURING THE CALENDAR YEARS SHOWN			
Year	Cafe	Cafe with Drive Thru	Double Drive Thru Shop
2013	$448,997	N/A	$365,892
2014	$452,936	N/A	$434,080
2015	$489,361	$463,573	$471,699
2016	$531,117	$561,595	$514,417

NOTES TO CHART OF AVERAGE ANNUAL GROSS SALES OF VARIOUS COFFEE SHOP MODELS OPERATED BY OUR AFFILIATES

1 This chart shows the average annual gross sales generated by our affiliated companies by the type of models we offer under this Disclosure Document for the years 2013 through 2016 We offer three different Coffee Shop models, the Cafe, Cafe with Drive Thru and Double Drive Thru See Item 1 for a more detailed description of each model

2 Our affiliates operated two Cafes, three Double Drive Thru Shops and one Cafe with Drive Thru during the years shown in this chart Of the three Double Drive Thru Shops, two exceeded the average shown in the chart for Double Drive Thru Coffee Shops

3 One of our affiliates also operates a Coffee Shop located in mall We did not show the results of that outlet as we do not offer that model under this Disclosure Document

4 "Gross Sales" means the total receipts of each the Coffee Shops shown in the chart, but does not include sales tax or equivalent taxes

5 The Coffee Shops included in this chart sell substantially the same products and services as will be offered by the franchised Coffee Shops offered pursuant to this Disclosure Document

7 There is a large variation in the range of Gross Sales generated by our affiliates' Coffee Shops For 2016, the annual gross sales for our Cafe Coffee Shops ranged from a low of $339,772 to a high of $722,462, and for our Double Drive Thru Coffee Shops ranged from a low of $471,703 to a high of $545,392 There is only one Cafe with Drive Thru operated by our affiliates

8 The sales information for the Coffee Shops included in this chart is information as reported by our affiliates and have not been audited or otherwise verified by us

9 This chart only shows Gross Sales of the Coffee Shops operated by our affiliated companies and is not a statement of profits or earnings We show no expenses in this chart However, for calendar year 2016, the cost of goods sold were on average 37 5% (Cafe), 36% (Cafe with Drive Thru) and 33% (Double Drive Thru) of the revenues reported in the Chart, and the labor expenses were on average 23% (Cafe), 28% (Cafe with Drive Thru) and 21% (Double Drive Thru) of the revenues reported in the Chart

THE INFORMATION IN THE ABOVE CHART IS FOR SPECIFIC COFFEE SHOPS OPERATED BY OUR AFFILIATES AND SHOULD NOT BE CONSIDERED AS ACTUAL OR PROBABLE GROSS SALES, GROSS PROFITS, OR NET PROFITS THAT WILL BE ATTAINED BY

ANY FRANCHISEE WE DO NOT REPRESENT THAT ANY FRANCHISEE CAN EXPECT TO ATTAIN SUCH SALES LEVELS THE SALES ARE BASED ON THE SALES OF THOSE COFFEE SHOPS OF OUR AFFILIATES FOR THE CALENDAR YEARS SHOWN AND ARE NOT NECESSARILY INDICATIVE OF FIRST YEAR SALES RESULTS

THE FIGURES IN THE CHART DO NOT REFLECT THE COSTS OF SALES, OPERATING EXPENSES OR OTHER COSTS OR EXPENSES THAT MUST BE DEDUCTED FROM THE GROSS REVENUE TO DETERMINE A PROFIT YOU SHOULD CONDUCT AN INDEPENDENT INVESTIGATION OF THE COSTS AND EXPENSES YOU WILL INCUR IN OPERATING YOUR COFFEE SHOP FRANCHISEES OR FORMER FRANCHISEES LISTED IN ATTACHMENT H AND ATTACHMENT I TO THIS DISCLOSURE DOCUMENT MAY BE ONE SOURCE OF THIS INFORMATION

YOUR INDIVIDUAL FINANCIAL RESULTS ARE LIKELY TO DIFFER FROM THE RESULTS SHOWN IN THIS ITEM THE INFORMATION IN THIS ITEM IS NOT A REPRESENTATION OR GUARANTEE THAT YOU WILL OR MAY ACHIEVE ANY LEVEL OF GROSS SALES WE DO NOT MAKE ANY REPRESENTATION OR GUARANTEE OF FUTURE SALES OR PROFITS

Other than the preceding financial performance representation, we do not make any financial performance representations We also do not authorize our employees or representatives to make any such representations either orally or in writing If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet If you receive any other financial performance information or projections of your future income, you should report it to our management by contacting Brandon Knudsen, President, 400 Main Street, Longmont, Colorado 80501, telephone (303) 682-5120, the Federal Trade Commission, and the appropriate state regulatory agencies

ITEM 20

OUTLETS AND FRANCHISEE INFORMATION

ITEM 20 TABLE NO 1
Systemwide Outlet Summary
For Years 2014 to 2016[1]

Column 1 Outlet type	Column 2 Year	Column 3 Outlets at the Start of the year	Column 4 Outlets at the End of the year	Column 5 Net Change
Franchised	2014	0	0	0
	2015	0	0	0
	2016	0	0	0
Company-Owned[2]	2014	4	5	+1
	2015	5	6	+1
	2016	6	6	0
Total Outlets	**2014**	**4**	**5**	**+1**
	2015	**5**	**6**	**+1**
	2016	**6**	**6**	**0**

(1) We did not commence franchising until May 19, 2016 and no franchisees opened for business in 2016 We, therefore, had no franchised outlets during the years 2014, 2015, and 2016

(2) These ZIGGI'S Coffee Shops are owned and operated by our affiliates as disclosed in Item 1 These include the Double Drive Thru, Cafe with Drive Thru, and Cafe models, all of which are of the type being offered in this Disclosure Document As described in Item 1, our affiliates also operate other retail coffee shop businesses under the "ZIGGI'S COFFEE" name, which are not included in this table

ITEM 20 TABLE NO 2
Transfers of Outlets from Franchisees to New Owners (other than the Franchisor)
For Years 2014 to 2016[1]

Column 1 State	Column 2 Year	Column 3 Number of Transfers
Totals	**2014**	**0**
	2015	**0**
	2016	**0**

(1) We did not commence franchising until May 19, 2016 and no franchisees opened for business in 2016 We, therefore, had no franchised outlets during the years 2014, 2015, and 2016

ITEM 20 TABLE NO 3
Status of Franchised Outlets
For Years 2014 to 2016[(1)]

Column 1 State	Column 2 Year	Column 3 Outlets at Start of Year	Column 4 Outlets Opened	Column 5 Terminations	Column 6 Non Renewals	Column 7 Reacquired by Franchisor	Column 8 Ceased Operations-Other Reasons	Column 9 Outlets at the End of the Year
TOTALS	**2014**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2015	**0**	**0**	**0**	**0**	**0**	**0**	**0**
	2016	**0**	**0**	**0**	**0**	**0**	**0**	**0**

(1) We did not commence franchising until May 19, 2016 and no franchisees opened for business in 2016 We, therefore, had no franchised outlets during the years 2014, 2015, and 2016

ITEM 20 TABLE NO 4
Status of Company-Owned Outlets[1]
For Years 2014 to 2016

Column 1 State	Column 2 Year	Column 3 Outlets at Start of the Year	Column 4 Outlets Opened	Column 5 Outlets Reacquired from Franchisee	Column 6 Outlets Closed	Column 7 Outlets Sold to Franchisee	Column 8 Outlets at End of the Year
Colorado	2014	4	1	0	0	0	5
	2015	5	1	0	0	0	6
	2016	6	0	0	0	0	6
Totals	**2014**	**4**	**1**	**0**	**0**	**0**	**5**
	2015	**5**	**1**	**0**	**0**	**0**	**6**
	2016	**6**	**0**	**0**	**0**	**0**	**6**

1 These ZIGGI'S Coffee Shops are owned and operated by our affiliates as disclosed in Item 1 These include the Double Drive Thru, Cafe with Drive Thru, and Cafe models, all of which are of the type being offered in this Disclosure Document As described in Item 1, our affiliates also operate other retail coffee shop businesses under the "ZIGGI'S COFFEE" name, which are not included in this table

ITEM 20 TABLE NO 5
Projected Openings as of December 31, 2016

Column 1 State	Column 2 Franchise Agreements Signed But Outlet Not Opened	Column 3 Projected New Franchised Outlet in the Next Fiscal Year	Column 4 Projected New Company-Owned Outlet in the Next Fiscal Year
California	0	1	0
Colorado	3	3	1
North Carolina	0	1	0
Total	**30**	**5**	**1**

A list of names, addresses and telephone numbers of all Ziggi's franchisees are listed in Attachment H to this document The name and last known city, state, and telephone number of every franchisee who has had a franchise terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the date of this document are listed in Attachment I If you buy this franchise, your contact information may be disclosed to other buyers when you leave the franchise system

In some instances, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with the Ziggi's franchise You may wish to speak with current and former franchisees, but be aware that not all such franchisees will be able to communicate with you During the last three fiscal years no franchisees have signed confidentiality clauses that would restrict their ability to speak openly about their experiences with Ziggi's

We have no trademark-specific franchisee organizations

ITEM 21

FINANCIAL STATEMENTS

Attached to this Disclosure Document as Attachment J is our audited balance sheet as of December 31, 2016 We have not been in business for three years and therefore cannot include financial statements for the past three years Our fiscal year-end is December 31st

ITEM 22

CONTRACTS

Attached to this Disclosure Document are the following franchise-related contracts

Attachment A	Franchise Agreement
Attachment C	Nondisclosure and Noncompetition Agreement
Attachment D	Statement of Prospective Franchisee
Attachment E	Conditional Assignment of Lease

ITEM 23

RECEIPT

The last two pages of this Disclosure Document are receipt pages Please sign and date each of them as of the date you received this Disclosure Document, detach the second receipt page, and promptly return it to us as specified on that page

ATTACHMENT A
(TO DISCLOSURE DOCUMENT)

ZIGGI'S COFFEE FRANCHISE, LLC
FRANCHISE AGREEMENT

Franchisee ______________________________

Date ______________________________

Shop Location ______________________________

____

ZIGGI'S COFFEE FRANCHISE, LLC
FRANCHISE AGREEMENT
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ATTACHMENTS

ZIGGI'S COFFEE FRANCHISE, LLC

THIS AGREEMENT (the "**Agreement**") is made as of the Effective Date, as defined in Section 24 17 below, between **ZIGGI'S COFFEE FRANCHISE, LLC**, a Colorado limited liability company, located at 400 Main Street, Longmont, Colorado 80501 ("**ZCF**") and the undersigned franchisee ("**Franchisee**"), who, on the basis of the following understanding, and in consideration of the following promises, agree as follows

1 PURPOSE

1 1 ZCF has developed methods for establishing, operating and promoting retail coffeehouses (collectively, "**ZIGGI'S Coffee Shops**" or "**Coffee Shops**") ZIGGI'S Coffee Shops sell gourmet specialty coffee, espresso, tea, fruit smoothies, fresh sandwiches and wraps, and other food and drink items, plus packaged coffee and coffee-related merchandise, and related products and services designated by ZCF ZCF licenses its franchisees to use certain valuable trade names, service marks and trademarks, including the service mark "ZIGGI'S COFFEE" (collectively, the "**Marks**"), and ZCF's distinctive techniques, expertise and knowledge in the establishment, operation and promotion of Coffee Shops and related licensed methods of doing business (collectively the "**Licensed Methods**")

1 2 ZCF grants the right to others to establish and operate Coffee Shops, under the Marks and pursuant to the Licensed Methods

1 3 There are multiple types of ZIGGI'S Coffee Shop franchises offered by ZCF pursuant to this Agreement The first is a double drive through model serving only drive-through customers from a freestanding building in a smaller size of approximately 250 to 500 square feet with no customer seating (a "**Double Drive Through**") The second is a cafe model serving walk-in customers in a larger building with a size of approximately 1,500 to 2,000 square feet with an interior service counter and customer seating, typically designed to seat approximately 30 to 40 customers (a "**Cafe**") A Cafe may or may not have a drive-through and is located in a strip mall or other suitable facility A Cafe with a drive-through is typically located at an end cap space A Cafe with a drive-through is referred to in this Agreement as a "**Café with Drive Thru**," which is considered another franchise type Any references in this Agreement to a ZIGGI'S Coffee Shop or Coffee Shop refer to any type of outlet and the terms of this Agreement apply equally to each type, unless otherwise specifically noted The franchisees desiring to operate each of these types of franchises sign a franchise agreement in the form of this Agreement along with the Addendum to Franchise Agreement attached as Attachment I (the "**Addendum**") indicating the type of franchise acquired

1 4 Franchisee recognizes and acknowledges the benefits to be derived from being identified and associated with ZCF and being able to utilize the Licensed Methods, and therefore desires to establish a Coffee Shop at an approved location ZCF is willing to grant Franchisee the right to operate a Coffee Shop under the terms and conditions contained in this Agreement

2 GRANT OF FRANCHISE

2 1 Grant of Franchise

ZCF grants to Franchisee, and Franchisee accepts from ZCF, the right to use the Marks and Licensed Methods in connection with the establishment and operation of a Coffee Shop of the type set forth in the Addendum, at the location described in **Section 3 1** Franchisee agrees to use the Marks and

Licensed Methods, as they may be changed, improved, and further developed by ZCF from time to time, only in accordance with the terms and conditions of this Agreement

2 2 <u>Scope of Franchise Operations</u>

Franchisee agrees at all times to faithfully, honestly and diligently perform Franchisee's obligations hereunder, to use best efforts to promote its Coffee Shop and to not engage in any other business or activity that conflicts with the operation of the Coffee Shop in compliance with this Agreement Franchisee agrees to utilize the Marks and Licensed Methods to operate all aspects of Franchisee's Coffee Shop in accordance with the methods and systems developed and prescribed from time to time by ZCF, all of which are a part of the Licensed Methods Franchisee's Coffee Shop shall offer all products and services designated by ZCF Franchisee shall implement any additions and changes to the products and services offered by its Coffee Shop that ZCF requires

3 SHOP LOCATION AND TARGET AREA

3 1 <u>Shop Location</u>

Franchisee is granted the right to own and operate one ZIGGI'S Coffee Shop at the address and location ("**Shop Location**") set forth in the Addendum If a specific address has not been chosen as of the date this Agreement is signed, then Franchisee shall choose and acquire a location for its Coffee Shop within the nonexclusive **Target Area** set forth in the Addendum Franchisee shall select and propose to ZCF for approval a specific site for the Shop Location within the Target Area, which ZCF shall have the right to approve or disapprove in accordance with the terms set forth in this Agreement If the Addendum lists only a Target Area and not the Shop Location then the Shop Location Supplement to Franchise Agreement attached hereto as <u>Attachment II</u> will be executed by ZCF and Franchisee upon ZCF's later approval of the Shop Location Franchisee acknowledges and agrees that the Shop Location will be a specific numbered street address at which Franchisee's Coffee Shop will be physically located The Shop Location cannot and will not under any circumstances be defined as a geographic area or be described in terms other than a specific numbered street address During the term of this Agreement, neither Franchisee nor Franchisee's successors and assigns shall use the Shop Location for any purpose other than operating a ZIGGI'S Coffee Shop

3 2 <u>Limitation on Franchise Rights</u>

The rights granted to Franchisee are for the specific Shop Location and cannot be transferred to any other location, except with ZCF's prior written approval The Marks and Licensed Methods are licensed only for the Shop Location If Franchisee elects to move or relocate the Shop Location at any time during the initial term or any successor franchise term, Franchisee shall submit information about the proposed Shop Location to ZCF for approval in accordance with the terms of **Section 6 1** and other provisions of this Agreement and shall simultaneously pay ZCF a "**Relocation Fee**" that is equal to 25 percent of the then-current Initial Franchise Fee for a first Coffee Shop franchise

3 3 <u>Franchisee's Right of First Refusal</u>

In the event ZCF or a prospective ZIGGI'S Coffee Shop franchisee desires to open a ZIGGI'S Coffee Shop at a location, other than any Captive Audience Facilities or Special Venues and Channels as defined in **Sections 3 4** and **3 5** below, within one mile of Franchisee's Shop Location (the "**Franchisee Right of First Refusal Area**"), ZCF will first offer Franchisee the right to acquire the franchise for that location under the terms of and conditions of ZCF's then-current franchise agreement for a ZIGGI'S Coffee Shop Such offer shall expire 30 days after notice of such offer is given to Franchisee In order to exercise its right, Franchisee must sign ZCF's then-current franchise agreement and pay the then current initial franchise fee in full (which fee is non-refundable) for that location on or before the expiration of the 30-day period Otherwise, ZCF will be entitled to operate or grant a franchise for the operation of a ZIGGI'S Coffee Shop at such location, and Franchisee will have no right to prevent or prohibit ZCF from operating or granting a franchise for a ZIGGI'S Coffee Shop at such location ZCF's obligation to make the offer described in this **Section 3 3** is subject to the condition that Franchisee is in substantial compliance with all of the provisions of this Agreement In the event that Franchisee and another ZIGGI'S Coffee Shop franchisee have overlapping Franchisee Right of First Refusal Areas, then Franchisee and the other franchisee will each be given consecutive 30 day periods in which to exercise their respective rights of first refusal The franchisee whose ZIGGI'S Coffee Shop began operating first shall have the first 30 day period If such franchisee does not exercise its rights by signing a franchise agreement by the end of such 30 day period, then the second franchisee shall have the next 30 day period in which to exercise its right of first refusal If neither Franchisee nor the other franchisee signs a franchise agreement for that location during the applicable time period, ZCF will be entitled to proceed to operate or grant a franchise for that location

3 4 <u>ZCF's Sales Through Special Venues and Channels</u>

ZCF reserves the right for itself and its affiliates to market, offer, and sell, and to authorize third parties to market, offer, and sell, any and all products and services through venues and channels of distribution other than franchised and company-owned ZIGGI'S Coffee Shops, including but not limited to grocery stores, wholesale distributors, coffee shops that are not ZIGGI'S Coffee Shops, restaurants, offices, hospitality and food service venues, or through retail store display, catalog sales, Internet and other electronic methods, and catering (collectively, "**Special Venues and Channels**") The products and services available through Special Venues and Channels may include those that are the same as or similar to those which Franchisee will offer and sell, such as ZIGGI'S coffee, tea, and other beverages in any form, or entirely different services and products The Special Venues and Channels may be in any location, including in close proximity to Franchisee's Shop Location The marketing, offer, and sale of products and services through the Special Venues and Channels may be under the Marks and Licensed Methods or different trademarks, service marks, and methods The prices advertised and charged by ZCF and its affiliates for the sale of the products and services to operators of Special Venues and Channels, and the prices advertised and charged by the operators of the Special Venues and Channels to third parties and the public for the products and services, may be higher or lower than the prices at which the same or similar products and services are made available by ZCF and its affiliates to Franchisee and the prices charged by Franchisee to customers of Franchisee's ZIGGI'S Coffee Shop Franchisee specifically acknowledges the foregoing rights of ZCF and its affiliates and understands that it may face competition from these Special Venues and Channels

3 5 <u>ZCF's Reservation of Other Rights</u>

Franchisee acknowledges that the franchise granted hereunder is nonexclusive, that Franchisee has no territorial protection, and that ZCF and its affiliates retain the rights, in addition to the rights set forth in **Section 3 4** above, to (1) use, and license others to use, the Marks and Licensed Methods for the operation of ZIGGI'S Coffee Shops at any location other than at the Shop Location, (2) use the Marks and Licensed Methods or different trademarks and business methods to identify services and products, promotional and marketing efforts or related items similar to, the same as, or different from those which Franchisee will sell, through Special Venues and Channels or through ZIGGI'S Coffee Shops located in facilities with a concentration of foot traffic gathered in a "captive" facility for a primary purpose other than consuming food and beverages ("**Captive Audience Facilities**"), such as airports and other transportation hubs, hospitals, college campuses and other educational facilities, convention centers, grocery stores, department stores, "big box" retail centers, video/DVD rental stores, resorts, sports arenas and stadiums, hotels and office buildings, military installations (Army and Air Force Exchange Services), and food courts, without regard to location, and to market such services and products through such ZIGGI'S Coffee Shops at different prices than the prices charged to Franchisee or by Franchisee in Franchisee's ZIGGI'S Coffee Shop, (3) use and license the use of alternative proprietary marks or methods in connection with the operation of coffeehouses, other retail locations or other businesses under names which are not the same as or confusingly similar to the Marks, which businesses may be the same as, or similar to, or different from ZIGGI'S Coffee Shops, without regard to location, and (4) engage in any other activities not expressly prohibited in this Agreement

4 INITIAL FRANCHISE FEE

4 1 Initial Franchise Fee

Franchisee agrees to pay to ZCF, concurrently with the execution of this Agreement, an initial franchise fee ("**Initial Franchise Fee**") in the amount set forth in the Addendum Franchisee acknowledges and agrees that the Initial Franchise Fee represents payment for the initial grant of the rights to use the Marks and Licensed Methods, that ZCF has earned the Initial Franchise Fee upon receipt, and that the Initial Franchise Fee is not refundable to Franchisee after it is paid

5 ROYALTIES

5 1 Royalty

Franchisee agrees to pay to ZCF a royalty ("**Royalty**") in an amount equal to 6 percent of the total amount of its Gross Sales, defined in **Section 5 2**, generated from or through its Coffee Shop The Royalty shall be payable daily After the sixth full month following the Commencement Date, Franchisee must pay ZCF a Royalty of at least $900 00 per month (the "**Minimum Royalty**") Starting at that time, if the total Royalty paid daily over the course of any full calendar month (the "**Monthly Percent Royalty**") is less than the Minimum Royalty, then the difference between the Minimum Royalty and the Monthly Percent Royalty paid (the "**Royalty Reconciliation Payment**") shall be due immediately upon the end of that calendar month

5 2 Gross Sales

"**Gross Sales**" shall be defined as sales of any kind for all services or products from or through Franchisee's Coffee Shop, including sales made for cash or upon credit, or partly for cash and partly for credit, regardless of collection of charges for which credit is given, regardless of whether sales are conducted in compliance with or in violation of the terms of this Agreement and regardless of whether sales occur at the Shop Location or off-site, but exclusive of discounts, sales taxes or other similar taxes and credits "Gross Sales" shall include revenue from the redemption of ZIGGI'S gift certificates and customer loyalty cards, gift cards and other prepaid cards "Gross Sales" shall also include the fair market value of any services or products received by Franchisee in barter or exchange for its services and products

5 3 Method of Payments

a Franchisee agrees that the Royalty, Marketing and Technology Fee (defined in **Section 13 3**), any Royalty Reconciliation Payments or Marketing and Technology Fee Reconciliation Payments (defined in **Section 13 3**), payments for product purchases, advertising, promotional and point-of-purchase materials, and other payments due to ZCF or an affiliate of ZCF shall be sent to ZCF by electronic funds transfer, unless ZCF agrees to another form of payment in its sole discretion Upon the request of ZCF and in no event later than 30 days prior to the opening of the Coffee Shop, Franchisee shall execute an Authorization Agreement for preauthorized payment ("**ACH Payment**") of any amounts due under this Agreement, or otherwise, by electronic transfer of funds from Franchisee's bank account to ZCF's bank account, in the form attached to this Agreement as <u>Attachment III</u> Franchisee agrees to advise ZCF, within one business day thereafter, if Franchisee changes its bank account or transfers its bank account to another bank, and further agrees, within three business days of such change or transfer, to execute and return to ZCF a replacement Authorization Agreement listing the new bank account information and all other information required ZCF may require Franchisee to pay Royalty and other amounts due under this Agreement by means other than automatic debit whenever ZCF deems appropriate, and Franchisee agrees to comply with ZCF's payment instructions

b On a daily basis, ZCF shall withdraw funds from Franchisee's bank account for the applicable ACH Payment based on the reports received from Franchisee's POS System(s), as defined in **Section 6 6**, or, in ZCF's discretion, Franchisee shall report to ZCF by telephone, electronic means or in written form, as may be directed by ZCF, in a manner more fully described in **Section 16**, such information and pursuant to such standard transmittal procedures regarding Franchisee's Gross Sales and such additional information as may be requested by ZCF ZCF shall have the right to verify such Royalty and Marketing and Technology Fee payments from time to time as it deems necessary, in any manner

c In the event that Franchisee fails to have sufficient funds in its account or otherwise fails to pay any Royalties, Marketing and Technology Fees, or other amounts due under this Agreement as of the date due, Franchisee shall owe, in addition to such Royalties, an insufficient funds fee of $50 00 for each violation If any amounts are not paid when due, Franchisee shall also owe a late fee of $50 00 for each failure to pay on time, as well as interest equivalent to 1 5 percent per month, of any late payment, provided, however, in no event shall Franchisee be required to pay interest at a rate greater than the maximum interest rate permitted by applicable law This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Agreement

5 4 <u>Application of Payments</u>

Notwithstanding any designation Franchisee might make, ZCF has the discretion to apply any payments made by Franchisee to any of Franchisee's past due indebtedness to ZCF Franchisee acknowledges that ZCF has the right to set-off any amounts Franchisee may owe to ZCF against any amounts ZCF might owe to Franchisee

6 DEVELOPMENT OF SHOP LOCATION

6 1 <u>Approval of Shop Location</u>

Franchisee may only operate a ZIGGI'S Coffee Shop at a site approved by ZCF, which approval will not be unreasonably withheld so long as the site meets ZCF's site selection criteria Franchisee shall follow ZCF's site selection procedures in locating a Shop Location for the Coffee Shop Franchisee shall submit a completed site submittal package, including demographics and other materials requested by ZCF, containing all information required by ZCF to assess a proposed Shop Location Franchisee acknowledges and warrants that (1) ZCF's approval does not constitute a guarantee, recommendation or endorsement of the Shop Location or Target Area and that the success of the Coffee Shop to be operated at a Shop Location is dependent upon Franchisee's abilities as an independent businessperson, and, (2) when a Shop Location is approved by ZCF, then ZCF has complied with its obligations under the

Agreement to assist Franchisee by provision of criteria for the Shop Location and determining fulfillment of the requisite criteria for the Shop Location, such determination based on information provided by Franchisee Franchisee acknowledges that other franchisees of ZCF have rights of first refusal like those set forth in **Section 3 3**, and ZCF's approval of Franchisee's Shop Location will be subject to any obligation of ZCF to provide other franchisees the right of first refusal related to that Shop Location

6 2 <u>Lease Approval and Architectural Drawings</u>

Once the Shop Location has been approved by ZCF, Franchisee's proposed Shop Location lease or purchase agreement must be reviewed and certified acceptable by ZCF After ZCF has approved the proposed lease or purchase agreement, Franchisee must engage an architect approved by ZCF in writing to develop architectural drawings for the Shop Location Those drawings must be reviewed and approved by ZCF prior to the commencement of construction Franchisee may not sign a lease or use architectural drawings that have not been approved by ZCF ZCF's approval of a lease and architectural drawings indicates only that the lease and drawings meet ZCF's minimum criteria for the operation of a ZIGGI'S Coffee Shop and that the interests of ZCF and its affiliates are protected ZCF and any legal counsel, architectural advisors, or other professional advisors reviewing the lease or purchase agreement and providing or reviewing the architectural drawings will be acting only behalf of ZCF Franchisee acknowledges that ZCF's review and approval of the lease or purchase agreement and architectural drawings does not constitute (i) a guaranty of the Shop Location's suitability for a ZIGGI'S Coffee Shop, (ii) a guaranty that the ZIGGI'S business established at the Shop Location will be successful, (iii) any assurance that the business terms of the lease or purchase agreement, including the rent or purchase price, are the most favorable terms available in the market surrounding the Shop Location, (iv) any representation that the lease or purchase agreement is entirely consistent with the terms of any signed letter of intent, (v) a representation that ZCF would sign the lease or purchase agreement for its own account, or (vi) any other guaranty or assurance of any kind It is Franchisee's sole responsibility to ensure that the Shop Location complies with all applicable local ordinances, building codes and zoning regulations Franchisee acknowledges that neither ZCF nor its legal counsel, architectural advisors, or other professional advisors are representing Franchisee or Franchisee's interests in relation to their review and certification of the lease or purchase agreement or the architectural drawings Franchisee is not a third party beneficiary of such review and certification Franchisee agrees to take all steps necessary to ascertain for itself whether such Shop Location and lease or purchase agreement are acceptable to Franchisee, including, if Franchisee deems necessary, hiring its own attorney, accountant, architect or other advisor to evaluate the Shop Location and to review the lease or purchase agreement and architectural drawings ZCF reserves the right to require Franchisee to use standard architectural specifications and approved suppliers it may designate ZCF recommends that Franchisee engage its own attorney or other professional advisor for these purposes If applicable, Franchisee shall also execute a conditional assignment of lease in favor of ZCF, in a form prescribed by ZCF

6 3 <u>Site Acquisition Schedule</u>

Franchisee shall execute a lease or otherwise acquire an approved location no later than six months from the date this Agreement is signed ZCF will extend the deadline required for Franchisee to acquire its site for up to four successive 90-day periods if (i) factors beyond Franchisee's reasonable control prevent Franchisee from meeting the applicable deadline, (ii) Franchisee has made reasonable and continuing efforts to obtain and submit for approval an acceptable site and lease, (iii) Franchisee delivers a written request to extend the time to sign a lease ("**Extension Notice**") at least five days prior to the applicable deadline, and (iv) for each extension, at the time Franchisee delivers the Extension Notice to ZCF, Franchisee pays ZCF a $500 00 "**Site Acquisition Extension Fee**" for each additional 90-day extension period Franchisee shall not have any right to extend the time that Franchisee has to sign a lease under this Agreement if Franchisee is otherwise in default of this Agreement or any other agreement with ZCF or if Franchisee has not timely exercised its previous rights to extend the lease execution deadlines set out herein Under no circumstance shall ZCF allow Franchisee more than a total of two years, including all site acquisition extensions, to locate and acquire the Shop Location, either through lease execution or otherwise During any extension period, in the event ZCF or a prospective ZIGGI'S Coffee Shop franchisee desires to open a ZIGGI'S Coffee Shop at a location, other than any Captive Audience Facilities or Special Venues and Channels, within Franchisee's Target Area, ZCF will provide Franchisee with a 15-day right of first refusal to accept such location as its Shop Location In the event that Franchisee does not exercise this right, then ZCF or the other franchisee may open and operate a ZIGGI'S Coffee Shop from that location Any lease for the Shop Location shall, at ZCF's option, be collaterally assigned to ZCF as security for performance of Franchisee's obligations hereunder Franchisee shall deliver a copy of the signed lease or other acquisition document for the Shop Location to ZCF within five days of execution thereof

6 4 <u>Construction, Conversion and Design</u>

Franchisee acknowledges that the layout, design, decoration and color scheme of the Coffee Shops are an integral part of ZCF's proprietary Licensed Methods and accordingly, Franchisee shall construct, convert and decorate the Shop Location in accordance with ZCF's plans, designs and specifications During the term of this Agreement, Franchisee shall obtain ZCF's written consent to any conversion, design or decoration of the Shop Location before remodeling or decorating begins, recognizing that such remodeling, decoration and any related costs are Franchisee's sole responsibility

6 5 <u>Signs</u>

Franchisee shall purchase or otherwise obtain signs for use at the Shop Location and in connection with the Coffee Shop in the maximum number and size allowed by applicable building codes, which signs shall comply with the standards and specifications of ZCF It is Franchisee's sole responsibility to ensure that all signs comply with applicable local ordinances, building codes and zoning regulations Any modifications to ZCF's standards and specifications for signs, which must be made due to local ordinances, codes or regulations, shall be submitted to ZCF for prior written approval Franchisee acknowledges the Marks, or any other name, symbol or identifying marks on any signs shall only be used in accordance with ZCF's standards and specifications and only with the prior written approval of ZCF Franchisee shall also purchase, from ZCF's designated or approved suppliers, menu boards for use at the Shop Location that meet ZCF's standards and specifications

6 6 <u>Equipment</u>

Franchisee shall purchase or otherwise obtain for use in connection with the Coffee Shop such equipment, including coffee and espresso equipment, and supplies, fixtures, furniture, art work, counters, delivery vehicles (if utilized) and computer hardware and software, of a type and in an amount which complies with the standards and specifications of ZCF, and only from suppliers or other sources approved by ZCF, which may be ZCF itself Franchisee acknowledges that the type quality, configuration, capability and performance of the Coffee Shop equipment are all standards and specifications which are a part of the Licensed Methods Franchisee shall purchase or lease for use in the operation of the Coffee Shop, as ZCF requires, one or more electronic cash register point of sale systems ("**POS Systems**") approved by ZCF that accurately records every sale or other transaction, along with a Zebra drink label printer designated by ZCF Franchisee shall purchase the POS System and related components from a designated or approved supplier Franchisee must purchase and maintain throughout the term of this Agreement a maintenance and support agreement for the POS System(s) and other required computer hardware and software with ZCF or ZCF's designated supplier Franchisee shall submit any reports required under this Agreement in a format designated from time to time by ZCF Franchisee hereby grants ZCF the right to access the POS System(s) and authorizes ZCF to obtain sales, sales mix, cost, labor, expenditure, and revenue information directly by modem or otherwise on a continuous basis and without interruption, except for power outages and other occurrences outside of Franchisee's control Further, Franchisee also grants ZCF the right to publish all such information obtained by ZCF to other ZIGGI'S franchise owners for comparative analysis purposes Throughout the term of this Agreement, Franchisee shall be obligated to upgrade or update the POS System(s) and Franchisee's computer hardware and software, or change or convert to an entirely new POS System(s) and computer hardware and software, at Franchisee's sole cost, to meet ZCF's then-current standards and specifications

6 7 <u>Permits and Licenses</u>

Franchisee agrees to obtain all permits and licenses required for the lawful construction and operation of its Coffee Shop together with all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, including without limitation, zoning, access, sign, health, fire and safety requirements, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits and ratings and fire clearances Franchisee agrees to obtain all customary contractors' sworn statements and partial and final lien waivers for construction, remodeling, decorating and installation of equipment at the Shop Location Franchisee shall assure the Shop Location complies with the Americans with Disabilities Act and all other applicable laws, rules, codes, regulations or ordinances of any kind Franchisee shall keep copies of all health department, fire department, building department and other similar reports of inspections on file and available for inspection by ZCF Franchisee shall immediately forward to ZCF any such reports or inspections in which Franchisee has been found not in compliance with the underlying regulation

6 8 <u>Commencement of Operations</u>

Unless otherwise agreed in writing by ZCF and Franchisee, Franchisee has one year from the date of this Agreement (which may be extended for up to a total of 360 days as provided in **Section 6 3**) within which to complete the initial training program, described in **Section 7 1**, and commence operation of the Coffee Shop Franchisee shall obtain the written consent of ZCF prior to commencing operation of the Coffee Shop, which cannot be granted until ZCF has approved the Shop Location and the lease, and Franchisee has (1) successfully completed the initial training program, (2) paid all fees and other amounts due to ZCF, (3) furnished ZCF with copies of all insurance policies required by this Agreement, (4) built-out and equipped the Shop Location in accordance with ZCF's standards and specifications, and delivered a certificate of occupancy to ZCF, (5) purchased an inventory of approved products and supplies, and (6) otherwise completed all other aspects of development of the Coffee Shop as ZCF shall have required The date of commencement of operations shall be set forth in the Addendum (the "**Commencement Date**")

6 9 <u>3-Pak Development Schedule</u>

If this Agreement is part of a 3-Pak, whereby ZCF has granted the right to Franchisee to develop three ZIGGI'S Coffee Shops, Franchisee agrees to develop and open the Coffee Shop to be operated under this Agreement in the Target Area in accordance with the development schedule in the Addendum (the "**Development Schedule**") Time is of the essence By the date set forth under the Development Schedule for each applicable Coffee Shop, Franchisee must commence operation of the Coffee Shop to be operated under this Agreement

7 TRAINING

7 1 <u>Initial Training Program</u>

Franchisee (or, if Franchisee is a corporation, partnership, or limited liability company, its managing shareholder, partner or member ("**Managing Owner**")) and the person designated by Franchisee to assume primary responsibility for the management of the Coffee Shop ("**Designated Manager**") must attend and successfully complete the initial training program which is offered by ZCF at one of ZCF's designated training facilities The Managing Owner and Designated Manager shall be set forth in the Addendum This initial training program consists of both classroom training and on-the-job training Up to four individuals (including the Managing Owner and Designated Manager) are eligible to participate in the classroom training portion of ZCF's initial training program without charge of a tuition or fee, and up to two individuals (including the Managing Owner and Designated Manager) are eligible to participate in the on-the-job training portion of ZCF's initial training program without charge of a tuition or fee Franchisee shall be responsible for any and all traveling and living expenses incurred in connection with attendance at the training program, as well as wages or salaries, if any, of the person(s) receiving training ZCF may charge a fee for any additional representatives of Franchisee who attend the initial training program Franchisee must purchase worker's compensation insurance for each employee of Franchisee who attends training and Franchisee must deliver proof of such insurance coverage to ZCF before ZCF will train such employee Franchisee or its Managing Owner, and Franchisee's Designated Manager, both must successfully complete the initial training program prior to Franchisee's commencement of operation of its Coffee Shop ZCF reserves the right to waive all or a portion of the training program or alter the training schedule

7 2 <u>Additional Training Programs</u>

Throughout the term of this Agreement, ZCF reserves the right to conduct training programs, national or regional conventions, or seminars at locations to be determined by ZCF to discuss relevant business trends and share new information relating to the ZIGGI'S Coffee Shop business Attendance at the seminar is optional unless ZCF gives Franchisee at least 30 days prior written notice that the seminar is mandatory, in which case Franchisee (or its Managing Owner) and/or its Designated Manager, as ZCF designates, is required to attend ZCF shall not require that Franchisee attend any on-going training programs or seminars more than twice a year Mandatory training programs and seminars shall not last more than five days each All mandatory additional training programs will be offered without tuition if conducted by ZCF, provided, however, ZCF may allocate the costs incurred in holding such training programs, including materials expenses, food and banquet expenses, and all expenses for activities which are associated with attendance at the program, pro rata among all franchisees and other persons required by ZCF to have one or more representatives attend that particular mandatory training program ("**Required Attendees**") up to a maximum of $750 00 per attendee per meeting If Franchisee's Required Attendees do not attend a mandatory Additional Meeting, unless ZCF agrees otherwise, Franchisee will be required to pay ZCF an amount equal to 125 percent of the pro-rata amount attributable to each of the attendees of the mandatory additional meeting ZCF may, in its sole discretion, waive this payment obligation in whole or in part for certain Required Attendees or nonattendees without being obligated to waive it for others Franchisee will also be responsible for all travel and living expenses associated with attendance at such training programs Franchisee will be required to stay at the hotel where the primary functions of any annual national convention or regional meetings are held, unless ZCF, in its sole discretion, otherwise agrees, in which event, ZCF may charge Franchisee an additional fee

8 OPERATIONS MANUAL

8 1 <u>Operations Manual</u>

ZCF agrees to loan to Franchisee one or more manuals, technical bulletins or other written, videotaped or electronically transmitted materials including any information posted and exchanged on ZCF s proprietary intranet system and the terms of use governing any such intranet system, whether it exists as of the date of this Franchise Agreement or is implemented at any time during the term of this Franchise Agreement (collectively referred to as "**Operations Manual**"), covering the proper operating, training and marketing techniques of the Coffee Shop and systems directly related to the Coffee Shop The Operations Manual is designed to protect ZCF's reputation and the goodwill of the Marks, it is not designed to control the day-to-day operations of Franchisee's Coffee Shop At ZCF's sole discretion, it may make the Operations Manual, and any updates or revisions thereto, available electronically online or by other means Franchisee agrees that it shall comply with the Operations Manual as an essential part of its obligations under this Agreement Franchisee shall at all times be responsible for assuring that its employees and all other persons under its control comply with the Operations Manual in all respects Franchisee shall not duplicate the Operations Manual nor disclose its contents to persons other than its employees or officers who need the information to perform their jobs The Operations Manual shall be deemed to be incorporated herein by this reference A material violation of the terms of the Operations Manual shall be a default under the terms of this Agreement and shall be grounds for termination of this Agreement

8 2 <u>Changes to Operations Manual</u>

ZCF reserves the right to revise the Operations Manual from time to time as it deems necessary to update operating and marketing techniques or standards and specifications in any manner, including updates contained in written or electronic newsletters Franchisee, within 30 days of receiving any updated information, shall in turn update its copy of the Operations Manual as instructed by ZCF and shall conform its operations to the updated provisions Franchisee acknowledges that a master copy of the Operations Manual maintained by ZCF at its principal office shall be controlling in the event of a dispute over its contents

9 DEVELOPMENT ASSISTANCE

9 1 <u>ZCF's Development Assistance</u>

To assist Franchisee in establishing the Coffee Shop, ZCF shall provide the following

a Assistance related to the acceptance of a site for the Coffee Shop, although Franchisee acknowledges that ZCF shall have no obligation to select or acquire a site on behalf of Franchisee ZCF's assistance will consist of, at a minimum, the provision of general criteria for a satisfactory site and a determination of whether a proposed site fulfills the requisite criteria prior to formal acceptance of a site selected by Franchisee ZCF bases its approval of any proposed site on information submitted by Franchisee in a form sufficient to allow ZCF to assess the proposed location Site selection, acquisition and development shall be the sole obligation of Franchisee, except as may be set forth in this Agreement or any other written agreement executed by ZCF Franchisee acknowledges that ZCF is under no obligation to provide additional site selection services other than as may be set forth in a written, executed agreement and that ZCF's acceptance of the site does not imply or guarantee the success or profitability of the site in any manner whatsoever b Standards and specifications for the build-out, interior design, layout, floor plan, signs, designs, color and decor of the Coffee Shop

c Advice regarding the standards and specifications for the equipment, supplies and materials used in, and the menu items offered for sale by, the Coffee Shop and advice regarding the selection of suppliers for and the purchasing of such items

d Guidance in implementing grand opening advertising and marketing programs, operating and sales procedures, and bookkeeping and accounting programs

e Initial training in accordance with **Section 7 1**

f If the ZIGGI'S Coffee Shop to be opened under this Agreement is Franchisee's first ZIGGI'S Coffee Shop, opening assistance consisting of one or more representatives of ZCF on site at the Shop Location for up to 10 days to assist Franchisee in opening the Coffee Shop, provided, however, that Franchisee shall hire in advance of opening date and be exclusively responsible for the training, compensation and control of its employees

g Access to one copy of the Operations Manual, as defined and described in **Article 8**, which shall be loaned to Franchisee during the term of this Agreement, and which may be made available electronically online or by any other means

10 OPERATING ASSISTANCE

10 1 <u>ZCF's Services</u>

ZCF agrees that, during Franchisee's operation of the ZIGGI'S Coffee Shop, ZCF shall make available to Franchisee the following services

a Upon the reasonable request of Franchisee, consultation by telephone or electronic mail, regarding the continued operation and management of a ZIGGI'S Coffee Shop and advice regarding the retail services, product quality control, menu items, customer relations issues and similar advice

b Access to advertising and promotional materials as may be developed by ZCF, the cost of which may be passed on to Franchisee, at ZCF's option

c As ZCF deems necessary, on-going updates of information and programs regarding coffee and coffee preparation techniques, marketing and promotional programs, the competition, the industry, the ZIGGI'S concept and the Licensed Methods, including, without limitation, information about special or new products and merchandising concepts and methods which may be developed and made available to ZIGGI'S Coffee Shop franchisees as a part of the Licensed Methods

d ZCF shall make the initial training program available to replacement or additional Designated Managers during the term of this Agreement ZCF reserves the right to charge a tuition or fee in an amount payable in advance, commensurate with the then current published prices of ZCF for such training Franchisee shall also be responsible for all travel and living expenses incurred by its personnel during the training program The availability of the training programs shall be subject to space considerations and prior commitments to new ZIGGI'S Coffee Shop franchisees

10 2 Inventory Supply

During the term of this Agreement and subject to availability, ZCF or its affiliates shall make available for purchase by Franchisee ZIGGI'S coffee, equipment, branded coffee-related products and branded merchandise for sale at or through the ZIGGI'S Coffee Shop

10 3 Additional ZCF Services

Although not obligated to do so, ZCF may make its employees or designated agents available to Franchisee for on-site advice and assistance in connection with the on-going operation of the ZIGGI'S Coffee Shop governed by this Agreement In the event that Franchisee requests such additional assistance and ZCF agrees to provide the same, ZCF reserves the right to charge Franchisee for all travel, lodging, living expenses, telephone charges and other identifiable expenses associated with such assistance, plus a fee based on the time spent by each employee on behalf of Franchisee, which fee will be charged in accordance with the then current daily or hourly rates being charged by ZCF for assistance

11 PURCHASES OF PRODUCTS

11 1 Inventory

Prior to commencement of operation of the ZIGGI'S Coffee Shop and throughout the term of this Agreement, Franchisee shall purchase and stock the Coffee Shop with inventory in such mix and quantities as ZCF may determine and prescribe ZCF reserves the right to offer itself or through its affiliates any or all of the supplies, equipment and products required for Franchisee's operation of the Coffee Shop Franchisee shall, during the term of this Agreement, maintain product inventory levels and product inventory mix sufficient to meet customer demands and in compliance with ZCF's standards and specifications as may be described in the Operations Manual from time to time

11 2 Limitations on Supply Obligations

Products supplied by ZCF and its designated or approved suppliers are subject to and conditioned upon availability Nothing in this Agreement shall be construed by ZCF to be a promise or guarantee as to the continued existence of a particular product, nor shall any provision herein imply or establish an obligation on the part of ZCF, its affiliates or other designated or approved suppliers to sell products to Franchisee if Franchisee is in arrears on any payment to ZCF, its affiliates or other designated or approved suppliers or otherwise in default under this Agreement If Franchisee fails to pay for the products purchased on a timely basis according to ZCF's then current published standards or if Franchisee fails to pay any other amounts due ZCF or any of its affiliates, ZCF may require payments to be made in cash on delivery ("**COD**"), and if payment is not made on that basis, ZCF or its affiliates may discontinue selling the products to Franchisee In addition, penalties and interest for late payments will apply on the same terms as for Royalties, described in **Section 5 3** above

11 3 No Warranties

ZCF AND ITS AFFILIATES MAKE NO WARRANTIES, EXPRESS OR IMPLIED, REGARDING MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF ANY OF THE PRODUCTS PURCHASED BY FRANCHISEE FROM ZCF OR ITS AFFILIATES

11 4 Changes in Inventory

It is understood that ZCF and its affiliates shall have the right, at any time and without notice, to add items to, or withdraw items from, the list of products required to be offered for sale in a ZIGGI'S Coffee Shop, to add to or delete from the list of approved suppliers of products, and to change the prices, discounts, or terms of sale of any products, provided, however no such changes in prices, discounts or terms shall affect accepted orders pending with ZCF and its affiliates at the time of change No such changes will give Franchisee the right to recover damages against, or be reimbursed, by ZCF or its affiliates for any losses suffered by Franchisee, nor will Franchisee be entitled to require ZCF and its affiliates to accept return of any of the products rendered obsolete by such changes In the event of such changes, however, the sale by Franchisee of its existing stock of products which are no longer approved, or products in its existing stock from a supplier no longer approved, shall not be considered a violation hereof

12 FRANCHISEE'S OPERATIONAL COVENANTS

12 1 Business Operations

Franchisee acknowledges that it is solely responsible for the successful operation of its Coffee Shop and that the continued successful operation thereof is partially dependent upon Franchisee's compliance with this Agreement and the Operations Manual In addition to all other obligations contained herein and in the Operations Manual, Franchisee agrees that

a Franchisee shall maintain a clean, safe, and high quality Coffee Shop operation and shall promote and operate the business in accordance with the Operations Manual and in such a manner as not to detract from or adversely reflect upon the name and reputation of ZCF and the goodwill associated with the ZIGGI'S name and Marks

b Franchisee will conduct itself and operate its Coffee Shop in compliance with all applicable laws, regulations and other ordinances and in such a manner so as to promote a good public image in the business community In connection therewith, Franchisee will be solely and fully responsible for obtaining any and all licenses to operate the Coffee Shop Franchisee shall keep copies of all health department, fire department, building department and other similar reports of inspections by governmental authorities on file and available for inspection by ZCF Franchisee shall immediately forward to ZCF any such reports or inspections in which Franchisee has been found not in compliance with the underlying regulation Franchisee shall also promptly notify ZCF in writing of any notices of default or non-compliance under its lease or any other third-party contracts related to the operation of the Coffee Shop, by sending copies of all such notices to ZCF ZCF has no obligation to advise Franchisee of any legislative or other legal developments that may affect its ZIGGI'S Coffee Shop Franchisee is solely responsible for inquiring about and becoming familiar with all applicable laws, ordinances, and regulations, and determining those actions required for compliance Any information ZCF provides to Franchisee regarding applicable laws, ordinances, or regulations does not relieve Franchisee of its responsibility to consult with its own legal advisor and otherwise take appropriate action to inquire about and comply with applicable laws, ordinances, and regulations

c Franchisee acknowledges that proper management of the Coffee Shop is important and shall ensure that Franchisee (or its Managing Owner) or a Designated Manager who has completed the initial training program will be responsible for management of the Coffee Shop after commencement of operations and be present at the Shop Location during operation of the Coffee Shop Franchisee shall require each of its Designated Managers and other employees who have access to the Operations Manual to sign the Nondisclosure and Noncompetition Agreement in a form approved by ZCF, and send a copy of such signed agreements to ZCF

d Franchisee acknowledges that ZCF requires and authorizes Franchisee to offer only authorized products and services as are more fully described in the Operations Manual, which may include, without limitation, gourmet specialty coffee, espresso, tea, fruit smoothies, fresh sandwiches and wraps, and other food and drink items, plus packaged coffee and coffee-related merchandise, and related products and services designated by ZCF Franchisee shall maintain at all times a sufficient supply of all menu items and related food and paper products to ensure, insofar as possible, that such items are at all times available to its customers Franchisee shall not offer, sell or ship any goods or services to other franchisees without ZCF's prior written consent Franchisee shall offer all types of services and products as from time to time may be prescribed by ZCF and shall not offer any other types of services or products, from or through the Coffee Shop, unless ZCF's written consent is first obtained Franchisee shall engage in all types of advertising, marketing and promotional activities as from time to time may be prescribed by ZCF and shall not engage in any advertising, marketing or promotional activities unless ZCF's written consent is first obtained

e Franchisee shall promptly pay when due all taxes and other obligations owed to third parties, including without limitation, all federal, state, county and local taxes, and any and all accounts payable or other indebtedness incurred by Franchisee in operating the Coffee Shop

f Franchisee shall comply with all agreements with third parties related to the Coffee Shop including, in particular, all provisions of any lease for the Shop Location If the term of the lease for the Shop Location ends before the term of this Agreement expires, Franchisee shall negotiate a renewal of the lease term in good faith If Franchisee is unable to renew the lease at the Shop Location, Franchisee may find a different site reasonably proximate to the Shop Location, submit it to ZCF for approval with the Relocation Fee and, following ZCF's approval, move Franchisee s Coffee Shop to the new location, at Franchisee's sole cost

g Franchisee agrees to renovate, refurbish, remodel or replace, at its own expense, the real and personal property and equipment used in the operation of the Coffee Shop, when required by ZCF in order to comply with the image, standards of operation and performance capability established by ZCF from time to time If ZCF changes its image or standards of operation, it shall give Franchisee a reasonable period of time within which to comply with such changes

h Franchisee shall not operate any other business or profession from or through the Coffee Shop If Franchisee is an entity, the entity shall only operate the ZIGGI'S Coffee Shop governed by this Agreement and no other business, unless Franchisee receives ZCF's prior written approval Franchisee shall at all times during the term of this Agreement own and control the Coffee Shop authorized hereunder Upon request of ZCF, Franchisee shall promptly provide satisfactory proof of such ownership to ZCF Franchisee represents that the Statement of Ownership, attached hereto as Attachment IV, is true, complete, accurate and not misleading Franchisee shall promptly provide ZCF with a written notification if the information contained in the Statement of Ownership changes at any time during the term of this Agreement and shall comply with the applicable transfer provisions contained in **Article 17**

i Franchisee shall at all times during the term of this Agreement keep its Coffee Shop open during the business hours as may be designated by ZCF from time to time in the Operations Manual Any deviations from the required hours must be approved in writing by ZCF j Franchisee shall obtain and maintain computer hardware, software and a high speed Internet connection meeting ZCF's standards and specifications as they may exist from time to time Franchisee shall allow ZCF continuous access to the data and information on Franchisee's computers and point of sale system without interruption, except for power outages and other events outside of Franchisee's control Franchisee agrees that ZCF may assign an electronic mail address to Franchisee and Franchisee agrees to use such address to access messages and information posted by ZCF and other ZIGGI S franchise owners ZCF may post information about Franchisee's Coffee Shop on ZCF's intranet system and/or on ZCF's website(s) In the event ZCF sets up an electronic intranet system, Franchisee agrees to participate in ZCF's electronic intranet system whereby ZCF and all ZIGGI'S Coffee Shop owners exchange information electronically

k Franchisee shall procure, maintain and provide evidence of insurance for the Coffee Shop and its operations, of the types, in the amounts, and with such terms and conditions as ZCF may from time to time prescribe, in the Operations Manual or otherwise All of the required policies of insurance shall show ZCF as an additional insured and shall provide for 30-day advance written notice to ZCF of cancellation or modification

l Franchisee will provide proof of insurance to ZCF prior to commencement of operations at its Coffee Shop and proof of workers compensation insurance prior to sending any employee to the training program described in **Article** 7 This proof will show that the insurer has been authorized to inform ZCF in the event any policies lapse or are cancelled ZCF has the right to change the minimum amount of insurance Franchisee is required to maintain by giving Franchisee prior notice Noncompliance with the insurance provisions set forth herein shall be deemed a material breach of this Agreement, in the event of any lapse in insurance coverage, in addition to all other remedies, ZCF shall have the right to demand that Franchisee cease operations of the Coffee Shop until coverage is reinstated or, alternatively, pay any delinquencies in premium payments and charge the same to Franchisee

m Franchisee must use its best efforts to promote and advertise its Coffee Shop and participate in all national or special advertising and promotional programs established by ZCF Except as prohibited or limited by law, Franchisee shall fully participate in all promotional campaigns, prize contests, special offers, gift card programs, discount programs including deal-of-the-day and crowdsourcing programs, and other programs, whether international, national, regional, or local in nature (including the introduction of new products or services or other marketing programs directed or approved by ZCF), which are prescribed from time to time by ZCF Franchisee shall be responsible for the costs of such participation In addition, Franchisee shall honor any coupons, gift certificates, gift cards, discounts, or other authorized promotional offers of ZCF at Franchisee's sole cost Franchisee acknowledges that ZCF frequently implements such promotions intended to increase customer awareness and build business on an international, national, regional, or local level, and Franchisee's participation in these promotions is essential to their success Franchisee acknowledges that ZCF has no obligation to reimburse Franchisee for the costs associated with participating in these promotions In ZCF's discretion, it may create and make available to the public a mobile device application for the Ziggi's system, which may incorporate these type of promotional programs and offers, which Franchisee must participate in and honor at its sole cost ZCF may impose additional conditions and requirements related to the application when operational From time to time a promotion may not benefit all franchisees in the ZIGGI'S system, and if the promotion is not offered in the region, or another unknown hardship arises, ZCF may, at ZCF's option, exempt Franchisee and/or other franchisees on a case-by-case basis n Franchisee must accept credit and debit cards from customers of its ZIGGI'S Coffee Shop Franchisee shall not charge its customers any additional fees or service charges if they elect to pay by credit or debit card The Payment Card Industry ("**PCI**") requires all companies that process, store, or transmit credit or debit card information to protect the cardholders' information by complying with the PCI Data Security Standard ("**PCI DSS**") Therefore, Franchisee shall be PCI compliant by following and adhering to the then-current PCI DSS, currently found at www pcisecuritystandards org, or any similar or subsequent standard for the protection of cardholder data throughout the term of this Agreement Franchisee's ZIGGI'S Coffee Shop shall be in compliance with PCI DSS at all times

o Unless prohibited by applicable law, ZCF may periodically set a maximum or minimum price that Franchisee may advertise and charge for products and services offered by its ZIGGI'S Coffee Shop If ZCF establishes a maximum price for any products or services, Franchisee shall not offer or sell those products or services at any greater price If ZCF establishes a minimum price for any products or services, Franchisee shall not offer or sell those products or services at any lesser price If ZCF does not establish pricing limits, it may establish suggested prices Franchisee must abide by ZCF's advertising policies related to advertising prices

12 2 Requirements for Entity Franchisees

If Franchisee is a corporation, partnership, limited liability company or other business entity, the following additional conditions must be met along with any other conditions as may be established by ZCF for entity franchisees

a Contemporaneously with the business entity acquiring the franchise rights, thereafter upon the issuance or transfer of any ownership interests in the business entity or the appointment or election of any person as director, officer, member or manager of the business entity, and at any other time requested by ZCF, the shareholders, members, partners, other owners, directors, officers, managers (as applicable), and any other individuals as designated by ZCF will execute the Guaranty and Assumption of Franchisee's Obligations attached hereto as Attachment V and incorporated herein by reference, personally guaranteeing full payment and performance of Franchisee's obligations to ZCF and individually undertaking to be bound, jointly and severally, by all the terms of this Agreement

b No shares in the capital of such corporation or other interest in the business entity shall be issued nor shall Franchisee directly or indirectly, voluntarily or involuntarily, by operation of law or otherwise, sell, assign, transfer, convey, donate, pledge, mortgage or otherwise encumber any such shares or other interest or other interest or offer or attempt to do so or permit the same to be done without ZCF's prior written consent Such actions shall be deemed a transfer, as defined in **Section 17 1**, and subject to the requirements of **Article 17** below

c The business entity shall maintain stop transfer instructions against the transfer of ownership on its records subject to the restrictions of this Agreement and shall have all outstanding certificates of ownership endorsed with the following legend printed conspicuously upon the face of each certificate

The transfer of the shares represented by this certificate is subject to the terms and conditions of a certain Franchise Agreement with Ziggi's Coffee Franchise, LLC

d The articles of incorporation or organization and by-laws, operating agreement or other governing documents of the business entity shall provide that its objectives or business is confined exclusively to the operation of the ZIGGI'S Coffee Shop as provided for in this Agreement, and recite that the issuance and transfer of any ownership interest in the business entity is restricted by the terms of this Agreement, and copies thereof shall be furnished to ZCF upon request

12 3 Employees

Franchisee will be solely responsible for the recruitment, appointing, and hiring of any employees, independent agents, the Designated Manager, or other authorized representatives of the ZIGGI'S Coffee Shop (collectively referred to as "**Employees and Agents**") Those Employees and Agents will be employees or agents of Franchisee They are not employees or agents of ZCF and ZCF is not the joint employer of those persons Franchisee will have sole authority and control over the day-to-day operations of the Coffee Shop and its Employees and Agents ZCF will have no right or obligation to direct Franchisee's Employees and Agents or to operate the Coffee Shop It is Franchisee's responsibility to determine compensation of Employees and Agents, terms of employment, safety regulations, work assignments, work schedules, and working conditions Any information regarding any of those issues provided to Franchisee by ZCF are mere suggestions and Franchisee shall have the sole discretion to utilize such information or not Franchisee is solely responsible for implementing training and other programs for the Employees and Agents related to the legal, safe, and proper performance of their work, regardless of the fact that ZCF may provide advice, suggestions, and certain training programs as described in this Agreement Such advice, suggestions, and training by ZCF are provided to protect ZCF's brand and the Marks and not to control the day-to-day operation of Franchisee s Coffee Shop Franchisee will keep ZCF informed of the names, addresses and telephone numbers of all Employees and Agents Franchisee shall also cause each Employee and Agent who has access to the Operations Manual to execute ZCF's standard Nondisclosure and Noncompetition Agreement

13 ADVERTISING

13 1 Approval and Use of Advertising

Franchisee shall obtain ZCF's prior written approval of all written advertising or other marketing or promotional programs not previously approved by ZCF regarding the Coffee Shop, including, without limitation, 'Yellow Pages" advertising, newspaper ads flyers, brochures, coupons, direct mail pieces, specialty and novelty items, radio and television advertising, Internet "web" pages and other home pages or domain names on any common carrier electronic delivery system Any proposed written advertising or a description of a marketing or promotional program not previously approved by ZCF shall be submitted to ZCF at least 10 days prior to publication, broadcast or use Franchisee acknowledges that advertising and promoting the Coffee Shop in accordance with ZCF's standards and specifications is an essential aspect of the Licensed Methods, and Franchisee agrees to comply with all advertising standards and specifications Franchisee also agrees to participate in any promotional campaigns and advertising and other programs that ZCF periodically establishes

13 2 Grand Opening

Franchisee agrees to conduct a grand opening marketing program for the Coffee Shop at the time and in the manner specified by ZCF and agrees to spend at least $10,000 00 for marketing materials and product give-a-ways that comprise the grand opening program, before opening and in the first three months of operating the Coffee Shop Franchisee must submit its grand opening marketing plan to ZCF and obtain ZCF's approval of that plan prior to implementation Franchisee will provide ZCF with a summary of grand opening program expenditures within 120 days after the Coffee Shop opens

13 3 Marketing and Technology Fee

ZCF reserves the right to require Franchisee pay to ZCF, in addition to Royalties, a Marketing and Technology Fee ("**Marketing and Technology Fee**") of 2 percent of the total amount of Franchisee s Gross Sales ZCF may implement and require the Marketing and Technology Fee at any time after there are at least 10 ZIGGI'S Coffee Shop franchisees in the system The Marketing and Technology Fee shall be in addition to and not in lieu of any local advertising conducted by Franchisee The following terms and conditions will apply to the Marketing and Technology Fee payment

a The Marketing and Technology Fee shall be payable daily, concurrently with the payment of the Royalties, based on Gross Sales (as defined in **Section 5 2**) for the immediately preceding day After the sixth full month following the Commencement Date, Franchisee must pay ZCF a Marketing and Technology Fee of at least $300 00 per month (the "**Minimum Marketing and Technology Fee**") Starting at that time, if the total Marketing and Technology Fee paid daily over the course of any full calendar month (the "**Monthly Percent Marketing and Technology Fee**") is less than the Minimum Marketing and Technology Fee, then the difference between the Minimum Marketing and Technology Fee and the Monthly Percent Marketing and Technology Fee paid (the "**Marketing and Technology Fee Reconciliation Payment**") shall be due immediately upon the end of that calendar month The Marketing and Technology Fee and Marketing and Technology Fee Reconciliation Payment shall be paid by electronic transfer of funds pursuant to the Authorization Agreement for preauthorized payment described in **Section 5 3** The Marketing and Technology Fee collected by ZCF will be deposited by ZCF in one or more bank accounts, and will be separately designated as "**ZIGGI'S Marketing and Technology Fund**" (referred to collectively as the "**Fund**") The Marketing and Technology Fees will be subject to the same late charges, interest and administrative fees as the Royalties Upon written request by Franchisee, ZCF will make available to Franchisee, no later than 120 days after the end of each calendar year, an annual unaudited financial statement for the Fund which indicates how deposits to the Fund have been spent ZCF has the right to deposit into the Fund any advertising, marketing, or similar allowances paid by suppliers who deal with ZIGGI'S Coffee Shops, in ZCF's sole discretion ZIGGI'S Coffee Shops that ZCF or its affiliates own will contribute to the Fund on the same basis as franchisees, except that ZCF in its sole discretion may designate some or all of the Marketing and Technology Fees of a particular ZIGGI'S Coffee Shop be paid to a Regional Advertising program as defined in **Section 13 5** instead of the Marketing and Technology Fund

b The Fund will be administered by ZCF in its discretion The Fund proceeds may be used for researching, preparing, maintaining, administering and directing advertising and promotional materials and public relations programs, including production of commercial print, radio, television, magazine, newspaper, Internet advertising, direct response literature, direct mailings, brochures, collateral materials advertising, surveys of advertising effectiveness, the establishment and operation of gift card and loyalty card programs, and other advertising or public relations expenditures, for any international, national, or regional media (collectively, the "**Marketing**") The Fund proceeds may also be used to pay for the expenses related to researching, developing, implementing, servicing, and operating any technology used in any manner related to the ZCF franchise system or ZIGGI'S Coffee Shop businesses, including ZCF's website, search engine optimization, reporting of information for ZIGGI'S Coffee Shops, the equipment used in ZIGGI'S Coffee Shop businesses, or ZIGGI'S Coffee Shop POS and computer systems (collectively, the "**Technology**") ZCF may also use the Marketing and Technology Fund for product development and menu changes ZCF may reimburse itself for administrative costs, salaries and overhead expenses related to the administration of the Fund and its Marketing and Technology programs, including conducting Marketing and Technology research, preparing material, collecting and accounting for Marketing and Technology Fees, bookkeeping, independent audits, legal expenses, taxes, and all other reasonable direct or indirect expenses that ZCF or its authorized representatives incur with the programs or work funded by the Fund ZCF may use outside advertising agencies, consultants, and vendors or in-house personnel, or both, to provide services for Marketing or Technology or create local, regional or national advertising, including ad slicks, radio spots, direct mail and other marketing pieces and programs None of the Marketing and Technology Fees will be used for advertising that is primarily for solicitation for the sale of franchises

c ZCF has no fiduciary obligation to Franchisee in connection with the operation of the Marketing and Technology Fund ZCF will not be liable for any act or omission that is consistent with this Agreement and is done in good faith ZCF undertakes no obligation to ensure that the Fund benefits each Coffee Shop in proportion to its respective contribution ZCF is not obligated to spend any amount on Marketing or Technology related to Franchisee's geographic area The Fund's primary purpose is to promote sales by and improve the Technology for the entire ZIGGI'S system, and to build brand identity Franchisee agrees to participate in any promotional campaigns and advertising and other programs that the Fund periodically establishes

d ZCF may spend in any fiscal year an amount greater or less than the aggregate contribution of all Coffee Shops to the Fund in that year, and the Fund may borrow from ZCF or others to cover deficits or to invest in any surplus for future use All interest earned on monies contributed to the Fund will be used to pay advertising costs before other assets of the Fund are expended Any excess contributions to the Marketing and Technology Fund that are not spent in the year they are received will be applied towards future Technology and Marketing expenses

e ZCF may cause the Fund to be incorporated or operated through a separate entity, at such time as ZCF deems appropriate, and such successor entity, if established, will have all rights and duties of ZCF with respect to the Fund as specified in this Section

f ZCF reserves the right to establish one or more advertising councils composed of franchisees that advises ZCF on the Fund and/or other Marketing, Technology, or advertising matters, on such terms as ZCF shall establish Once such an advertising council is created, ZCF may disband or terminate the council in its sole discretion

g Although ZCF intends the Fund to be of perpetual duration, ZCF reserves the right to terminate the Fund ZCF will not terminate the Fund, however, until all monies in the Fund have been expended for Technology, Marketing, advertising, and promotional purposes

h Additional details of the Fund will be set forth in the Operations Manual and provided to Franchisee

i Once Franchisee makes contributions to the Fund, all such monies will be used as required by this Section and will not be returned to Franchisee

13 4 <u>Local Advertising</u>

Except for the grand opening marketing in **Section 13 2**, Franchisee is not required to spend any minimum amounts for local advertising, although ZCF strongly recommends that Franchisee conduct local advertising Although ZCF currently does not require Franchisee to expend a specific amount or percentage of its Gross Sales on ongoing advertising, it reserves the right to do so in the future In that event, Franchisee will be required to submit regular reports to ZCF accounting for the use of these funds

13 5 Regional Advertising Programs

Although not obligated to do so, ZCF reserves the right to allocate all or a portion of the Marketing and Technology Fee or the required local advertising expenditure, if any, up to 2 percent of Franchisee's Gross Sales, to a regional advertising program ("**Regional Advertising**") for the benefit of the Coffee Shops located within a particular region The fees designated to the Regional Advertising programs may be used to pay regional, multi-regional or national marketing expenses ZCF has the right, in its sole discretion, to determine the composition of all geographic territories and market areas for the implementation of Regional Advertising and promotion campaigns and to require that Franchisee participate in such Regional Advertising programs as and when they may be established by ZCF If a Regional Advertising program is implemented on behalf of a particular region, ZCF reserves the right to establish an advertising cooperative for a particular region to enable the cooperative to self-administer the Regional Advertising program, and Franchisee agrees to participate in such cooperative according to the cooperative's then current rules and procedures and to abide by the cooperative's then current decisions ZCF may at any time, upon 30 days' prior written notice to Franchisee, suspend the operation of a Regional Advertising program or cooperative for one or more periods of any length and terminate (and, if terminated, reinstate) the Regional Advertising program or cooperative

13 6 Electronic Advertising

Franchisee shall not develop, create, distribute, disseminate or use any Internet advertising or website, or any multimedia, social media, telecommunication, mass electronic mail or audio/visual advertising, promotional or marketing materials ("**Electronic Advertising**"), without ZCF s prior written consent, which consent may be withheld in ZCF's sole discretion ZCF shall retain the exclusive right to develop and control the content of all Electronic Advertising for the ZIGGI'S Coffee Shops Franchisee acknowledges that ZCF shall own all Electronic Advertising related to the Marks and Licensed Methods ZCF reserves the right, upon 30 days' prior written notice, to require Franchisee, to create, customize or provide access to any websites, telecommunications, audio/visual advertising, promotional or marketing material as part of the Electronic Advertising If ZCF permits or requires Franchisee to develop any Electronic Advertising, Franchisee shall do so in compliance with ZCF's policies and rules regarding the creation, maintenance, use and content of such Electronic Advertising as set forth in this Agreement, the Operations Manual or Electronic Advertising code of conduct that ZCF may develop, disseminate and modify from time to time

14 QUALITY CONTROL

14 1 Standards and Specifications

ZCF will make available to Franchisee standards and specifications for services and products offered at or through the Coffee Shop and the uniforms, recipes, materials, forms, menus, items and supplies used in connection with the franchised business ZCF reserves the right to change standards and specifications for services and products offered at or through the Coffee Shop or for the uniforms, recipes, materials, forms, items and supplies used in connection with the franchised business upon 30 days prior written notice to Franchisee Franchisee's Coffee Shop must participate in all promotions ZCF institutes for all ZIGGI'S Coffee Shops, or all Coffee Shops within a particular market area ZCF may institute different promotions for different types of Coffee Shops, such as Double Drive Throughs, Cafes, and Cafes with Drive Throughs

14 2 Inspections

ZCF shall have the right to enter the Shop Location at all times to inspect Franchisee's operations and to require any changes to the premises of the Shop Location that in ZCF's sole discretion are necessary to protect the Licensed Methods and Marks, including the removal of signs or other items that are not in accordance with the Licensed Methods ZCF shall have the right to interview customers, examine the Shop Location and to examine and copy Franchisee's books, records, and documents, including without limitation, the inventory, products, equipment, materials and supplies, to ensure compliance with all standards and specifications set by ZCF ZCF shall conduct such inspections during regular business hours without prior notice to Franchisee ZCF also reserves the right to use third party shopping services from time to time to evaluate the operation of the ZIGGI'S Coffee Shop, without prior notification to Franchisee

14 3 Restrictions on Services and Products

Franchisee is prohibited from offering or selling any services or products from or through the Coffee Shop that have not been previously authorized by ZCF However, if Franchisee proposes to offer, conduct or utilize any services, products, materials, forms, items or supplies for use in connection with or sale through the Coffee Shop that are not approved by ZCF, Franchisee shall first notify ZCF in writing requesting approval ZCF may, in its sole discretion, elect to withhold such approval, however, in order to make such determination, ZCF may require submission of specifications, information, or samples of such services, products, materials, forms, items or supplies ZCF will advise Franchisee within a reasonable time whether such products, supplies or services meet its specifications A charge not to exceed the actual cost of the review may be made by ZCF and shall be paid by Franchisee If Franchisee sells any unapproved products or services in or through its ZIGGI'S Coffee Shop, Franchisee shall be in default of this Agreement in accordance with **Section 19 2 t** and be liable to ZCF for 100 percent of the Gross Sales amount received for such unapproved products and services

14 4 Approved Suppliers

Franchisee shall purchase all equipment, products, services, supplies and materials required for the operation of the Coffee Shop licensed herein, from manufacturers, suppliers or distributors designated by ZCF, which may be ZCF itself, or, if there is no designated supplier for a particular product, service, supply or material, from such other suppliers who meet all of ZCF's specifications and standards as to quality, composition, finish, appearance and service, and who shall adequately demonstrate their capacity and facilities to supply Franchisee's needs in the quantities, at the times, and with the reliability requisite to an efficient operation ZCF reserves the right to designate, from time to time, a single supplier for any services, products, equipment, supplies or materials and to require Franchisee to use such a designated supplier exclusively, which exclusive designated supplier may be ZCF or its affiliate ZCF may require Franchisee to make payments to ZCF for the benefit of designated suppliers not affiliated with ZCF ZCF and its affiliates may receive payments from suppliers on account of such suppliers' dealings with Franchisee and other franchisees and ZCF may use all amounts so received without restriction and for any purpose ZCF and its affiliates deem appropriate

14 5 Request for Change of Supplier

In the event Franchisee desires to purchase products, services, supplies or materials from manufacturers, suppliers or distributors other than those previously approved by ZCF, Franchisee shall, prior to purchasing any such products, services, supplies or materials, give ZCF a written request to change supplier ZCF shall notify Franchisee in writing of its approval or rejection of the proposed supplier within a reasonable time, but not to exceed 30 days after ZCF's completion of its investigation of the proposed supplier ZCF may from time to time inspect any manufacturer's, supplier's, or distributor's facilities and products to assure proper production, processing, storing and transportation of products, services, supplies or materials to be purchased by Franchisee Permission for such inspection shall be a condition of the continued approval of such manufacturer, supplier or distributor ZCF may, in its sole discretion, for any reason whatsoever, elect to withhold approval of the manufacturer, supplier or distributor, however, in order to make such determination ZCF may require that samples from a proposed new supplier be delivered to ZCF for testing prior to approval and use A charge not to exceed the actual cost of the test may be made by ZCF and shall be paid by Franchisee

15 MARKS, TRADE NAMES AND PROPRIETARY INTERESTS

15 1 Marks

Franchisee hereby acknowledges that ZCF has the sole right to license and control Franchisee's use of the ZIGGI'S COFFEE service mark, design and other of the Marks, and that such Marks shall remain under the sole and exclusive ownership and control of ZCF Franchisee acknowledges that it has not acquired any right, title or interest in the Marks except for the right to use the Marks in the operation of its Coffee Shop as it is governed by this Agreement Franchisee shall display the Marks prominently at the Coffee Shop and on packaging and serving materials and in connection with forms, advertising and marketing, all in a manner as ZCF shall prescribe Franchisee further agrees that no Marks other than "ZIGGI'S," "ZIGGI'S COFFEE" or such other trademarks as may be specified by ZCF shall be used in the marketing, promotion, identification or operation of the Coffee Shop, except with ZCF's prior written consent Franchisee may not use any of the Marks, except as allowed by ZCF in writing, as part of any domain name or electronic address it maintains on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system

15 2 Licensed Methods

Franchisee hereby acknowledges that ZCF owns and controls the distinctive plan for the establishment, operation and promotion of Coffee Shops and all related licensed methods of doing business, previously defined as the Licensed Methods, which include, but are not limited to, recipes, menu items and food and beverage preparation, technical Coffee Shop equipment standards, customer relations, marketing techniques, written promotional materials and Operations Manual contents, advertising, and accounting systems, all of which constitute trade secrets of ZCF, and Franchisee acknowledges that ZCF has valuable rights in and to such trade secrets Franchisee further acknowledges that it has not acquired any right, title or interest in the Licensed Methods, except for the right to use the Licensed Methods in the operation of the Coffee Shop, and that any and all innovations, additions or improvements made to the Licensed Methods, even if by Franchisee, shall belong to ZCF

15 3 Trademark Infringement

Franchisee agrees to notify ZCF in writing of any possible infringement or illegal use by others of a trademark the same as or confusingly similar to the Marks which may come to its attention Franchisee acknowledges that ZCF shall have the right, in its sole discretion, to determine whether any action will be taken in response to any possible infringement or illegal use and agrees to fully cooperate with ZCF in any such litigation or other action

15 4 Franchisee's Business Name

Franchisee acknowledges that ZCF has a prior and superior claim to the ZIGGI'S and ZIGGI'S COFFEE trade names Franchisee shall not use the word "ZIGGI'S" in the legal name of its corporation, partnership or any other business entity used in conducting the business provided for in this Agreement Franchisee also agrees not to register or attempt to register a trade name using the words "ZIGGI'S" or any portions thereof in Franchisee's name or that of any other person or business entity During the term of this Agreement, ZCF may require that Franchisee post a sign at its Shop Location, and include a reference on its letterhead, contracts, business cards and/or other items, stating that it is an "authorized franchisee of ZIGGI'S COFFEE FRANCHISE, LLC," or other language specified by ZCF

15 5 Change of Marks

In the event ZCF, in its sole discretion, decides to modify or discontinue use of any proprietary Marks, or to develop additional or substitute marks, Franchisee shall, within a reasonable time after receipt of written notice thereof, take such action, at Franchisee's sole expense, as may be necessary to comply with such modification, discontinuation, addition or substitution ZCF need not reimburse Franchisee for its direct expenses related to changing the Coffee Shop's signs or menus, for any loss of revenue due to any modified or discontinued Mark, or for its expenses of promoting a modified or substitute trademark or service mark

15 6 Creative Ownership

All copyrightable works created by Franchisee or any of its owners, officers or employees in connection with the Coffee Shop shall be the sole property of ZCF Franchisee assigns all proprietary rights, including copyrights, in these works to ZCF without additional consideration Franchisee hereby assigns and will execute such additional assignments or documentation to effectuate the assignment of all intellectual property, inventions, copyrights and trade secrets developed in part or in whole in relation to the Coffee Shop, during the term of this Agreement as ZCF may deem necessary in order to enable it, at its expense to apply for, prosecute and obtain copyrights, patents or other proprietary rights in the United States and in foreign countries or in order to transfer to ZCF all right, title, and interest in said property Franchisee shall promptly disclose to ZCF all inventions, discoveries, improvements, creations, patents, copyrights, trademarks and confidential information relating to the Coffee Shop which it or any of its owners, officers or employees has made or may make solely, jointly or commonly with others and shall promptly create a written record of the same In addition to the foregoing, Franchisee acknowledges and agrees that any improvements or modifications, whether or not copyrightable, directly or indirectly related to the Coffee Shop, shall be deemed to be a part of the Licensed Methods and shall inure to the benefit of ZCF

16 REPORTS, RECORDS AND FINANCIAL STATEMENTS

16 1 Franchisee Reports

Franchisee shall, at Franchisee's expense, provide to ZCF financial and accounting reports in the manner and form ZCF requires, including

a Daily summary reports, including all Gross Sales information, submitted at the end of each day and containing information relative to the previous day's operations These reports will be submitted to ZCF automatically through the required POS System(s), although ZCF may require that they be submitted in a different manner and at different intervals

b Any other data, information and supporting records requested by ZCF from time to time (including without limitation daily and weekly reports of product sales by category) c Within 15 days after the end of each month, an income statement of Franchisee's Coffee Shop for such month and for the fiscal year to date, prepared in accordance with generally accepted accounting principles ("**GAAP**") consistently applied, in ZCF's recommended format

d Within 90 days after the end of Franchisee's fiscal year, which shall be the calendar year, an income statement and balance sheet of Franchisee's Coffee Shop for such fiscal year (reflecting all year-end adjustments), and a statement of changes in cash flow of the Coffee Shop, prepared in accordance with GAAP, consistently applied, and in ZCF's recommended format ZCF reserves the right to require that Franchisee have reviewed financial statements prepared on an annual basis by an accountant

16 2 <u>Financial Records Use and Access</u>

ZCF reserves the right to disclose data derived from all financial and accounting reports received from Franchisee ZCF requires that Franchisee install and maintain, as a part of the POS System(s), a high speed Internet connection at the Coffee Shop which ZCF may access to obtain sales information and data from the POS System(s) and Franchisee agrees to cooperate with ZCF's procedures regarding such POS System(s) With respect to the operation and financial condition of the Coffee Shop, Franchisee agrees to furnish ZCF with the financial and accounting reports required hereunder in a form prescribed by ZCF which may include, without limitation, computer diskette, electronic mail and facsimile transmission

16 3 <u>Books and Records</u>

Franchisee shall maintain all books and records for its Coffee Shop in accordance with GAAP, consistently applied, and preserve such records, including cash register tapes, shift reports, weekly operating summaries and sales tax returns, for at least five years after the fiscal year to which they relate

16 4 <u>Audit of Books and Records</u>

Franchisee shall maintain its books and records relating to its Coffee Shop for at least five years after the fiscal year to which they relate ZCF or its designated representatives may inspect and/or audit such records, or any other records of Franchisee or any party affiliated with Franchisee, including but not limited to Franchisee's Designated Manager and Managing Owner, and all other owners of Franchisee, other guarantors, officers, or directors, any immediate family members of Franchisee or of such affiliated parties, or any companies or entities associated with Franchisee or such affiliated parties, that ZCF in its sole discretion determines may be relevant in determining the business results of Franchisee's Coffee Shop, such as verifying that Franchisee has paid all fees owed to ZCF Any such inspection or audit shall be conducted at ZCF's expense, except that Franchisee will be responsible for any expenses associated with collecting and delivering any documents requested by ZCF for its inspection or audit Inspections and audits conducted at the Shop Location may take place without prior notice, during normal business hours ZCF may also require at any time the records from Franchisee or its affiliated parties be sent to ZCF's offices or another location to permit the inspection or audit of such records to be conducted at ZCF's place of business or the other location If ZCF notifies Franchisee that documents are to be sent to a location other than the Shop Location for the purpose of conducting an inspection or audit at that location, Franchisee shall provide the requested documents to ZCF within the time period set forth in ZCF's notice Franchisee agrees that ZCF will have the right to inspect and audit any records of Franchisee or any affiliated party that ZCF determines to be relevant in its sole discretion, which records may include but are not limited to (i) tax returns, (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets, (iii) copies of check ledgers and bank statements for checking and savings accounts, (iv) copies of any checks or other evidence of payments, (v) all contracts or agreements entered into by Franchisee and any third parties related to the Coffee Shop, and (vi) any other documents requested by ZCF ZCF may audit and inspect documents covering a period beginning with the date on which Franchisee first acquired its Coffee Shop and ending on the date such audit is concluded All documents provided for ZCF's inspection or audit must be certified by Franchisee and the appropriate affiliated party, if applicable, as true, complete and correct Inspections and audits may be conducted following the termination or expiration of this Agreement for any reason If any inspection or audit discloses a deficiency in amounts of payments owed to ZCF pursuant to this Agreement then such amounts will become immediately payable to ZCF by Franchisee, with interest and late fees due in accordance with **Section 5 3** hereof In addition, if it is found by any inspection or audit that the Gross Sales of its Coffee Shop have been understated by 2 percent or more during the period audited, or if Franchisee has failed to submit to ZCF any statements or reports or failed to cooperate with the audit, Franchisee must pay all reasonable costs and expenses ZCF incurred in connection with the inspection or audit, including the costs and fees of any independent accountant and the travel and living expenses and compensation of any of ZCF's employees or agents conducting such inspection or audit

16 5 Act of Deception

Notwithstanding anything to the contrary contained in this Article, if a breach occurs under **Sections 5 1, 5 3, 13 3,** and **16 1**, due to Franchisee failing to pay or report to ZCF any sales pursuant to the terms established hereunder, or if Franchisee underpays any amounts owed to ZCF, including amounts discovered in an audit of Franchisee's books and records, or provides reports to ZCF that are incomplete, inaccurate or misleading in any respect, and said breach remains uncured for 15 days or more after notice of default has been given, said act shall be deemed a deceptive act by Franchisee to prevent ZCF from receiving its fees based on the Gross Sales of Franchisee's Coffee Shop (an "**Act of Deception**") Once an Act of Deception is discovered, ZCF or its designated representatives may conduct an inspection or audit of the records of Franchisee or any of its affiliated parties as stated in **Section 16 4** above, provided, however, that any inspection or audit conducted as a result of the discovery of an Act of Deception shall be performed at Franchisee's sole cost and expense and shall be conducted at any time of ZCF's choosing ZCF shall provide written notice to Franchisee of its election to conduct an audit of Franchisee's books and records pursuant to this Section and upon receipt of such written notice, Franchisee shall immediately pay to ZCF $25,000 00 (the "**Audit Fee**"), which Audit Fee shall be utilized by ZCF to offset the cost and expenses incurred by ZCF or its designated representatives in conducting such audit If the final costs and expenses of the audit are less than the Audit Fee, ZCF shall either, in its sole discretion, refund the excess portion of the Audit Fee to Franchisee or offset such excess portion of the Audit Fee against other amounts determined to be due to ZCF If the actual cost of the audit exceeds the Audit Fee, Franchisee shall pay ZCF the excess amount within 10 days of written notice of the deficiency and demand for payment Failure on the part of Franchisee to pay the excess amount shall be deemed a continuing default of Franchisee under this Agreement

17 TRANSFER

17 1 Transfer by Franchisee

Franchisee agrees that the rights and duties created by this Agreement are personal to Franchisee (or its shareholders, partners, members, or owners, if Franchisee is a corporation, partnership, limited liability company or other entity) and that ZCF has entered into this Agreement in reliance upon ZCF's perceptions of the individual or collective character, skill, aptitude, attitude, business ability, and financial capacity of Franchisee (or its shareholders, partners, members, or owners) Accordingly, without ZCF's prior written consent, which may be granted or withheld in ZCF's sole discretion, neither this Agreement (nor any interest in this Agreement) nor any interest in Franchisee, if Franchisee is a business entity, may be transferred Any unauthorized transfer is a breach of this Agreement, void, and of no effect As used in this Agreement, the term "**transfer**" includes Franchisee's (or owner's) voluntary, involuntary, direct or indirect assignment, sale, gift or other disposition of any interest in (1) this Agreement, (2) Franchisee entity, (3) the Coffee Shop governed by this Agreement, or (4) all or a substantial portion of the assets of the Coffee Shop

17 2 <u>Pre-Conditions to Franchisee's Transfer</u>

Franchisee agrees that there may be no transfers before the Coffee Shop has opened for business ZCF will not approve a proposed transfer in any case where Franchisee (and its owners) is not in full compliance with this Agreement The proposed transferee and its owners must be individuals of good moral character and otherwise meet ZCF's then applicable standards for franchisees In the event of a transfer, all of the following conditions must be met before or concurrently with the effective date of the transfer

a all amounts due and owing pursuant to this Agreement or otherwise by Franchisee to ZCF, its affiliates or to third parties whose debts or obligations ZCF has guaranteed on behalf of Franchisee, if any, are paid in full,

b Franchisee has submitted all required reports and statements,

c Franchisee has not violated any provision of this Agreement, the Shop Location lease, or any other agreement with ZCF during the 60-day period before Franchisee requested ZCF's consent to the transfer or during the period between Franchisee's request and the effective date of the transfer,

d the proposed transferee agrees to operate the Coffee Shop as a ZIGGI'S Coffee Shop, signs the then-current form of franchise agreement, the provisions of which may differ materially from any and all of those contained in this Agreement, and satisfactorily completes the initial training program,

e Franchisee provides written notice to ZCF at least 30 days prior to the proposed effective date of the transfer, and includes information reasonably detailed to enable ZCF to evaluate the terms and conditions of the proposed transfer, and which at a minimum includes a written offer from the proposed transferee,

f the proposed transferee provides information to ZCF sufficient for ZCF to assess the proposed transferee's business experience, aptitude and financial qualifications, and ZCF approves the proposed transferee as a franchisee,

g neither the transferee nor its owners or affiliates operate or have an interest in a Competitive Business (defined in **Section 21 1**),

h Franchisee's landlord allows Franchisee to transfer the Shop Location lease to the transferee,

i if Franchisee or its owners finance any part of the purchase price, Franchisee and/or its owners agree that all of the transferee's obligations under promissory notes, agreements, or security interests reserved in the Coffee Shop are subordinate to the transferee's obligations to pay fees and other amounts due to ZCF and otherwise to comply with this Agreement, j Franchisee executes a general release, in a form satisfactory to ZCF, of any and all claims against ZCF, its affiliates and their respective shareholders, members, managers, officers, directors, employees and agents, and

k Franchisee abides by all post-termination covenants, including, without limitation, the covenant not to compete set forth in **Section 21 2**

If ZCF approves the proposed transfer, Franchisee or the proposed transferee shall pay a transfer fee of $8,000 00, to cover ZCF's expenses related to the transfer, including training The transfer fee shall be due to ZCF upon ZCF's approval of the proposed transfer

17 3 ZCF's Approval of Transfer

ZCF has 30 days from the date of the written notice to approve or disapprove, in writing, Franchisee's proposed transfer Franchisee acknowledges that the proposed transferee shall be evaluated for approval by ZCF based on the same criteria as is currently being used to assess new franchisees of ZCF and that the proposed transferee shall be provided with such disclosures as may be required by state or federal law

17 4 Right of First Refusal

Franchisee grants to ZCF a 30-day right of first refusal to purchase such rights, interest or assets on the same terms and conditions as are contained in the written notice set forth in **Section 17 2 e**, provided, however, the following additional terms and conditions shall apply

a the right of first refusal will be effective for each proposed transfer and any material change in the terms or conditions of the proposed transfer shall be deemed a separate offer on which ZCF shall have a new 30-day right of first refusal,

b the 30-day right of first refusal period will run concurrently with the period in which ZCF has to approve or disapprove the proposed transferee, and

c if the consideration or manner of payment offered by a proposed transferee is such that ZCF may not reasonably be required to furnish the same, then ZCF may purchase the interest which is proposed to be sold for the reasonable cash equivalent If the parties cannot agree within a reasonable time on the cash consideration, such fair market value will be determined by three independent appraisers who collectively will conduct one appraisal ZCF will appoint one appraiser, Franchisee will appoint one appraiser and those appraisers will appoint the third appraiser ZCF and Franchisee will select their respective appraisers within 15 days after ZCF notifies Franchisee that ZCF is exercising the Option The two appraisers will appoint the third appraiser within 15 days after the date on which the last of the appointed appraisers is appointed ZCF and Franchisee will each bear the cost of their own appraiser and share equally the fees and expenses of the third appraiser ZCF and Franchisee will instruct the three appraisers to complete the appraisal within 30 days after the third appraiser's appointment If ZCF chooses not to exercise its right of first refusal, Franchisee shall be free to complete the transfer subject to compliance with **Sections 17 2 and 17 3**

17 5 Waiver of Transfer Fee and Right of First Refusal

ZCF will waive the transfer fee set forth in **Section 17 2** and the right of first refusal set forth in **Section 17 4**, in regard to the following transfers, although all other requirements set forth in this **Article 17** shall apply

a If Franchisee is a business entity, a transfer of less than 25 percent of the ownership interest in the Franchisee business entity If there are multiple transfers that result in a total transfer of 25 percent or more of the ownership interest in the Franchisee business entity, then this **Section 17 5** will no longer apply and Franchisee shall immediately comply with all requirements of this **Article 17**

b If Franchisee is one or more individuals, a transfer from such individual or individuals to a business entity in which they own not less than 75 percent of the total stock, membership interests, partnership interests or other ownership interests, and which is actively managed by them Any entity transferee shall comply with the terms of **Section 12 2**

17 6 Franchisee's Death or Disability

Upon the death or permanent disability of Franchisee (or an individual controlling a Franchisee entity), the personal representative of such person shall transfer Franchisee's interest in this Agreement or such interest in Franchisee entity to an approved third party Such disposition of this Agreement or such interest (including, without limitation, transfer by bequest or inheritance) shall be completed within a reasonable time, not to exceed 120 days from the date of death or permanent disability (unless extended by probate proceedings), and shall be subject to all terms and conditions applicable to transfers contained in this **Article 17** For purposes of a transfer made pursuant to this **Section 17 6**, there shall be no transfer fee charged by ZCF, provided that ZCF reserves the right to charge tuition for any training necessitated by the transfer Failure to transfer the interest within said period of time shall constitute a breach of this Agreement The term "**permanent disability**" shall mean a mental or physical disability, impairment or condition that is reasonably expected to prevent or actually does prevent Franchisee (or an owner controlling a Franchisee entity) from supervising the management and operation of the Coffee Shop for a period of 120 days from the onset of such disability, impairment or condition In any event, the Coffee Shop shall at all times be managed by a Designated Manager who has complied with all of ZCF's training requirements, regardless of any death or permanent disability covered by this **Section 17 6**

17 7 Transfer by ZCF

Franchisee acknowledges that ZCF maintains a staff to manage and operate the ZIGGI'S system and that staff members can change from time to time Franchisee represents that it has not signed this Agreement in reliance on any shareholder, member, manager, director, officer, or employee remaining with ZCF in that capacity ZCF may change its ownership or form and/or assign this Agreement and any other agreement without restriction This Agreement is fully transferable by ZCF and shall inure to the benefit of ZCF's successors and assigns After ZCF's transfer of this Agreement to a third party who expressly assumes ZCF's obligations under this Agreement, ZCF will no longer have any performance or other obligations under this Agreement

18 TERM AND SUCCESSOR FRANCHISE RIGHTS

18 1 Term

The initial term of this Agreement shall commence on the Effective Date, as defined in Section 24 17 below, and run for a period of 10 years from the Effective Date, unless sooner terminated as provided herein

18 2 Continuation

If Franchisee continues to operate the franchise and its ZIGGI'S Coffee Shop with ZCF's express or implied consent, following the expiration or termination of this Agreement, the continuation will be a month-to-month extension of this Agreement This Agreement will then be terminable by either party upon 30 days written notice Otherwise, all provisions of this Agreement will apply while the operations continue

18 3 Exercise of Option for Successor Franchise

Provided Franchisee is not in default hereunder either at the time of its notice of exercise of successor franchise rights or at the time of the grant of the successor franchise rights, at the end of the initial term hereof Franchisee will have the option to obtain a successor franchise for three additional terms of 10 years each, by acquiring successor franchise rights in accordance with the terms of this **Section 18 3** and **Section 18 4** below, unless ZCF declines to offer a successor franchise in accordance with **Section 18 5** below Franchisee may exercise its option for a successor franchise by giving written notice of such exercise to ZCF not more than one year nor less than 180 days prior to the scheduled expiration of this Agreement With the notice of exercise of its successor franchise rights, Franchisee shall submit to ZCF all information requested by ZCF regarding the operations of the ZIGGI'S Coffee Shop and required by this Agreement Franchisee's successor franchise rights will become effective upon compliance with those requirements set forth in **Section 18 4** below

18 4 Prerequisites for Successor Franchise Rights

Franchisee shall only be entitled to exercise its successor franchise rights if Franchisee

a At ZCF's option, and at least 30 days prior to expiration of the term, executes the form of Franchise Agreement then in use by ZCF, which may have terms substantially different than those set forth in this Agreement, including terms changing the Royalty and other fee amounts, and changing the number of options remaining to be exercised

b Is not in default or under notification of breach of this Agreement at the time it gives notice under **Section 18 3**, and has maintained compliance with all provisions of this Agreement during the current term, including the payment on a timely basis of all Royalties and other payments due hereunder "**Compliance**" means, at a minimum, that Franchisee has not received any written notification from ZCF of breach hereunder more than three times during the term hereof

c Agrees to upgrade and remodel the ZIGGI'S Coffee Shop at Franchisee's sole expense (the necessity of which shall be at ZCF's option) to conform with the then-current Operations Manual requirements d Executes a successor franchise rider in the form then in use by ZCF which (unless prohibited by law) includes a general release of any and all claims against ZCF, its affiliates and their respective officers, directors, employees and agents

e Pays a successor franchise fee ("**Successor Franchise Fee**") equal to 40 percent of the then-current standard Initial Franchise Fee charged by ZCF for a first ZIGGI'S Coffee Shop franchise upon each exercise of the successor franchise rights and any other fees set forth in the successor franchise rider to cover ZCF's expenses related to reviewing Franchisee's operations and approving the option The Successor Franchise Fee will be due and payable upon execution of ZCF's then current Franchise Agreement and will be nonrefundable under all circumstances once paid The Successor Franchise Fee is paid in lieu of an additional initial franchise fee

18 5 Conditions of Refusal

ZCF will not be obligated to offer Franchisee a successor franchise upon the expiration of this Agreement if Franchisee fails to comply with any of the above conditions of exercising a successor franchise

19 DEFAULT AND TERMINATION

19 1 Termination by Franchisee

a Provided Franchisee is not in default hereunder at the time of the notice or on the effective date of the termination, Franchisee may terminate this Agreement at its option at any time after the fourth anniversary of the Commencement Date, upon 90 days written notice and payment to ZCF of an early termination fee of $25,000 00

b Franchisee shall have the right to terminate this Agreement as the result of a material breach of this Agreement by ZCF, provided Franchisee provides ZCF with written notice of the breach within 30 days of the breach and a reasonable opportunity to cure such breach, which shall in no event be less than 90 days Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within a 90-day or other given period and ZCF has commenced and is continuing to make good faith efforts to cure the breach during the given period, ZCF will be given an additional reasonable period of time to cure the breach

c Any termination by Franchisee other than in accordance with this Section will be deemed a termination by Franchisee without cause and the Coffee Shop will be considered abandoned

d If Franchisee terminates this Agreement pursuant to this **Section 19 1**, Franchisee shall remain responsible for complying with the post termination obligations set forth in this Agreement, including in **Section 19 8** below

19 2 Termination by ZCF - Effective Upon Notice

ZCF shall have the right, at its option, to terminate this Agreement and all rights granted Franchisee hereunder, without affording Franchisee any opportunity to cure any default (subject to any state laws to the contrary, where state law shall prevail), effective upon receipt of notice by Franchisee, upon the occurrence of any of the following events

a **Unauthorized Disclosure** If Franchisee or any person under Franchisee's control intentionally or negligently discloses to any unauthorized person, or copies or reproduces, the contents of or any part of the Operations Manual or any other trade secrets or confidential information of ZCF,

b **<u>Unauthorized Opening</u>** If Franchisee begins operating the Coffee Shop without having obtained ZCF's prior written consent, as required in **Section 6 8**,

c **<u>Fraud or Conduct Affecting the Marks</u>** If Franchisee commits fraud in connection with the purchase of the ZIGGI'S Coffee Shop franchise, including making any material misrepresentations in its application for a franchise, or if Franchisee commits fraud in the operation of the Coffee Shop or otherwise engages in conduct that, in the sole judgment of ZCF, materially impairs the goodwill associated with the Marks,

d **<u>Act of Deception</u>** If Franchisee commits an Act of Deception, as defined in **Section 16 5**,

e **<u>Abandonment</u>** If Franchisee ceases to operate the Coffee Shop or otherwise abandons the Coffee Shop for a period of five consecutive days, or any shorter period that indicates an intent by Franchisee to discontinue operation of the Coffee Shop, unless and only to the extent that full operation of the Coffee Shop is suspended or terminated due to fire, flood, earthquake or other similar causes beyond Franchisee's control and not related to the availability of funds to Franchisee,

f **<u>Insolvency, Assignments</u>** If Franchisee or any of its guarantors becomes insolvent or is adjudicated a bankrupt, or any action is taken by Franchisee or any of its guarantors, or by others against Franchisee or any of its guarantors under any insolvency, bankruptcy or reorganization act, or if Franchisee or any of its guarantors makes an assignment for the benefit of creditors, or a receiver is appointed by Franchisee or any of its guarantors,

g **<u>Unsatisfied Judgments, Levy, Foreclosure</u>** If any material judgment (or several judgments which in the aggregate are material) is obtained against Franchisee and remains unsatisfied or of record for 30 days or longer (unless a supersedeas or other appeal bond has been filed), or if execution is levied against Franchisee's Coffee Shop or any of the property used in the operation of the Coffee Shop and is not discharged within five days, or if the real or personal property of Franchisee's Coffee Shop shall be sold after levy thereupon by any sheriff, marshal or constable,

h **<u>Criminal Conviction</u>** If Franchisee (or any of its Bound Parties, as defined in **Section 21 1**) is convicted of a felony, a crime involving moral turpitude, or any crime or offense likely, in the sole opinion of ZCF, to materially and unfavorably affect the Licensed Methods, Marks, and the associated goodwill and reputation of ZIGGI'S Coffee Shops,

i **<u>Sexual Harassment or Discrimination</u>** If ZCF receives credible evidence, which it verifies to its satisfaction, that Franchisee, its Managing Owner, its Designated Manager, or any other management level employee of Franchisee, has sexually harassed or intimidated any individual or intentionally engaged in any racial, ethnic, religious, sexual, or other offensive discrimination against any individual or group,

j **<u>Failure to Make Payments</u>** If Franchisee fails to pay any amounts due ZCF or ZCF's affiliates within 10 days after receiving notice that such fees or amounts are overdue, j **Failure to Authorize Transfer of Funds** If Franchisee revokes or cancels the Authorization Agreement executed by Franchisee and provided to ZCF pursuant to **Section 5 3**, or takes other steps to prevent ZCF from obtaining payment of any amounts due under this Agreement, or otherwise, by electronic funds transfer of funds from Franchisee's bank account to ZCF's bank account, and fails to provide a valid replacement Authorization Agreement within five days after receiving notice of such matter,

k **Financial Reporting** If Franchisee fails to file reports of its Gross Sales within 10 days after receiving notice that such reports are overdue, or intentionally underreports Gross Sales in any amount,

l **Failure to Complete Training or Open** If Franchisee (or its Managing Owner) and Designated Manager fail to complete the initial training program to ZCF's satisfaction or to commence operation of the Coffee Shop within the required time period,

m **Misuse of Marks** If Franchisee misuses or fails to follow ZCF's directions and guidelines concerning use of the Marks and fails to correct the misuse or failure within 10 days after notification from ZCF,

n **Condemnation or Casualty** If Franchisee fails to obtain a new approved Shop Location following a Condemnation or Casualty as defined in **Section 19 6**, or fails to recommence operations within the time required under **Section 19 6**,

o **Repeated Noncompliance** If Franchisee has received three notices of material default from ZCF within a 12-month period, regardless of whether the defaults were cured by Franchisee,

p **Default of Other Material Agreements** If Franchisee loses the right to occupy the Coffee Shop's premises because of a default under Franchisee's lease, or defaults under any other agreement related to use or operation of the Coffee Shop, or defaults under the terms of any other Franchise Agreement or other agreement between ZCF and Franchisee and fails to cure such default under any applicable cure period,

q **Inadequate Guaranties** If any guaranty of this Agreement fails to be a continuing obligation fully enforceable against the guarantor signing the guaranty, or there is any inadequacy of the guaranty or guarantor and the guarantor is unable to provide adequate assurances as required by ZCF,

r **Unauthorized Transfer** If Franchisee sells, transfers or otherwise assigns the franchise, an interest in the franchise or Franchisee entity, this Agreement, the Coffee Shop or a substantial portion of the assets of the Coffee Shop owned by Franchisee without complying with the provisions of **Article 17**,

s **Health or Safety Violations** If Franchisee is found to be in violation of any applicable health, safety, sanitation or handicapped access laws, regulations or codes, by any governmental official, and fails to cure any such violation within 72 hours after receiving notice thereof, or

t **Unauthorized Sales** If Franchisee sells or offers for sale any unauthorized products or services, and fails to cure such violation within 10 days after receiving notice thereof w **Violation of Covenant Not to Compete or Other Restrictive Covenant** If Franchisee or any of the Bound Parties (as defined in **Section 21 1**) violates the covenant not to compete or any other restrictive covenant contained in **Article 21** below

19 3 Termination by ZCF - Thirty Days Notice

ZCF shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon 30 days written notice to Franchisee, if Franchisee breaches any other provision of this Agreement and fails to cure such breach within the 30-day period Neither **Section 19 2** nor this **Section 19 3** shall be deemed to extend the cure period provided in any material agreement for the Coffee Shop or any other agreement between ZCF and Franchisee So long as financing from the United States Small Business Administration remains outstanding, Franchisee will be given the same opportunity to cure defaults under any agreement between ZCF or its affiliates and Franchisee, as Franchisee is given under this Agreement Notwithstanding the foregoing, if the breach is curable, but is of a nature which cannot be reasonably cured within the applicable cure period and Franchisee has commenced and is continuing to make good faith efforts to cure the breach during such period, Franchisee shall be given an additional reasonable period of time to cure the same, and this Agreement shall not terminate

19 4 Termination by ZCF - Continuing Force Majeure Events

ZCF shall have the right to terminate this Agreement (subject to any state laws to the contrary, where state law shall prevail), effective upon receipt of notice by Franchisee, in the event of a force majeure event as described in **Section 24 15** below that occurs and continues for a period of six consecutive months or longer and which prevents ZCF from performing its obligations hereunder

19 5 Failure to Comply with Reporting Requirements

If Franchisee fails to prepare and submit any statement or report as required under **Article 16**, then ZCF shall have the right to treat Franchisee's failure as good cause for termination of this Agreement In addition to all other remedies available to ZCF, in the event that Franchisee fails to prepare and submit any statement or report required under **Article 16**, ZCF shall be entitled to make an audit as provided in **Article 16**, at the expense of Franchisee, of Franchisee's books, records and accounts, including Franchisee's bank accounts The statements or reports not previously submitted shall be prepared by or under the direction and supervision of an independent certified public accountant selected by ZCF In addition to its other rights and remedies, if Franchisee fails to comply with the reporting requirements under **Article 16** ZCF shall have the right to collect $30 00 per day for Royalty payments and $10 00 per day for Marketing and Technology Fees, if any (or a greater amount if ZCF estimates that the Coffee Shop is generating higher Gross Sales), provided that any amounts will be reconciled and adjusted as needed when ZCF receives actual Gross Sales amounts If Franchisee intentionally underreports Gross Sales to ZCF, this event shall be deemed an Act of Deception in accordance with **Section 16 5**, and a default of this Agreement under **Section 19 2 d** of this Agreement

19 6 Condemnation and Casualty

Franchisee must immediately notify ZCF of the occurrence of any (i) taking of any portion of the Shop Location by eminent domain, or (ii) any fire or other casualty damage to the Shop Location or Franchisee's Coffee Shop (either, a "**Condemnation or Casualty**") If, in ZCF's business judgment, the Condemnation or Casualty is significant enough to render the continued operation of Franchisee's Coffee Shop from the Shop Location in accordance with ZCF's standards and specifications impractical, then Franchisee shall have 90 days from the date of the Condemnation or Casualty to (i) select a new location to serve as the Shop Location, (ii) obtain ZCF's approval of the location and the lease or purchase agreement in accordance with **Article 6**, and (iii) recommence operations of Franchisee's Coffee Shop at the new Shop Location If Franchisee fails to recommence operations at an approved Shop Location during this 90-day period, ZCF may terminate this Agreement upon written notice to Franchisee If the Condemnation or Casualty, in ZCF's business judgment, is not significant enough to render the continued operation of Franchisee's Coffee Shop from the Shop Location in accordance with ZCF's standards and specifications impractical, then Franchisee will use its best efforts to make all necessary repairs as soon as possible to make the Shop Location and Franchisee's Coffee Shop conform to their condition, character and appearance immediately before such Condemnation or Casualty, according to the standards and specifications of ZCF

19 7 <u>Right to Purchase</u>

Except in the case of the grant of successor franchise rights under **Article 18**, upon termination or expiration of this Agreement for any reason, ZCF shall have the option to purchase the Coffee Shop, or a portion of the assets of the Coffee Shop, which may include, at ZCF's option, all of Franchisee's interest, leasehold or otherwise, in and to the real estate upon which the Coffee Shop is located, and all buildings and other improvements related thereto The purchase price for the assets to be transferred will be the fair market value of the assets, excluding any good will associated with the Marks, as mutually determined by ZCF and Franchisee, or if they are unable to mutually agree on the purchase price, by ZCF and Franchisee each choosing one independent appraiser who, in turn, choose a third independent appraiser, with the third appraiser's determination being binding upon the parties The purchase price for the assets will be adjusted by setting off any amount then owing by Franchisee to ZCF, including any amounts paid by ZCF to cure Franchisee's defaults with third parties such as landlords (the decision to pay such cure amounts to be in the sole and absolute discretion of ZCF) ZCF and Franchisee shall each pay the fees and expenses of their chosen appraisers and they shall evenly split the fees and expenses of the third appraiser The following additional terms shall apply to ZCF's exercise of this option

a ZCF's option shall be exercisable by providing Franchisee with written notice of its intention to exercise the option no later than the effective date of termination, in the case of termination (unless Franchisee terminates without notice or ZCF terminates for cause, in which case ZCF shall have 30 days after receipt of actual notice of the termination or such additional time as is reasonably necessary given the circumstances), or at least 30 days prior to the expiration of the term of the franchise, in circumstances where no successor franchise is granted,

b ZCF and Franchisee agree that the terms and conditions of this right and option to purchase may be recorded, if deemed appropriate by ZCF, in the real property records and ZCF and Franchisee further agree to execute such additional documentation as may be necessary and appropriate to effectuate such recording,

c The closing for the purchase of the Coffee Shop will take place no later than 60 days after written notice of ZCF's exercise of its option is given to Franchisee ZCF has the unrestricted right to assign this option to purchase at any time prior to such closing ZCF will pay the purchase price in full at the closing, or, at its option, in 24 equal consecutive monthly installments with interest at a rate equal to the prime lending rate as of the closing at ZCF's primary bank Franchisee must sign all documents of transfer as are necessary for purchase of the Coffee Shop by ZCF, which documents shall include all customary representations and warranties from Franchisee as to ownership, condition of and title to, the assets of the Coffee Shop being transferred All assets must be transferred free and clear of all liens and encumbrances, with all sales and transfer taxes paid by Franchisee Franchisee and its owners further agree to sign general releases, in a form satisfactory to ZCF, of any and all claims against ZCF and its shareholders, member, managers, officers, directors, employees, agents, successors, and assigns, and

d Franchisee agrees that it shall be obligated to operate the Coffee Shop, according to the terms of this Agreement, during the period in which ZCF is deciding whether to exercise its option to purchase and until the closing takes place, and that a condition to closing is that the Coffee Shop has remained open during that time period ZCF may decide not to exercise its option to purchase at any time before closing if it determines that any of the conditions noted above have not been or cannot be satisfied

In the event that ZCF does not exercise its right to purchase Franchisee's Coffee Shop as set forth above, Franchisee will be free to keep or to sell, after such termination or expiration, to any third party, all of the physical assets of the Coffee Shop, provided, however, that all Marks are first removed in a manner approved in writing by ZCF

19 8 <u>Obligations of Franchisee Upon Termination or Expiration</u>

Franchisee is obligated upon termination or expiration of this Agreement to immediately do all of the following

a Pay within 10 days of the effective date of termination or expiration of this Agreement all amounts owed to ZCF, its affiliates, the landlord of the Shop Location (if applicable) and Franchisee's trade and other creditors that are then unpaid In the event of a termination due to a default by Franchisee, the amounts owed to ZCF shall include an amount equal to the Minimum Royalty that would have been payable for each month from the date of termination until the earlier of (i) three years following the date of termination, or (ii) the expiration date that would apply to this Agreement had it not been terminated All periodic payments to ZCF shall be deemed to accrue daily, shall be adjusted accordingly, and shall include interest at the rate of 1 5 percent per month or the highest rate permitted by law, whichever is lower This same interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions related to this Agreement

b Cease to identify itself as a ZIGGI'S Coffee Shop franchisee or use any Marks, trade secrets, signs, symbols, devices, trade names, or other materials of ZCF

c Cease to identify the Shop Location as being, or having been, associated with ZCF, and immediately cease operating any business at the Shop Location

d Cease using any proprietary mark of ZCF or any mark in any way associated with the Marks and Licensed Methods and deliver to ZCF all signs, sign-faces, advertising materials, forms and other materials bearing any of the Marks or otherwise identified with ZCF

e Deliver to ZCF the Operations Manual and all other information, documents and copies thereof which are proprietary to ZCF

f Promptly take such action as may be required to cancel all fictitious or assumed names or equivalent registrations relating to its use of any Marks which are under the exclusive control of ZCF or, at the option of ZCF, assign the same to ZCF

g Notify the telephone company and all telephone directory publishers, domain name registration companies, and social media website operators, of the termination or expiration of

Franchisee's right to use any telephone number, domain name, social media websites or accounts, and any regular, classified or other telephone directory listings associated with any Mark and complete all forms, and provide other necessary notification to authorize the transfer thereof to ZCF or its designee Franchisee acknowledges that, as between Franchisee and ZCF, ZCF has the sole rights to and interest in all telephone, telecopy or facsimile machine numbers and directory listings, all domain names, and social media websites or accounts associated with any Mark Franchisee authorizes ZCF, and hereby appoints ZCF and any of its officers as Franchisee's attorney-in-fact, to direct the telephone company and all telephone directory publishers, domain name registration companies, and social media website operators to transfer any telephone, telecopy or facsimile machine numbers, directory listings, domain names, and social media websites and accounts relating to the Coffee Shop to ZCF or its designee, should Franchisee fail or refuse to do so, and the telephone company and all telephone directory publishers, domain name registration companies, and social media website operators may accept such direction or this Agreement as conclusive evidence of ZCF's exclusive rights in such telephone numbers, directory listings, domain names, and social media websites and accounts, and ZCF's authority to direct their transfer

h Abide by all restrictive covenants set forth in **Article 21** of this Agreement

i Pay all third parties all amounts then owed to them for products or services directly or indirectly related to the Coffee Shop

19 9 Terminology

For purposes of this Agreement, wherever the term "expiration" or "termination" is used, it is intended to refer to both situations, unless the context indicates otherwise Any terms herein that apply upon expiration or termination shall also apply for a transferor upon a transfer

19 10 State and Federal Law

THE PARTIES ACKNOWLEDGE THAT IN THE EVENT THAT THE TERMS OF THIS AGREEMENT REGARDING TERMINATION OR EXPIRATION ARE INCONSISTENT WITH APPLICABLE STATE OR FEDERAL LAW, SUCH LAW SHALL GOVERN FRANCHISEE'S RIGHTS REGARDING TERMINATION OR EXPIRATION OF THIS AGREEMENT CERTAIN OF THESE LAWS ARE SET FORTH IN THE RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES AND PROVINCES ATTACHED HERETO AS ATTACHMENT VI

19 11 Assumption of Management

ZCF has the right (but not the obligation), under the circumstances described below, to enter the Coffee Shop premises and assume the Coffee Shop's management for a period not to exceed 90 days If ZCF assumes the Coffee Shop's management, Franchisee must pay ZCF (in addition to the Royalty and Marketing and Technology Fee) 5 percent of the Coffee Shop's Gross Sales, plus ZCF's direct out-of-pocket costs and expenses, during this time If ZCF assumes the Coffee Shop's management, Franchisee acknowledges that ZCF will have a duty to utilize only reasonable efforts and will not be liable to Franchisee or its owners for any debts, losses, or obligations the Coffee Shop incurs, or to any of Franchisee's creditors for any supplies or services the Coffee Shop purchases, while ZCF manages it ZCF may renew its management of the Coffee Shop up to three times for an additional 90 days in each case ZCF will meet with franchisee or its representatives (if available) to discuss the status with franchisee prior to any grant of successor franchise rights

ZCF may assume the Coffee Shop's management under the following circumstances

a if Franchisee abandons the Coffee Shop, or

b if Franchisee fails to comply with any provision of this Agreement and does not cure the failure within the time period ZCF specifies in its notice to Franchisee

The exercise of ZCF's rights under subparagraphs a and b above will not affect ZCF's right to terminate this Agreement

20 BUSINESS RELATIONSHIP

20 1 Independent Businesspersons

The parties agree that each of them are independent businesspersons, their only relationship is by virtue of this Agreement and that no fiduciary relationship is created hereunder Neither party is liable or responsible for the other's debts or obligations, nor shall either party be obligated for any damages to any person or property directly or indirectly arising out of the operation of the other party's business authorized by or conducted pursuant to this Agreement ZCF and Franchisee agree that neither of them will hold themselves out to be the agent, employer or partner of the other and that neither of them has the authority to bind or incur liability on behalf of the other Neither this Agreement nor the course of conduct between ZCF and Franchisee is intended, nor may anything in this Agreement (or the course of conduct) be construed, to state or imply that ZCF is the employer of Franchisee's Employees and Agents, or vice versa Notwithstanding any other provisions in this Agreement, ZCF shall not be responsible for supervising the activities of Franchisee's Coffee Shop or ensuring that the Coffee Shop is operated in compliance with applicable laws

20 2 Payment of Third Party Obligations

ZCF shall have no liability for Franchisee's obligations to pay any third parties, including without limitation, any product vendors, or any sales, use, service, occupation, excise, gross receipts, income, property or other tax levied upon Franchisee, Franchisee's property, the Coffee Shop or upon ZCF in connection with the sales made or business conducted by Franchisee (except any taxes ZCF is required by law to collect from Franchisee with respect to purchases from ZCF)

20 3 Indemnification

Franchisee agrees to indemnify, defend and hold harmless ZCF, its subsidiaries and affiliates, and their respective shareholders, directors, members, managers, officers, managers, members, employees, agents, successors and assigns (the "**Indemnified Parties**") against, and to reimburse them for all claims, obligations and damages described in this **Section 20 3**, any and all third party obligations described in **Section 20 2**, any amounts that ZCF spends curing any default of Franchisee under this Agreement or any third party agreement if ZCF, in its sole discretion, elects to cure such default, and any and all claims and liabilities directly or indirectly arising out of the operation of the Coffee Shop or the use of the Marks and Licensed Methods in any manner, including claims based on violations of any laws including labor or employment laws, unless (and then only to the extent) caused by the Indemnified Party's negligence This indemnity includes any claims arising from the acts or omissions of Franchisee's Employees and Agents For purposes of this indemnification, "**claims**" shall mean and include all obligations, actual and consequential damages and costs reasonably incurred in the defense of any claim against the Indemnified Parties, including, without limitation, reasonable accountants', attorneys' and expert witness fees, costs of investigation and proof of facts, court costs, other litigation expenses and travel and living expenses

Each Indemnified Party shall have the right to defend any such claim against it at Franchisee's expense and agree to settlements or any other actions This indemnity shall continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

21 RESTRICTIVE COVENANTS

21 1 Non-Competition During Term

Franchisee acknowledges that, in addition to the license of the Marks hereunder, ZCF has also licensed commercially valuable information which comprises and is a part of the Licensed Methods, including without limitation operations, marketing, advertising and related information and materials, and that the value of this information derives not only from the time, effort and money which went into its compilation, but from the usage by all franchisees of ZCF using the Marks and Licensed Methods Franchisee therefore agrees that other than the Coffee Shop licensed herein, neither Franchisee nor any of Franchisee's officers, directors, shareholders, managers, members or partners, nor any immediate family member of Franchisee or any of these individuals ("**Bound Parties**"), shall during the term of this Agreement

a have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business" as defined below,

b perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business, wherever located or operating,

c divert or attempt to divert any business related to the Coffee Shop, ZCF's business, or any other ZIGGI'S franchisee by direct inducement or otherwise, or divert or attempt to divert the employment of any employee of ZCF or another franchisee licensed by ZCF to use the Marks and Licensed Methods, to any Competitive Business, or

d directly or indirectly solicit or employ any person who is employed by ZCF

The term "**Competitive Business**" as used in this Agreement shall mean any business operating, or granting franchises or licenses to others to operate a coffee store or other business deriving more than 10 percent of its gross receipts, excluding gross receipts relating to the sale of alcoholic beverages, from the sale of coffee drinks, espresso-based drinks, and tea (other than another ZIGGI'S Coffee Shop authorized by ZCF and operated by Franchisee), provided, however, neither Franchisee nor the other Bound Parties shall be prohibited from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2 percent or less of that class of securities issued and outstanding Franchisee agrees that nothing in this **Article 21** shall be construed to grant Franchisee any protected territory

21 2 Post-Termination Covenant Not to Compete

For a period of two years from termination or expiration of this Agreement for any reason, or the date on which Franchisee ceases to conduct business, whichever is later, neither Franchisee nor any Bound Party shall have any direct or indirect interest as a disclosed or beneficial owner, investor, partner, director, officer, employee, consultant, representative or agent or in any other capacity in or with any Competitive Business located or operating within a 10-mile radius of the former Shop Location or within a 10-mile radius of any other ZIGGI'S franchised or company-owned Coffee Shop The restrictions of this Section shall not be applicable to the ownership of shares of a class of securities listed on a stock exchange or traded on the over-the-counter market that represent 2 percent or less of the number of shares of that class of securities issued and outstanding Franchisee and the Bound Parties expressly acknowledge that they possess skills and abilities of a general nature and have other opportunities for exploiting such skills Consequently, enforcement of the covenants made in this Section will not deprive them of their personal goodwill or ability to earn a living

21 3 <u>Confidentiality of Proprietary Information</u>

Franchisee shall treat all information it receives which comprises the Licensed Methods (including without limitation the Operations Manual, the information on and comprising ZCF's intranet system, recipes, ZCF's distinctive business format, plans, methods, processes, data, marketing systems, formulas, techniques, electronic communications systems, designs, layouts, operating procedures, trademarks, proprietary marks, information and know-how) as proprietary and confidential and will not use such information in an unauthorized manner or disclose the same to any unauthorized person without first obtaining ZCF's written consent Franchisee agrees that all such material is the sole property of ZCF Franchisee acknowledges that the Marks and the Licensed Methods have valuable goodwill attached to them, that the protection and maintenance thereof is essential to ZCF and that any unauthorized use or disclosure of the Marks and Licensed Methods will result in irreparable harm to ZCF All ideas, concepts, techniques, or materials concerning a ZIGGI'S Coffee Shop, whether or not protectable intellectual property and whether created by or for Franchisee or its owners or employees, must be promptly disclosed to ZCF and will be deemed ZCF's sole and exclusive property, part of the ZIGGI'S Licensed Methods and works made-for-hire for ZCF To the extent any item does not qualify as a "work made-for-hire" for ZCF, Franchisee assigns ownership of that item, and all related rights to that item, to ZCF and agrees to sign whatever assignment or other documents ZCF requests to show ownership or to help ZCF obtain intellectual property rights in the item

21 4 <u>Confidentiality Agreement</u>

ZCF reserves the right to require that Franchisee cause each of its officers, directors, partners, shareholders, and Designated Manager (and, if applicable, the spouse of a Designated Manager) to execute a Nondisclosure and Noncompetition Agreement containing the above restrictions, in a form approved by ZCF Franchisee will provide to ZCF a copy of each Nondisclosure and Noncompetition Agreement signed by any such individual immediately following its execution and thereafter upon ZCF's request

21 5 <u>Claims Are Not Defenses To Covenants</u>

Franchisee expressly agrees that the existence of any claim it may have against ZCF, whether or not arising from this Agreement, shall not constitute a defense to the enforcement by ZCF of the covenants of this **Article 21** Franchisee further agrees that ZCF shall be entitled to set off from any amount owed by ZCF to Franchisee any loss or damage to ZCF resulting from Franchisee's breach of this **Article 21**

22 ARBITRATION

22 1 <u>Arbitration</u>

All controversies, disputes claims, causes of action and/or alleged breaches or failures to perform between ZCF, its subsidiaries and affiliated companies, and/or its or their shareholders, members, managers, officers, directors, agents, employees and attorneys, in their representative capacity (collectively, the "**ZCF Affiliates**"), on the one side, and Franchisee, and its affiliated companies and/or its or their Managing Owner, Designated Manager, employees, officers, directors, owners, and/or guarantors (collectively, the "**Franchisee Affiliates**"), on the other side, if applicable, arising out of or related to (1) this Agreement, (2) the relationship of the parties, (3) the validity of this Agreement, or (4) any Licensed Methods will be submitted for arbitration on demand of either party to the Denver, Colorado office of either the Judicial Arbiter Group ("**JAG**") or the American Arbitration Association ("**AAA**"), as selected by the party submitting the demand, except for actions brought which are related to or based on the Marks or to enforce the provisions of **Article 21** of this Agreement, which actions ZCF, at its option, may bring either in a court of competent jurisdiction or in arbitration Notwithstanding the language above, if the action is based on a separate agreement or instrument between Franchisee or any of the Franchisee Affiliates and ZCF or any of the ZCF Affiliates, such as a promissory note or lease, the dispute resolution procedure in that agreement or instrument will control rather than this **Section 22 1**, provided, that, at ZCF's sole option, any claim of ZCF or any ZCF Affiliates against Franchisee or any of the Franchisee Affiliates based on such other agreement or instrument may be brought in arbitration in conjunction with a dispute between the parties that is subject to arbitration under this Section, regardless of any provisions to the contrary contained in that other agreement or instrument Arbitration proceedings will be conducted in Denver, Colorado and will be heard by one arbitrator in accordance with the then current rules of the AAA that apply to commercial arbitration The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court, except that the decision whether the arbitration may proceed as a class action shall be made by a court The arbitrator shall be a resident of the State of Colorado knowledgeable of Colorado law and fluent in English The arbitration proceeding and all other hearings shall be conducted in English only, although Franchisee shall have the right, at Franchisee's option and sole expense, to have a translator present at the proceeding or other hearings The expense of a translator shall not be considered a cost or expense related to an action pursuant to **Section 24 8** of this Agreement The parties further agree that, in connection with any such arbitration proceeding, each will file any compulsory counterclaim, as defined by Rule 13 of the Federal Rules of Civil Procedure, within 30 days after the date of the filing of the claim to which it relates Any party to an arbitration proceeding may apply to the arbitrator for reasonable discovery from the other In this Agreement, "reasonable discovery" means a party may submit no more than 10 interrogatories, including subparts, 25 requests for admission, 25 document requests, and three depositions per side of the dispute The foregoing discovery rights and limitations shall control over any contradictory discovery rules of AAA, unless the parties agree otherwise

22 2 <u>Arbitration Award</u>

Subject to **Sections 22 6** and **22 7** below, the arbitrator will have the right to award or include in the award any relief which he deems proper in the circumstances, including, without limitation, money damages, with interest on unpaid amounts from the date due, specific performance, and attorneys' fees and costs in accordance with **Section 24 8** of this Agreement Any award shall be based on established law and shall not be made on broad principles of justice and equity The award and decision of the arbitrator will be conclusive and binding upon all parties hereto and judgment upon the award may be entered in any court of competent jurisdiction This Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement

22 3 <u>Limitations on Proceedings</u>

a ZCF and Franchisee agree that arbitration will be conducted on an individual basis only Neither party shall commence any arbitration with a third party against the other, or join with any third party in any arbitration involving ZCF and Franchisee other than the ZCF Affiliates and the Franchisee Affiliates Further, neither ZCF nor Franchisee shall attempt to consolidate or otherwise combine in any manner an arbitration proceeding involving ZCF and Franchisee with another arbitration of any kind, nor shall ZCF or Franchisee attempt to certify a class or participate as a party in a class action against the other b The foregoing notwithstanding, in the event Franchisee controls, is controlled by or is in active concert with another franchisee, distributor, or area developer of ZCF, or there is a guarantor of some or all of the Franchisee's obligations to ZCF, then the joinder of those parties to any arbitration between ZCF and Franchisee shall be permitted, and in all events, the joinder of an owner, director, officer, manager, partner or other representative or agent of Franchisee shall be permitted

c Franchisee agrees that no claims may be brought on its behalf or on behalf of any of the Franchisee Affiliates by any third party, including but not limited to any association representing Franchisee

22 4 Injunctive Relief

Notwithstanding anything to the contrary contained in this Article, ZCF and Franchisee will each have the right in a proper case to obtain temporary or preliminary injunctive relief from a court of competent jurisdiction Each party agrees that the other party may have such temporary or preliminary injunctive relief, without bond, but upon due notice, and with the sole remedy in the event of the entry of such injunctive relief being the dissolution of such injunctive relief, if warranted, upon hearing duly held (all claims for damages by reason of the wrongful issuance of such injunction being expressly waived by each party) Any such action will be brought as provided in **Section 22 5** below

22 5 Governing Law/Consent to Jurisdiction/Waiver of Jury Trial

The United States Federal Arbitration Act shall govern all questions about the enforceability and scope of **Sections 22 1** and **22 2**, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C Sections 1051 et seq) or other United States federal law, this Agreement shall be interpreted under the laws of the State of Colorado U S A and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado U S A , which laws shall prevail in the event of any conflict of law Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO REV STAT ANN Sections 6-1-101, et seq) shall not apply to this Agreement or any disputes between the parties Franchisee and ZCF have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Section 21 1**, involving Franchisee, and the Franchisee Affiliates, on the one side, and ZCF and the ZCF Affiliates, on the other side, both parties agree that the exclusive venue for disputes between them shall be in the state and federal courts of Colorado U S A , and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U S A Notwithstanding the foregoing, any legal proceeding by ZCF or any ZCF Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the ZIGGI'S Coffee Shop is located or in which Franchisee or any Franchisee Affiliate resides or owns assets **IF A CLAIM MAY BE BROUGHT IN COURT, THEN ZCF, THE ZCF AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY**

22 6 No Punitive or Consequential Damages

Except as specifically permitted elsewhere in this Agreement or as may be required by statute, neither ZCF or any of the ZCF Affiliates, on the one side, nor Franchisee or any of the Franchisee

Affiliates, on the other side, shall be liable to the other for punitive or other damages not measured by the other party's actual damages, in any action between the parties

22 7 <u>No Recourse Against Others</u>

Franchisee agrees that its sole recourse for claims (whether in contract or in tort, in law or in equity, or granted by statute) arising between the parties shall be against ZCF or its successors and assigns Franchisee agrees that the shareholders, directors, members, managers, officers, employees, and agents of ZCF and its affiliates (the "**Nonparty Affiliates**") shall not be personally liable nor named as a party in any action between ZCF and Franchisee To the maximum extent permitted by law Franchisee waives any such claims against such Nonparty Affiliates

22 8 <u>Limitation on Actions</u>

Notwithstanding anything contained in this Agreement to the contrary, any and all claims and actions arising out of or relating to this Agreement, the relationship between Franchisee and ZCF, or Franchisee's operation of the ZIGGI'S Coffee Shop shall be commenced within one year from the occurrence of the facts giving rise to the claim or action

23 SECURITY INTEREST

23 1 <u>Collateral</u>

Franchisee hereby grants ZCF a security interest ("**Security Interest**") in all of the furniture, fixtures, equipment, signage, and realty (including Franchisee's interests under all real property and personal property leases) of the Coffee Shop, together with all similar property now owned or hereafter acquired, additions, substitutions, replacements, proceeds and products thereof, wherever located and used in connection with the Coffee Shop All items in which a security interest is granted hereby are referred to as the "**Collateral** " ZCF hereby agrees to subordinate this security interest to any lender of franchisee if the loan is guaranteed by the Small Business Administration

23 2 <u>Indebtedness Secured</u>

The Security Interest is to secure payment of the following (the "**Indebtedness**")

a All amounts due under this Agreement or otherwise by Franchisee,

b All sums which ZCF may, at its option, expend or advance for the maintenance, preservation and protection of the Collateral, including without limitation, payment of rent, taxes, levies, assessments, insurance premiums and discharge of liens, together with interest, or in any other property given as security for payment of the Indebtedness,

c All expenses, including reasonable attorneys' fees, which ZCF incurs in connection with collection of any or all Indebtedness secured hereby or in enforcement or protection of its rights under the Security Interest and this Agreement, and

d All other present or future, direct or indirect, absolute or contingent, liabilities, obligations and indebtedness of Franchisee to ZCF or third parties under this Agreement, however created, and specifically including all or part of any renewal or extension of this Agreement whether or not Franchisee executes any extension agreement or renewal instruments

23 3 Additional Documents

Franchisee will from time to time as required by ZCF join with ZCF in executing any additional documents and one or more financing statements pursuant to the Uniform Commercial Code (and any assignments, extensions or modifications thereof) in form satisfactory to ZCF

23 4 Possession of Collateral

Upon default and termination of Franchisee's rights hereunder, ZCF shall have the immediate right to possession and use of the Collateral

23 5 Remedies of ZCF in Event of Default

Franchisee agrees that upon the occurrence of any default set forth above, the full amount remaining unpaid on the Indebtedness shall, at the option of ZCF and without notice, become due and payable forthwith, and ZCF shall then have the rights, options, duties and remedies of a secured party under, and Franchisee shall have the rights and duties of a debtor under, the Uniform Commercial Code of Colorado, including without limitation ZCF's right to take possession of the Collateral and of anything found therein, and the right without legal process to enter any premises where the Collateral may be found Any sale of the Collateral may be conducted in ZCF's sole discretion, and the conduct of such sale is agreed to be commercially reasonable Reasonable notification of the time and place of any sale shall be satisfied by mailing to Franchisee pursuant to the notice provisions set forth below

23 6 Special Filing as Financing Statement

This Agreement shall be a deemed a security agreement and a financing statement This Agreement may be filed for record in the real estate records of each county in which the Collateral, or any part thereof, is situated, and may also be filed as a financing statement in the counties or in the office of the Secretary of State or similar office, as appropriate, in respect of those items of Collateral of a kind or character defined in or subject to the applicable provisions of the Uniform Commercial Code, as then in effect in the appropriate jurisdiction

24 MISCELLANEOUS PROVISIONS

24 1 Modification

a This Agreement may only be modified upon execution of a written agreement between ZCF and Franchisee or, at ZCF's option, upon notice of the approval of a Super-Majority as defined in **Section 24 1 b** below Unless prohibited by law or waived by ZCF, Franchisee must provide a general release of any and all claims against ZCF if Franchisee requests and ZCF consents to modify any provisions of this Agreement after it has been signed

b This Agreement may be modified by ZCF at its option whenever ZCF and a Super-Majority, as hereinafter defined, of franchisees and licensees of ZCF agree to any such modification A "**Super-Majority**" of ZCF franchisees or licensees shall consist of the owners of at least 75 percent of all ZIGGI'S Coffee Shop franchises and licenses, or, if only a portion of ZIGGI'S Coffee Shops are affected by the modification, at least 75 percent of those ZIGGI'S Coffee Shop franchises and licenses affected by the modification Whenever a modification is approved by a Super-Majority ZCF may elect to treat the modification as effective to all franchisees and licensees or the applicable group thereof, including Franchisee, to the same extent and in the same manner as if the modification was unanimously approved by them, and regardless of whether Franchisee may or may not desire to be bound by the modification ZCF shall provide Franchisee with notice of any modification to this Agreement based on a Super-Majority approval at least 30 days prior to the date such modification is to be effective By signing this Agreement, Franchisee appoints the officers of ZCF as its attorneys in fact with irrevocable power and authority to execute any such modification so approved

c Franchisee acknowledges that ZCF may modify its standards and specifications and operating, marketing, and other policies and procedures set forth in the Operations Manual unilaterally under any conditions and to the extent in which ZCF, in its sole determination, deems necessary or desirable These modifications may include regional and local variations Franchisee shall be bound by and incorporate into its Coffee Shop these modifications Franchisee may be obligated to invest additional capital in Franchisee's Coffee Shop and incur higher operating costs based on these periodic modifications

d ZCF has the right to vary the franchise agreement and any standards, specifications, and techniques for a particular ZCF franchisee based on the circumstances related to the franchisee, its area or territory, or any other condition Franchisee shall not be entitled to require ZCF to grant Franchisee a similar variation

24 2 <u>Entire Agreement</u>

This Agreement contains the entire agreement between the parties and supersedes any and all prior agreements concerning the subject matter hereof Franchisee agrees and understands that ZCF shall not be liable or obligated for any oral representations or commitments made prior to the execution hereof or for claims of negligent or fraudulent misrepresentation and that no modifications of this Agreement shall be effective except those in writing and signed by both parties ZCF does not authorize and will not be bound by any representation of any nature other than those expressed in this Agreement Franchisee further acknowledges and agrees that no representations have been made to it by ZCF regarding projected sales volumes, market potential, revenues, profits of Franchisee's Store, or operational assistance other than as stated in this Agreement or in any Franchise Disclosure Document provided by ZCF or its representatives Any policies that ZCF adopts and implements from time to time are subject to change, are not a part of this Agreement, and are not binding on ZCF Nothing in this Agreement or in any related agreement is intended to disclaim any representations made by ZCF in the Franchise Disclosure Document provided to Franchisee

24 3 <u>Delegation by ZCF</u>

From time to time, ZCF shall have the right to delegate the performance of any portion or all of its obligations and duties hereunder to third parties, whether the same are agents of ZCF or independent contractors which ZCF has contracted with to provide such services Franchisee agrees in advance to any such delegation by ZCF of any portion or all of its obligations hereunder Franchisee acknowledges and agrees that ZCF may not be bound and this Agreement may not be modified by any independent contractor of ZCF without ZCF's prior written consent Franchisee acknowledges and agrees that any such delegation of ZCF's duties and obligations does not assign or confer any rights under this Agreement upon the party to whom the duties and obligations are delegated and those parties are not third party beneficiaries of this Agreement

24 4 <u>Agreement Effective</u>

This Agreement shall not be effective until accepted by ZCF as evidenced by dating and signing by an officer of ZCF

24 5 Consent, Business Judgment

Wherever ZCF's consent or approval is required in this Agreement, unless the provision specifically indicates otherwise, ZCF has the right to withhold its approval at its option, in its business judgment, taking into consideration its assessment of the long-term interests of the ZCF franchise system overall ZCF may withhold any and all consents or approvals required by this Agreement if Franchisee is in default or breach of this Agreement ZCF's approvals and consents will not be effective unless given in writing and signed by one of its duly authorized representatives In no event may Franchisee make any claim for money damages based on any claim that ZCF has unreasonably withheld or delayed any consent or approval to a proposed act by Franchisee under the terms of this Agreement Franchisee's sole remedy for the claim will be an action or proceeding to enforce the provisions of this Agreement by specific performance or by declaratory judgment

24 6 General Economic Conditions

Neither a general economic downturn or conditions nor Franchisee's financial inability to perform the terms of this Agreement will be a defense to an action by ZCF for Franchisee's breach of this Agreement

24 7 Review of Agreement

Franchisee acknowledges it had a copy of ZCF's Franchise Disclosure Document in its possession for not less than 14 full calendar days, during which time Franchisee has had the opportunity to submit same for professional review and advice of Franchisee's choosing prior to freely executing this Agreement

24 8 Attorneys' Fees

In the event of any dispute between the parties to this Agreement, including any dispute involving a Franchisee Affiliate or a ZCF Affiliate, in addition to all other remedies, the non-prevailing party will pay the prevailing party all amounts due and all damages, costs and expenses, including reasonable attorneys' fees, incurred by the prevailing party in any legal action or other proceeding as a result of such dispute, plus interest at the lesser of 1 5 percent per month or the highest rate allowable by law, accruing from the first date such dispute was submitted to any dispute resolution process including mediation, arbitration or litigation This interest rate shall apply as the post-judgment interest rate, regardless of the applicable statutory rate, in the event of any legal actions or other proceedings related to this Agreement Additionally, if Franchisee withholds any amounts due ZCF, Franchisee shall reimburse ZCF's costs of collecting such amounts including reasonable attorney fees and expenses

24 9 No Waiver

No waiver of any condition or covenant contained in this Agreement or failure to exercise a right or remedy by ZCF or Franchisee shall be considered to imply or constitute a further waiver by ZCF or Franchisee of the same or any other condition, covenant, right, or remedy

24 10 No Right to Set Off

Franchisee shall not be allowed to set off amounts owed to ZCF for Royalties, Marketing and Technology Fees or other amounts due hereunder, against any monies owed to Franchisee, which right of set off is hereby expressly waived by Franchisee

24 11 Invalidity

If any provision of this Agreement is held invalid by any tribunal in a final decision from which no appeal is or can be taken, such provision shall be deemed modified to eliminate the invalid element and, as so modified, such provision shall be deemed a part of this Agreement as though originally included The remaining provisions of this Agreement shall not be affected by such modification Specifically, if the restrictions concerning time duration, geographic scope, affected persons or breadth of activity contained in **Article 21** of this Agreement are held to be unenforceable under any applicable law, the arbiter of any dispute regarding this Agreement is hereby authorized to and shall make only such limited changes as are necessary to make the restrictions enforceable

24 12 Payment of Taxes

Franchisee shall reimburse ZCF, or its affiliates and designees, promptly and when due, the amount of all sales taxes, use taxes, personal property taxes and similar taxes imposed upon, required to be collected or paid by ZCF, or its affiliates or designees, on account of services or goods furnished by ZCF, its affiliates or designees, to Franchisee through sale, lease or otherwise (except for any taxes ZCF or its affiliates are required by law to collect from Franchisee with respect to products purchased from ZCF and its affiliates), or on account of collection by ZCF, its affiliates or designees, of the Initial Franchise Fee, Royalties, Marketing and Technology Fees, payment for inventory or any other payments made by Franchisee to ZCF required under the terms of this Agreement

24 13 Notices

All notices required to be given under this Agreement will be given in writing, by personal delivery, certified mail, return receipt requested, e-mail or an overnight delivery service providing documentation of receipt, at the physical address set forth in the first paragraph of this Agreement in the case of ZCF, at the physical address set forth below Franchisee's signature to this Agreement or at the Shop Location set forth in the Addendum (after the Franchisees Coffee Shop has first opened for business) in the case of Franchisee, at the e-mail address for either party set forth below each party's signature to this Agreement, or at such other addresses as ZCF or Franchisee may designate in writing from time to time Notice will be effectively given when personally delivered or delivered by e-mail to the proper e-mail address, three days after being deposited in the United States mail, with proper address and postage prepaid, and one day after being deposited with the overnight delivery service, as may be applicable

24 14 Cross-Default and Cross Termination

a A default by Franchisee under this Agreement will be deemed a default of all agreements between Franchisee and/or any company(ies) affiliated with Franchisee, on the one hand, and ZCF and/or any company(ies) affiliated with ZCF, on the other hand (the "**Other Agreements**") A default by Franchisee and/or any company(ies) affiliated with Franchisee under any of the Other Agreements will be deemed a default under this Agreement A default by any guarantor(s) of this Agreement or of any of the Other Agreements will be deemed a default of this Agreement b If this Agreement is terminated as a result of a default by Franchisee, ZCF may, at its option, elect to terminate any or all of the Other Agreements If any of the Other Agreements is terminated as a result of a default by Franchisee and/or any company(ies) affiliated with Franchisee, ZCF may, at its option, elect to terminate this Agreement It is agreed that an incurable or uncured default under this Agreement or any of the Other Agreements will be grounds for termination of this Agreement and/or any and all of the Other Agreements without additional notice or opportunity to cure

24 15 Force Majeure

ZCF will not be liable to Franchisee, nor will ZCF be deemed to be in breach of this Agreement, if it exercises best efforts to perform its obligations as may be due to Franchisee hereunder, and its failure to perform its obligations results from (1) transportation shortages, inadequate supply of labor, material or energy, or voluntarily foregoing the right to acquire or use any of the foregoing in order to accommodate or comply with the orders, requests, regulations, recommendations or instruments of any federal, state, provincial, or municipal government or any department or agency thereof, (2) compliance with any law, ruling, order, regulation, requirement or instruction of any federal, state, provincial, or municipal government or any department or agency thereof, (3) acts of God, or (4) fires, strikes, terrorism, embargoes, war or riot Any delay resulting from any of these causes will extend performance by ZCF accordingly or excuse performance by ZCF in whole or in part, as may be necessary

24 16 Counterparts, Electronic Signatures

This Agreement and any riders and addenda hereto may be executed in any number of identical counterparts and via electronic signatures, and each such counterpart shall be deemed a duplicate original hereof

24 17 Effective Date

The effective date of this Agreement (the "**Effective Date**") shall be the date it is accepted by ZCF as evidenced by dating and signing by an authorized officer of ZCF

24 18 Acknowledgment

BEFORE SIGNING THIS AGREEMENT, FRANCHISEE SHOULD READ IT CAREFULLY WITH THE ASSISTANCE OF LEGAL COUNSEL FRANCHISEE ACKNOWLEDGES THAT

(A) THE SUCCESS OF THE BUSINESS VENTURE CONTEMPLATED HEREIN INVOLVES SUBSTANTIAL RISKS AND DEPENDS UPON FRANCHISEE'S ABILITY AS AN INDEPENDENT BUSINESS PERSON AND ITS ACTIVE PARTICIPATION IN THE DAILY AFFAIRS OF THE BUSINESS,

(B) NO ASSURANCE OR WARRANTY, EXPRESS OR IMPLIED, HAS BEEN GIVEN AS TO THE POTENTIAL SUCCESS OF SUCH BUSINESS VENTURE OR THE EARNINGS LIKELY TO BE ACHIEVED, AND

(C) NO STATEMENT, REPRESENTATION OR OTHER ACT, EVENT OR COMMUNICATION, EXCEPT AS SET FORTH IN THIS DOCUMENT, AND IN ANY DISCLOSURE DOCUMENT SUPPLIED TO FRANCHISEE IS BINDING ON ZCF IN CONNECTION WITH THE SUBJECT MATTER OF THIS AGREEMENT

24 18 Anti-Terrorism Representation

Franchisee represents to ZCF that it and all persons or entities holding any legal or beneficial interest whatsoever in Franchisee entity are not included in, owned by, acting for or on behalf of, providing assistance, support, sponsorship, or services of any kind to, or otherwise associated with any of the persons or entities referred to or described in Executive Order 13224-Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, as amended

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above set forth

ZIGGI'S COFFEE FRANCHISE, LLC

By ______________________________
Title ______________________________
Date ______________________________
E-mail Address brandon@ziggis com

FRANCHISEE

____
Individually
Date ______________________________

OR
(if a corporation, limited liability company, partnership)

____
Company Name

By ______________________________
Title ______________________________
Date ______________________________

By ______________________________
Title ______________________________
Date ______________________________

Franchisee Address

____
____
____
E-mail Address ____________________

ATTACHMENT I
TO FRANCHISE AGREEMENT

ADDENDUM TO ZIGGI'S
FRANCHISE AGREEMENT

This is an Addendum ("**Addendum**") to the Franchise Agreement (the "**Agreement**") by and between ZIGGI'S COFFEE FRANCHISE, LLC, hereinafter "**ZCF**," and the undersigned franchisee, hereinafter "**Franchisee**" This Addendum modifies the terms of the Agreement and in the event of a conflict in terms between the Agreement and this Addendum, the terms of this Addendum shall be controlling

1 <u>**Type of Franchise**</u> The type of franchise to be acquired by Franchisee, referred to in **Section 2 1**, is

- ☐ a Double Drive Through
- ☐ a Cafe
- ☐ a Cafe with Drive Through

2 <u>**Shop Location and Target Area**</u> The Shop Location or the Target Area, referred to in **Section 3 1** of the Agreement, shall be ____

____

____

The Shop Location shall be deemed approved upon approval by ZCF of the site and lease pursuant to **Article 6** of the Agreement

3 <u>**Initial Franchise Fee**</u> Franchisee shall pay to ZCF when Franchisee signs the Agreement an Initial Franchise Fee, referenced in **Section 4 1** of the Agreement, of $______________

4 <u>**Commencement Date**</u> The Commencement Date, referred to in **Section 6 8** of the Agreement, shall be ________________________

5 <u>**Development Schedule**</u> The Development Schedule, as referred to in **Section 6 9** of the Agreement is ____________________

6 <u>**Managing Owner and Designated Manager**</u> The Managing Owner, referred to in **Section 7 1**, shall be ______________________________________ The Designated Manager, referred to in **Section 7 1**, shall be ______________________________________

7 <u>**Additional Terms**</u>

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first above set forth

ZIGGI'S COFFEE FRANCHISE, LLC	**FRANCHISEE** ______________________
By ______________________________	By ______________________________
Title ____________________________	Title ____________________________
	By ______________________________
	Title ____________________________

ATTACHMENT II
TO FRANCHISE AGREEMENT

SHOP LOCATION AND COMMENCEMENT DATE
SUPPLEMENT TO
ZIGGI'S FRANCHISE AGREEMENT

This is a Supplement ("**Supplement**") to the Franchise Agreement (the "**Agreement**") by and between ZIGGI'S COFFEE FRANCHISE, LLC, hereinafter "**ZCF**," and the undersigned franchisee, hereinafter "**Franchisee** "

1 In the Addendum to the Agreement, ZCF and Franchisee did not designate a specific address for Franchisee's Shop Location and/or a Commencement Date ZCF and Franchisee specified a nonexclusive Target Area and agreed that a specific address for the Shop Location within that Target Area would be subsequently agreed upon between ZCF and Franchisee ZCF and Franchisee have now reached an agreement as to the Shop Location

It is therefore agreed that the Shop Location, referenced in **Section 3 1** of the Agreement and **Paragraph 2** of the Addendum, shall be ______________________________

____

2 In the Addendum to the Agreement, ZCF and Franchisee did not designate a specific Commencement Date ZCF and Franchisee have now reached an agreement as to the Commencment Date

It is therefore agreed that the Commecement Date, referenced in **Section 6 8** of the Agreement and **Paragraph 4** of the Addendum, shall be ______________

3 The terms of this Supplement shall control over the conflicting terms of the Agreement, including the Addendum In all other respects, the Agreement and the Addendum are ratified, affirmed and confirmed, and shall remain in full force and effect in their original form All capitalized terms in this Supplement that are not defined herein shall have the meaning ascribed to them in the Agreement

The parties have executed this Supplement as of the date set forth below each of their signatures below, to be made effective as of the Effective Date of the Agreement, regardless of the date signed

ZIGGI'S COFFEE FRANCHISE, LLC	**FRANCHISEE** ______________________
By ______________________	By ______________________
Title ______________________	Title ______________________
Date ______________________	Date ______________________
	By ______________________
	Title ______________________
	Date ______________________

ATTACHMENT III
TO FRANCHISE AGREEMENT

AUTHORIZATION AGREEMENT FOR PREARRANGED PAYMENTS
(DIRECT DEBITS)

The undersigned franchisee ("**Franchisee**") hereby (1) authorizes ZIGGI'S COFFEE FRANCHISE, LLC ("**Company**") to initiate debit entries and/or credit correction entries to the undersigned's checking and/or savings account indicated below for payment of all fees, amounts and obligations that become payable by Franchisee to Company, and (2) authorizes and requests the depository designated below ("**Depository**") to debit such account pursuant to Company's instructions without responsibility for the correctness of these payments, subject to there being sufficient funds in Franchisee's account to cover such debit entries

The dollar amount to be debited will vary and the dates on which the debits are initiated will vary

Depository	Branch

Street Address	City	State	Zip Code

Bank Transit/ABA Number	Account Number

Franchisee states and acknowledges that the account described above has been established, and that this authority is extended, primarily for commercial purposes, and not for personal, family, or household purposes

This authority is to remain in full force and effect until Depository has received joint written notification from Company and Franchisee of the Franchisee's termination of such authority in such time and in such manner as to afford Depository a reasonable opportunity to act on it Franchisee agrees to not revoke any authorization for funds transfer prior to the termination of its Franchise Agreement with Company, without the prior written consent of Company Any termination or dishonor of this authority shall not relieve Franchisee of its obligation to make payments to Company, whether pursuant to the Franchise Agreement or otherwise

Franchisee is responsible for, and must pay on demand, all costs or charges relating to the handling of debit entries pursuant to this authority

FRANCHISEE (Print Name)	DEPOSITORY (Print Name)

Franchisee ______________________
By ______________________
Title ______________________
Address ______________________
____
Date ______________________

Franchisee should also provide Company with a voided check

ATTACHMENT IV
TO FRANCHISE AGREEMENT

STATEMENT OF OWNERSHIP

Franchisee ____

Trade Name (if different from above) ____

Form of Ownership (Check One)

____ Individual ____ Partnership _____ Corporation ____ Limited Liability Company ____ Other

If an Individual, provide the name, address, and social security or other national identification number of the Individual

If a Partnership, provide the name, address, and social security or other national identification number of each partner showing the percentage owned and whether each is active in management, indicate the country, state and/or province in which the partnership was formed and the date it was formed, and provide a copy of the Partnership Agreement

If a Corporation, provide the name, address, and social security or other national identification number of each officer and director, and list the name, address, and social security or other national identification number of every shareholder showing what percentage of stock is owned by each, indicate the country state and/or province and date of incorporation and provide a copy of the Articles of Incorporation certified by the Secretary of State or other official for the country, state and/or province in which the corporation was formed

If a Limited Liability Company, provide the name, address, and social security or other national identification number of each member and each manager showing the percentage owned indicate the country state and/or province in which the Limited Liability Company was formed and the date it was formed, and provide a copy of the Articles of Organization certified by the Secretary of State or other official for the country, state and/or province in which the Limited Liability Company was formed and the Operating Agreement

If another type of business entity, provide the name, address and social security or other national identification number of each owner and each officer or manager showing the percentage owned, indicate the country state and/or province in which the business entity was formed and the date it was formed, and provide a copy of any articles of formation and governing agreements certified if applicable, by the Secretary of State or other official for the country, state and/or province in which the business entity was formed

____

____

____

____

____

Social Security/National ID Number(s) of Individual Franchisee or Principals ____________________

____

Franchisee acknowledges that this Statement of Ownership applies to the ZIGGI S Coffee Shop authorized under the Franchise Agreement

Use additional sheets if necessary Any and all changes to the above information must be reported to ZCF in writing

____________________ ______________________________

Date Name

ATTACHMENT V
TO FRANCHISE AGREEMENT

GUARANTY AND ASSUMPTION OF FRANCHISEE'S OBLIGATIONS

A In consideration of, and as an inducement to, the execution of the above Franchise Agreement ("**Franchise Agreement**") by Ziggi's Coffee Franchise, LLC ("**ZCF**"), each of the undersigned hereby personally and unconditionally

1 Guarantees to ZCF and its successors and assigns, for the term of the Franchise Agreement, including renewals thereof, that franchisee named on the signature page ("**Franchisee**") shall punctually pay and perform each and every undertaking, agreement and covenant set forth in the Franchise Agreement, and

2 Agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Franchise Agreement

B Each of the undersigned waives the following

1 Acceptance and notice of acceptance by ZCF of the foregoing undertaking,

2 Notice of demand for payment of any indebtedness or nonperformance of any obligations hereby guaranteed,

3 Protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed,

4 Any right he or she may have to require that any action be brought against Franchisee or any other person as a condition of liability, and

5 Notice of any amendment, modification, deletion or addition of any term or condition of or to any of the obligations hereby guaranteed

6 Notice of any termination as to future liability of any other guarantor

7 Any and all other notices and legal or equitable defenses to which he or she may be entitled

C Each of the undersigned consents and agrees that

1 His or her direct and immediate liability under this guaranty will be joint and several

2 He or she will render any payment or performance required under the Franchise Agreement upon demand if Franchisee fails or refuses punctually to do so

3 His or her liability hereunder will not be contingent or conditioned upon pursuit by ZCF of any remedies against Franchisee or any other person

4 His or her liability hereunder will not be diminished, relieved or otherwise affected by any amendment, assignment or modification of the Franchise Agreement or any extension of time, credit or other indulgence which ZCF may from time to time grant to Franchisee or to any other person, including without limitation the acceptance of any partial payment or performance, or the compromise or release of any claims, none of which will in any way modify or amend this guaranty, which shall be continuing and irrevocable during the term of the Franchise Agreement, including renewals thereof

5 He or she shall be bound by the restrictive covenants, confidentiality provisions, audit provisions, and the indemnification provisions contained in the Franchise Agreement

6 ZCF may, at its option, without notice to or further consent of him or her, take any of the following actions

(i) retain the primary or secondary liability of any other party with respect to all or any part of the obligations hereby guaranteed

(ii) release or compromise any liability of any other guarantor or any other party with respect to the obligations hereby guaranteed

(iii) amend, modify, delete, or add any term or condition of or to any of the obligations hereby guaranteed, which may include the creation of new obligations

D No delay or neglect on the part of ZCF in the exercise of any right or remedy existing under law or by virtue of this Guaranty shall operate as a waiver thereof, but such rights and remedies shall continue in full force and effect until specifically waived or released by an instrument in writing executed by ZCF and designated as a waiver or release, and no single or partial exercise by ZCF of any right or remedy shall preclude further exercise thereof or the exercise of any right or remedy

E The arbitration, governing law and jurisdiction provisions contained in the Franchise Agreement shall govern this Guaranty, and such provisions are incorporated into this Guaranty by this reference

F This Guaranty may be executed via electronic signature

IN WITNESS WHEREOF, each of the undersigned has affixed his or her signature effective on the same day and year as the Franchise Agreement was executed

FRANCHISEE	**GUARANTOR(S)**
____________________	____________________
	____________________
	____________________
	____________________

ATTACHMENT VI
TO FRANCHISE AGREEMENT

RIDERS TO FRANCHISE AGREEMENT FOR SPECIFIC STATES AND PROVINCES

CALIFORNIA RIDER TO THE FRANCHISE AGREEMENT

1 **Section 22 5** is deleted and replaced with the following language

The United States Federal Arbitration Act shall govern all questions about the enforceability and scope of **Sections 22 1** and **22 2**, and no arbitration issues are to be resolved pursuant to any other statutes, regulations or common law Otherwise, except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U S C Sections 1051 et seq) or other United States federal law, this Agreement shall be interpreted under the laws of the State of Colorado U S A and any dispute between the parties shall be governed by and determined in accordance with the internal substantive laws, and not the laws of conflict, of the State of Colorado U S A , which laws shall prevail in the event of any conflict of law Notwithstanding the foregoing, the parties agree that the Colorado Consumer Protection Act (COLO REV STAT ANN Sections 6-1-101, et seq) shall not apply to this Agreement or any disputes between the parties Franchisee and ZCF have negotiated regarding a forum in which to resolve any disputes that arise between them and have agreed to select a forum in order to promote stability in their relationship Therefore, if a claim is asserted in any legal proceeding not subject to mandatory arbitration, as specified in **Section 21 1**, involving Franchisee, and the Franchisee Affiliates, on the one side, and ZCF and the ZCF Affiliates, on the other side, both parties consent to jurisdiction and venue in the state and federal courts of Colorado U S A , and each waive any objection either may have to the personal jurisdiction of or venue in the state and federal courts of Colorado U S A Notwithstanding the foregoing, any legal proceeding by ZCF or any ZCF Affiliate not subject to mandatory arbitration may be brought in any court of competent jurisdiction in the country, state, province, or other geographic area in which the ZIGGI'S Coffee Shop is located or in which Franchisee or any Franchisee Affiliate resides or owns assets **IF A CLAIM MAY BE BROUGHT IN COURT, THEN ZCF, THE ZCF AFFILIATES, FRANCHISEE AND THE FRANCHISEE AFFILIATES EACH WAIVE THEIR RIGHTS TO A TRIAL BY JURY**

ZIGGI'S COFFEE FRANCHISE, LLC	______________________ FRANCHISEE (Print Name)
By ______________________	By ______________________
Title ______________________	Title ______________________
Date ______________________	Date ______________________

ATTACHMENT B
(TO DISCLOSURE DOCUMENT)

RESERVED FOR FUTURE USE

ATTACHMENT C
(TO DISCLOSURE DOCUMENT)

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

NONDISCLOSURE AND NONCOMPETITION AGREEMENT

This Nondisclosure and Noncompetition Agreement (this "**Agreement**") is made effective on the date set forth on the signature page hereof, by and among **ZIGGI'S COFFEE FRANCHISE, LLC**, a Colorado limited liability company ("**ZCF**"), located at 400 Main Street, Longmont, Colorado 80501, the undersigned franchisee (the "**Company**"), and the undersigned associate of the Company ('**Associate**")

RECITALS

A ZCF has developed methods for establishing, operating and promoting retail coffee shops selling gourmet specialty coffee, espresso, tea, fruit smoothies, fresh sandwiches and wraps, and other food and drink items, plus packaged coffee and coffee-related merchandise, and related products and services (collectively, "**ZIGGI'S Coffee Shops**" or "**Coffee Shops**") using certain valuable trade names, service marks and trademarks, including the service mark "ZIGGI'S COFFEE" (collectively, the "**Marks**"), and ZCF's distinctive techniques, expertise and knowledge in the establishment, operation and promotion of Coffee Shops and related licensed methods of doing business (collectively the "**Licensed Methods**")

B ZCF and its affiliates have developed proprietary methods for establishing, operating and promoting ZIGGI'S Coffee Shops, and have established substantial goodwill and an excellent reputation with respect to the quality of the products and services available in a ZIGGI'S Coffee Shop, which goodwill and reputation have been and will continue to be of major benefit to ZCF,

C The Company is a franchisee under an effective franchise agreement with ZCF (the "**Franchise Agreement**"),

D Associate is or will become involved with the Company in the capacity of an officer, partner, director, manager, agent, employee, member, Managing Owner, Designated Manager (as defined in the Franchise Agreement), beneficial owner, or independent contractor (such capacities collectively referred to as "**Affiliation**") or is related to a person who has an Affiliation with the Company, and will become privileged as to certain confidential information related to ZCF, its operations, the ZIGGI'S Coffee Shops and/or the Licensed Methods,

E ZCF and the Company require that Associate enter into this Agreement with them before Associate shall be allowed to have access to any confidential information of ZCF (i) as a material term of the Franchise Agreement, (ii) in order to protect ZCF's confidential know-how and distinctive systems, designs, decor, trade dress, specifications, standards, procedures and other trade secrets authorized or required by ZCF for use in the operation of the Company's ZIGGI'S Coffee Shop, (iii) in order to protect ZCF's proprietary rights in, and the Company's right to use, the confidential information of ZCF, and (iv) in consideration of Associate's Affiliation with the Company, and

F Associate, the Company, and ZCF have reached an understanding and agreement with regard to nondisclosure by Associate of confidential information and with respect to noncompetition by Associate with ZCF and the Company

NOW THEREFORE, in consideration of the foregoing, the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, Associate, the Company and ZCF, intending legally to be bound, agree as follows

1 **<u>Confidential Information</u>** Associate recognizes and agrees that certain proprietary information relating to ZCF and its operations ('**Confidential Information**") is owned by and treated as confidential by ZCF and the Company, including without limitation, (1) the Licensed Methods, (2) all proprietary information concerning ZCF's business and the ZIGGI'S Coffee Shop business format and operating procedures, (3) sales methods, (4) formulas, recipes, or processes related to any products sold at ZIGGI'S Coffee Shops, (5) all of ZCF's financial information other than financial information filed with any government regulatory agency, (6) information regarding the design, décor and layout of ZIGGI'S Coffee Shops, (7) franchise sales processes and promotional methods and materials, (8) all nonpublic statistical information, (9) the strategic plan, budgets and projections for ZCF, (10) all information concerning negotiations of any kind conducted by ZCF whether pending or completed, (11) all marketing research data and marketing plans, (12) all lead generation or prospecting methods, (13) all information contained in ZCF's operations manual, and any other manual, written instructional guides, or other nonpublic written information, (14) internal lists of ZCF's current and former franchisees and customers of ZCF and of its franchisees, including contact information such as physical addresses and e-mail addresses thereof, and (15) all other information which gives ZCF and its affiliates an opportunity to obtain an advantage over their competitors or that may be considered a trade secret or proprietary and such Confidential Information that may be further developed from time to time by ZCF Such Confidential Information is unique, exclusive property and a trade secret of ZCF

2 **Use and Disclosure of Confidential Information** Associate acknowledges that, in connection with Associate's Affiliation with the Company, ZCF or the Company will disclose in strict confidence certain Confidential Information necessary for the operation of a ZIGGI'S Coffee Shop Associate specifically acknowledges that the Confidential Information is valuable, unique and comprises a key portion of the assets of ZCF, and Associate agrees that he or she will not utilize all or any portion of the same for Associate's personal benefit during the term of Associate's Affiliation with the Company, nor in any manner use the same subsequent to the termination of Associate's Affiliation with the Company or the termination or expiration of the Franchise Agreement, nor disclose any of the same to any person, firm, corporation or other entity whatsoever, including but not limited to a Competitive Business, as defined below, at any time for any reason or purpose, without the prior written consent of ZCF Associate shall not copy, publish or otherwise duplicate the Confidential Information or permit others to do so and shall return all Confidential Information to ZCF or the Company upon termination of Associate's Affiliation with the Company Associate may disclose to other employees, agents, or representatives of ZCF or the Company the Confidential Information only to the extent necessary for such employees, agents or representatives to carry out their intended function Associate acknowledges that any unauthorized disclosure or use of the Confidential Information would be wrongful and would cause irreparable injury and harm to the Company Associate further acknowledges that the Company has expended a great amount of effort and money in obtaining and developing the Confidential Information, that the Company has taken numerous precautions to guard the secrecy of the Confidential Information and that it would be very costly for competitors to acquire or duplicate the Confidential Information

3 **Noncompetition Covenant** Associate covenants and agrees that, during the term of his or her Affiliation, except while conducting the Company's business in a manner authorized by ZCF and the Company, Associate shall not, either directly or indirectly through any member of Associate's immediate family, separate business entity or otherwise

a have any direct or indirect interest as a disclosed or beneficial owner in a "Competitive Business," as defined below,

b perform services as a director, officer, manager, employee, consultant, representative, agent or otherwise for a Competitive Business,

c divert or attempt to divert any business related to, or any customer or account of the Company's ZIGGI'S Coffee Shop, ZCF's business, or any other ZCF franchisee's business, or divert or attempt to divert the employment of any employee of the Company, ZCF, ZCF's affiliates, or another ZCF franchisee, to any Competitive Business, or

d directly or indirectly solicit or employ any person who is employed by the Company or ZCF

The term "**Competitive Business**" as used in this Agreement means any business operating, or granting franchises or licenses to others to operate a coffee store or other business deriving more than 10 percent of its gross receipts, excluding gross receipts relating to the sale of alcoholic beverages, from the sale of coffee drinks, espresso-based drinks, and tea (other than another ZIGGI'S Coffee Shop operated by the Company), provided, however, Associate shall not be prohibited by this Agreement from owning securities in a Competitive Business if such securities are listed on a stock exchange or traded on the over-the-counter market and represent 2 percent or less of that class of securities issued and outstanding

As used in this Agreement, "immediate family" shall mean any parent, child, spouse or sibling of Associate

4 **<u>Post-Termination Covenant Not to Compete</u>** Associate covenants and agrees that, for a period of two years after the earlier of (i) the effective date of termination or expiration of Associate's Affiliation with the Company, or (ii) the effective date of termination or expiration of the Company's Franchise Agreement, neither Associate, nor any member of Associate's immediate family, shall have any direct or indirect interest, as a disclosed or a beneficial owner, investor, partner, director, officer, manager, employee, consultant, representative or agent or in or with any other capacity, in any "Competitive Business" located or operating within a 10 mile radius of the location of the Company's ZIGGI'S Coffee Shop, within a 10 mile radius of any other franchised ZIGGI'S Coffee Shop, or within a 10 mile radius of any ZIGGI'S Coffee Shop owned by ZCF or an affiliate of ZCF Associate expressly acknowledges that it and its immediate family members, officers, directors, shareholders, managers, equity owners, and/or partners possess skills and abilities of a general nature and have other opportunities for exploiting such skills Consequently, enforcement of this covenant will not deprive them of their personal goodwill or ability to earn a living

5 **<u>Audit of Business Records</u>** ZCF or its authorized agent may request, receive, inspect, and audit any business records, financial or otherwise, of Associate, Associate's immediate family members, or any party affiliated with Associate or its immediate family members, including any companies or entities associated with Associate or its immediate family members, that ZCF in its sole discretion determines may be relevant in determining Associate's compliance with the terms of this Agreement or the Company's business results The records subject to this audit include but are not limited to (i) tax returns, (ii) quarterly and/or annual financial statements, including profit and loss statements and balance sheets, (iii) copies of check ledgers and bank statements for checking and savings accounts, (iv) copies of any checks or other evidence of payments, (v) all business contracts or agreements, and (vi) any other documents requested by ZCF Any such inspection or audit shall be conducted in accordance with the audit provisions set forth in the Franchise Agreement, which are deemed incorporated herein Inspections and audits conducted at Associate's business location or other location where the records are held may take place without prior notice, during normal business hours ZCF may also require at any time the records from Associate or its affiliated parties be sent to ZCF's offices or another location to permit the inspection or audit of such records to be conducted at ZCF's place of business or the other location If ZCF notifies Associate that documents are to be sent to a location other than Associate's business location for the purpose of conducting an inspection or audit at that location, Associate shall provide the requested documents to ZCF within the time period set forth in ZCF's notice ZCF may audit and inspect documents covering a period beginning with the date on which Associate's Affiliation commenced and ending on the date such audit is concluded All documents

provided for ZCF's inspection or audit must be certified by Associate and the appropriate affiliated party, if applicable, as true, complete and correct Inspections and audits may be conducted following the expiration or termination of Associate's Affiliation for any reason

6 **Invalidity** If any provision of this Agreement is held, declared or pronounced void, voidable, invalid, unenforceable or inoperative for any reason, by any court of competent jurisdiction, government authority, arbitrator or otherwise having jurisdiction in an unappealed final decision to which Associate is a party, the parties authorize and request such court, governmental authority, or arbitrator to modify the provision held to be void, voidable, invalid, unenforceable or inoperative to contain such lesser covenants that impose the maximum duty permitted by law so that the provision is upheld as valid, and the parties agree to be bound by such modified provision Such holding, declaration or pronouncement shall not affect adversely any other provisions of this Agreement which shall otherwise remain in full force and effect

7 **Injunction** Associate hereby acknowledges and agrees that in the event of any breach or threatened breach of this Agreement, ZCF or the Company shall be authorized and entitled to seek, from any court of competent jurisdiction, preliminary and permanent injunctive relief in addition to any other rights or remedies to which ZCF or the Company may be entitled Associate agrees that ZCF or the Company may obtain such injunctive relief, without posting a bond or bonds, but upon due notice, and Associate's sole remedy in the event of the entry of such injunctive relief shall be dissolution of such injunctive relief, if warranted, upon hearing duly had Associate hereby expressly waives all claims for damages by reason of a wrongful issuance of any such injunction

8 **Assignment** The Company or ZCF may assign all or part of this Agreement and the rights which inure to either of them hereunder without the consent of Associate, provided that any assignment by the Company shall require the written consent of ZCF This Agreement shall not be assignable by Associate

9 **Effect of Waiver** The waiver by Associate, the Company, or ZCF of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach thereof, and in no event shall such a waiver be binding upon ZCF unless it is in writing and signed by an authorized representative of ZCF

10 **Binding Effect** This Agreement shall be binding upon and inure to the benefit of Associate, the Company, and ZCF, and their respective heirs, executors, representatives, successors and assigns This Agreement shall be binding on Associate and enforceable by ZCF and the Company regardless of whether or not it is signed by ZCF or the Company

11 **Entire Agreement** This instrument contains the entire agreement of Associate, the Company, and ZCF relating to the matters set forth herein It may not be changed orally, but only by an agreement in writing, signed by the party against whom enforcement of any waiver, change, modification, extension or discharge is sought Both Associate and the Company agree that no change to this Agreement shall be made without the written consent of ZCF having first been obtained The Recitals set forth at the beginning of this Agreement are binding on the parties and are specifically incorporated herein by this reference

12 **Governing Law** If ZCF is a party to any action, this Agreement shall be governed by and construed under the laws of the State of Colorado, U S A Otherwise, this Agreement shall be governed by and construed under the laws of the state, province, or country where the Company is located

13 **Arbitration** Any and all controversies, disputes or claims between ZCF, its subsidiaries and affiliated companies or their shareholders, members, managers, officers, directors, agents, employees and attorneys (in their representative capacity), the Company, its shareholders, members, managers, officers, directors, agents and employees, and/or Associate arising out of or related to (1) this Agreement, (2) the relationship of the parties, or (3) the validity of this Agreement shall be submitted for arbitration on the demand of any involved party, except for actions for injunctive relief pursuant to Section 7 above, which actions ZCF and/or the Company at their option may bring either in a court of competent jurisdiction or in arbitration If ZCF is a party to any controversy, dispute or claim, such arbitration proceedings shall be conducted in Denver, Colorado, U S A , will be submitted to the Denver, Colorado, U S A office of either the Judicial Arbiter Group or the American Arbitration Association ("**AAA**"), as selected by the party submitting the arbitration demand, and will be heard by one arbitrator in accordance with the then current rules of AAA applicable to commercial arbitration The arbitrator shall be a resident of the State of Colorado, U S A knowledgeable of Colorado law and fluent in English The arbitration proceeding and all other hearings shall be conducted in English only, although Associate shall have the right, at Associate's option and sole expense, to have a translator present at the proceeding or other hearings If ZCF is not a party to such controversy, dispute or claim, such arbitration proceedings shall be conducted within the area in which the Company's ZIGGI'S Coffee Shop is based and will be heard by one arbitrator in accordance with the then current commercial arbitration rules of any arbitration group mutually acceptable to the Company and Associate, and if the Company and Associate cannot agree on an arbitration group within 30 days after demand for arbitration, then the AAA shall conduct such arbitration in accordance with its then current commercial arbitration rules The decision as to whether a claim is subject to mandatory arbitration shall be made by an arbitrator, not a court

14 **Attorneys' Fees** If ZCF or the Company must enforce any of the provisions or rights under this Agreement in any action at law or in equity and if the Company and/or ZCF is successful in such litigation or arbitration as determined by the court or arbitrator in a final judgment or decree taking into consideration the merits of the claims asserted by each party, then Associate shall pay ZCF or the Company, as applicable, all costs, expenses and reasonable attorneys' fees incurred by ZCF and/or the Company (including without limitation such costs, expenses and fees on any appeals), and if ZCF and/or the Company shall recover judgment in any such action or proceeding, such costs, expenses and attorneys' fees shall be included as part of such judgment

15 **Definitions** All capitalized terms not defined in this Agreement have the respective meanings set forth in the effective Franchise Agreement between the Company and ZCF

16 **Cross Default** A default by Associate under this Agreement will be deemed a default of all agreements between the Company and ZCF, unless waived by ZCF in writing

17 **Counterparts, Electronic Signature** This Agreement may be executed in counterparts and via electronic signatures

[SIGNATURES APPEAR ON FOLLOWING PAGE]

The parties have signed this Agreement on this ____ day of ________________, 201____

"ZCF"

ZIGGI'S COFFEE FRANCHISE, LLC,
A Colorado limited liability company

By ________________________________
Its ________________________________
Date ________________________________

"COMPANY"

____
a ________________________________

By ________________________________
Its ________________________________
Date ________________________________

"ASSOCIATE"

____
Name ________________________________
Date ________________________________

ATTACHMENT D
(TO DISCLOSURE DOCUMENT)

STATEMENT OF PROSPECTIVE FRANCHISEE

ZIGGI'S COFFEE FRANCHISE, LLC
STATEMENT OF PROSPECTIVE FRANCHISEE

(Note Dates and Answers Must be completed in the Prospective Franchisee's Own Handwriting)

Since the prospective franchisee (also called "me," "our", "us", "we", and/or 'I" in this document) and Ziggi's Coffee Franchise, LLC (also called "ZCF", "you", or "your") both have an interest in making sure that no misunderstanding exist between each of us, and to verify that no violations of law might have occurred, and understanding that ZCF is relying on the statements I/we make in this document, I/we advise ZCF as follows

A The following dates and information are true and correct

1 The date of our first face-to-face meeting with any person to discuss the possible purchase of a ZIGGI'S Coffee Shop franchise

____

2 The date on which I/we received a Franchise Disclosure Document providing me/us with information regarding the purchase of a ZIGGI'S Coffee Shop franchise

____

3 The date when I/we received a fully completed copy (other than signatures) of the Franchise Agreement and all other documents I/we later signed

____

4 The earliest date on which I/we signed the Franchise Agreement or any other binding document (not including any Receipt evidencing our receipt of the Franchise Disclosure Document)

____

5 The earliest date on which I/we delivered cash, a check or other consideration to ZCF, or any other person or company

____

B Representations and Other Matters

1 No oral, written, visual or other promises, agreements, commitments, or representations of any type, including, but not limited to, any which expanded upon or were inconsistent with the Franchise Disclosure Document or the Franchise Agreement, have been made to me/us with respect to any matter nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by me/us and a President or Vice President of ZCF, except as follows _______________

____

____

____

____

(If none, write NONE in your own handwriting)

2 No oral, written, visual or other claim, guarantee or representation (including, but not limited to, charts, tables, spreadsheets or mathematical calculations to demonstrate actual or possible results based on a combination of variables, such as multiples of price and quantity to reflect gross sales, or otherwise), which stated or suggested any specific level or range of actual or potential sales, costs, income, expenses, profits, cash flow, tax effects or otherwise (or from which such items might be ascertained), from franchised or non-franchised units, was made to me/us by any person or entity, nor have I/we relied in any way on any such, except for the information expressly set forth in the Franchise Disclosure Document, if any, except as follows __

____
____
____
____

(If none, write NONE in your own handwriting)

3 No contingency, prerequisite, reservation or other condition exists with respect to any matter (including, but not limited to, my/our obtaining any financing, my/our selection, purchase, lease or otherwise of a location, any operational matters or otherwise) or my/our fully performing any of my/our obligations, nor am I/we relying on ZCF or any other entity to provide or arrange financing of any type, nor have I/we relied in any way on such, except as expressly set forth in the Franchise Agreement or a written Addendum thereto signed by me/us and a President or Vice President of ZCF, except as follows ______________________________

____
____

(If none, write NONE in your own handwriting)

4 I/we understand that the information contained in ITEM 19 of the Franchise Disclosure Document, if any, is not intended to express or infer an estimate, projection or forecast of revenues, sales, expenses, income or earnings to be derived in connection with any particular franchise I/we understand that ZCF makes no representation to whether I/we will ever be able to sell any products or services, or the length of time it will take me/us to realize any gross revenues, net income or any other financial results I/we understand that my/our actual financial results are likely to differ from the figures presented I/we understand that ZCF does not represent that I/we can expect to attain the revenues or limit my/our expenses to those contained in ITEM 19 of the Franchise Disclosure Document, if any, or that I/we can do as well as the outlets included therein If I/we rely on those figures, I/we accept the risk of not doing as well I/we acknowledge that my/our ability to achieve any level of income will depend upon factors not within ZCF's control, including the occurrence of certain start-up and operating expenses and the amount of those expenses, and my/our level of expertise

5 If the prospective franchisee is a business entity, the individuals signing for the "Prospective Franchisee" constitute all of the executive officers, members, managers, partners, shareholders, investors and/or principals (as applicable) of the Prospective Franchisee and each of such individuals has received the Franchise Disclosure Document and all attachments and carefully read, discussed, understands and agrees to the Franchise Agreement and each written attachment, addendum, or exhibit

6 I/we have had an opportunity to consult with an independent professional advisor, such as an attorney or accountant, prior to signing any binding documents or paying any sums, and ZCF

has strongly recommended that I/we obtain such independent professional advice I/we have also been advised by ZCF to discuss my/our proposed purchase of, or investment in, a ZIGGI'S Coffee Shop franchise with one or more existing ZIGGI'S Coffee Shop franchisees prior to signing any binding documents or paying any sums and I/we have been supplied with a list of existing ZIGGI'S Coffee Shop franchisees

7 I/we understand that entry into any business venture necessarily involves certain risk of loss or failure, that the purchase of a ZIGGI'S Coffee Shop franchise (or any other franchise) is a speculative investment, that investment beyond the amounts outlined in the Franchise Disclosure Document may be required to succeed, that there exists no guaranty against possible loss or failure in this or any other business and that the most important factors in the success of any ZIGGI'S Coffee Shop, including the one to be operated by me/us, are my/our personal business, marketing, sales, management, judgment and other skills

If there are any matters inconsistent with the statements in this document, or if anyone has suggested that I sign this document without all of its statements being true, correct and complete, I/we will make a written statement regarding such next to my signature below so that ZCF may address and resolve any such issue(s) at this time and before either party goes forward

I/we understand and agree to all of the foregoing and represent and warrant that all of the above statements are true, correct and complete

Date ____________________

PROSPECTIVE FRANCHISEE

By ____________________________________
Print Name ____________________________

By ____________________________________
Print Name ____________________________

By ____________________________________
Print Name ____________________________

All of the above is true, correct and complete to the best of my knowledge

Franchise Marketing Representative ____

Reviewed by ____(ZCF)

President/Vice President _________________ Franchise Agreement Number __________

ATTACHMENT E
(TO DISCLOSURE DOCUMENT)

CONDITIONAL ASSIGNMENT OF LEASE

CONDITIONAL ASSIGNMENT OF LEASE

THIS CONDITIONAL ASSIGNMENT OF LEASE ("**Assignment**") is made as of this ___ day of _______________, 20__ by and between _______________________________, a _________ _________________ ("**Assignor**"), **ZIGGI'S COFFEE FRANCHISE, LLC**, a Colorado limited liability company ("**Assignee**") and ___________________________________, a _________________ _________________________ ("**Landlord**")

WHEREAS, Assignor is a tenant of certain property generally known as _________________ ___________________________________, located in the City of ____________________ ______, State of _________________ ("**Property**"), pursuant to a lease by and between Landlord and Assignor, dated __________________, 20___ (the "**Lease**"),

WHEREAS, Assignor desires to construct, or have constructed by Landlord (whichever is applicable), and thereafter operate a ZIGGI'S Coffee Shop under a certain franchise agreement between Assignor and Assignee (the "**Franchise Agreement**"), and

WHEREAS, as a condition to the grant of rights under the Franchise Agreement to Assignor, Assignee requires that Assignor enter into this Assignment

NOW, THEREFORE, for and in consideration of the sum of Ten Dollars and other good and valuable consideration, the receipt of which is hereby acknowledged, the parties agree as follows

1 Assignor hereby assigns all of its right, title and interest in and to the Lease and the ZIGGI'S Coffee Shop to Assignee

2 With the exception of Assignee's rights under paragraph 3 below and Assignor's and Landlord's respective obligations, representations and covenants under paragraphs 3, 4, 8, 9 and 10 below, the Conditional Assignment of lease contemplated hereunder is expressly conditioned upon, and shall not be effective and Assignee shall have no right to pursue any remedy hereunder unless and until

(a) Default by Assignor under the terms of the Lease, which default (i) is not cured by Assignor within the time limits provided therein or (ii) results in a demand for performance by Assignee under any guaranty of the Lease, or

(b) Default by Assignor under the terms of the Franchise Agreement or under any document or instrument securing the Franchise Agreement, which default is not cured by Assignor within the time limits provided therein, or

(c) Voluntary institution of any insolvency or bankruptcy proceedings as a debtor or involuntary insolvency or bankruptcy proceedings brought against Assignor which are not dismissed within 60 days of the filing thereof, or

(d) Discontinuation by the Assignor of operation of the ZIGGI'S Coffee Shop to be located on the Property, whether voluntarily or involuntarily, or

(e) Nonrenewal by Assignor of the Franchise Agreement, or

(f) Nonrenewal by Assignor of the Lease

3 During the term of the Lease, Landlord agrees to give Assignee written notice of all defaults of Assignor concurrently with the giving of such notice to Assignor Landlord further agrees to give Assignee a 30-day period to cure such default, or 10 days after the period provided to the Assignor in the Lease, whichever period shall be longer

4 In the event Assignee expends sums to cure a default, Assignor shall promptly reimburse Assignee for the costs incurred by Assignee in connection with such performance, together with interest thereon at the rate of 1 5 percent per month, or the highest rate allowed by law Nothing herein shall obligate Assignee to cure any such default, unless Assignee elects to assume the Lease pursuant to Section 5 below

5 The date upon which the assignment shall be effective (the "**Effective Date**"), is the date upon which Landlord and Assignor receive written notice from Assignee that

(a) Assignee will cure all prior defaults of Assignor in the Lease in which Landlord has given notice to Assignee pursuant to the provisions of paragraph 3 above, and that Assignee will assume the Lease, or

(b) The events described in any of subsections 2(b), 2(c), 2(d), 2(e) or 2(f) above have occurred and that Assignee will assume the Lease

6 As of the Effective Date, Assignee will assume all rights, duties, responsibilities and obligations of Assignor arising on or after the Effective Date pursuant to the terms and provisions of the Lease

7 Landlord hereby consents to the terms and provisions of this Assignment, and to the assignment of the Lease to Assignee Landlord further agrees that after the Effective Date, Assignee may (i) enter into a sublease or assignment of the Lease with any ZIGGI'S Coffee Shop franchisee who will operate the ZIGGI'S Coffee Shop located on the Property without Landlord's further consent, or (ii) further assign the Lease to a person, firm or corporation who shall agree to assume the tenant's obligations under the Lease and who is acceptable to Landlord Landlord further agrees that upon the occurrence of any such assignment, Assignee shall have no further liability or obligation under the Lease as Assignee, tenant or otherwise, and that concurrent with such assignment, Landlord will enter into a replacement Conditional Assignment of Lease by and between Assignee and the new tenant

8 Assignor agrees to indemnify and hold harmless Assignee from any loss, liability, cost or expense incurred or suffered by Assignee under this Assignment

9 Assignor and Landlord agree not to allow any surrender, amendment, modification or termination of the Lease without the prior written consent of Assignee Throughout the term of the Lease, Assignor agrees that it shall elect and exercise all options to extend the term of or renew the Lease not less than 30 days prior to the last day said option must be exercised, unless Assignee otherwise agrees in writing Upon Assignee's failure otherwise to agree in writing, and upon the failure of Assignor to elect to extend or renew the Lease, Assignor hereby appoints Assignee as its true and lawful attorney-in-fact to exercise such extension or renewal option in the name, place and stead of Assignor for the sole purpose of effecting such extension or renewal

10 Assignor represents and warrants to Assignee that it has the full power and authority to assign the Lease and its interests therein and that Assignor has not previously assigned, transferred or pledged, and is not otherwise obligated to assign, transfer or pledge, any of its interests in the Lease or the leasehold estate created thereby

11 All notices or demands required hereunder shall be made in writing and shall be deemed to be fully given when deposited in the U S certified mail, postage prepaid, return receipt requested or when sent via Federal Express or similar overnight courier to

Assignee

Ziggi's Coffee Franchise, LLC
400 Main Street
Longmont, Colorado 80501

Assignor

____
____
____
____

Landlord

____
____
____
____

12 Should any one or more of the provisions hereof be determined to be illegal or unenforceable, all other provisions hereof shall be given effect separately therefrom and shall not be affected thereby

13 This Assignment may be executed in counterparts and via electronic signatures

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment on the day and year first above written

WITNESS/ATTEST	**ASSIGNOR**
	______________________________________
______________________________	By ____________________________________ Title ___________________________________ Date ___________________________________
WITNESS/ATTEST	**ASSIGNEE** **ZIGGI'S COFFEE FRANCHISE, LLC**
______________________________	By ____________________________________ Title ___________________________________ Date ___________________________________
WITNESS/ATTEST	**LANDLORD**
______________________________	By ____________________________________ Title ___________________________________ Date ___________________________________

ATTACHMENT F
(TO DISCLOSURE DOCUMENT)

CURRENT FORM OF GENERAL RELEASE

THE FOLLOWING FORM OF GENERAL RELEASE AGREEMENT IS A SAMPLE OF OUR CURRENT FORM OF GENERAL RELEASE AGREEMENT THIS AGREEMENT IS OFTEN MODIFIED TO CONFORM TO THE FACTS SURROUNDING THE EVENT OR INCORPORATED INTO A LARGER AGREEMENT WHICH MORE PRECISELY ADDRESSES THE EVENT WE MAKE NO REPRESENTATION OR GUARANTY THAT THE GENERAL RELEASE AGREEMENT YOU MAY BE REQUIRED TO SIGN WILL BE IDENTICAL TO THE GENERAL RELEASE AGREEMENT SET FORTH BELOW

GENERAL RELEASE AGREEMENT

THIS GENERAL RELEASE AGREEMENT (this "**Agreement**") is made as of ________________________, 201____ by and between ZIGGI'S COFFEE FRANCHISE, LLC, a Colorado limited liability company ("**ZCF**") and ____ ______, a(n) _______________________ ("**Franchisee**")

RECITALS

A ZCF and Franchisee entered into that certain Franchise Agreement dated ____________________, 201___, (the ' **Franchise Agreement**")

B Franchisee desires to _________ its rights and obligations under Franchise Agreement

C As a condition to the _________ of Franchisee's rights and obligations under the Franchise Agreement, ZCF requires Franchisee to execute this Agreement

AGREEMENT

NOW, THEREFORE, in consideration of the terms and conditions set forth below, and other good and valuable consideration, the receipt, adequacy and sufficiency of which are acknowledged, the parties hereto, intending to be legally bound, agree as follows

1 Release Franchisee, for itself, its principals, owners, directors, officers, employees, heirs, assigns, agents and representatives, fully and forever unconditionally releases and discharges ZCF, and its shareholders, directors, officers, employees, successors, assigns, agents and representatives (collectively referred to as "**ZCF Affiliates**") from any and all claims, demands, obligations, actions, liabilities and damages of every kind and nature whatsoever, in law or in equity, whether known or unknown to it, which it may now have against ZCF or the ZCF Affiliates or which it may discover hereafter, in connection with, as a result of, or in any way arising from, any relationship or transaction with ZCF or the ZCF Affiliates, however characterized or described, from the beginning of time until the date of this Agreement

2 Notice Any notice, request, demand, statement or consent made under this Agreement shall be in writing and shall be personally delivered or sent by registered or certified mail, return receipt requested, and shall be deemed given when personally delivered or three days after deposit in the United States Mail, postage prepaid, and properly addressed to the other party at its address as set forth below Each party may designate a change of address by notice to the other party in accordance with this Section

If to Franchisee ______________________

____

____

If to ZCF

Ziggi's Coffee Franchise, LLC
400 Main Street
Longmont, Colorado 80501

3 Colorado Laws This Agreement shall be interpreted by the laws of the State of Colorado Should any provision of this Agreement be found to violate the statutes or court decisions of the State of Colorado or of the United States, that provision shall be deemed to be amended to comply with and conform to such statutes or court decisions to affect the intent of the parties hereto

4 Binding Effect This Agreement shall be binding upon and inure to the benefit of the successors, assigns, trustees, receivers, personal representatives, legatees and devisees of the parties

5 Attorneys' Fees Each party shall be responsible for paying its and his or her own costs and expenses incurred in the preparation of this Agreement However, in the event of any litigation between the parties based upon an alleged breach or default in their respective obligations to be fulfilled pursuant to this Agreement, the prevailing party in the action shall be entitled to recover attorney's fees and court costs from the non-prevailing party(ies)

6 Entirety This Agreement embodies the entire agreement and understanding between the parties and supersedes all prior agreements and understandings related to the subject matter hereof

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written

ZCF	**FRANCHISEE**
ZIGGI'S COFFEE FRANCHISE, LLC	______________________
By ______________________	By ______________________
Name ______________________	Name ______________________
Title ______________________	Title ______________________
Date ______________________	Date ______________________

ATTACHMENT G
(TO DISCLOSURE DOCUMENT)

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ATTACHMENT H
(TO DISCLOSURE DOCUMENT)

LIST OF FRANCHISEES

LIST OF FRANCHISEES
AS OF DECEMBER 31, 2016

Franchisees With Operating Coffee Shops

NONE

Franchisees Who Have Signed Franchise Agreements But Coffee Shops Are Not Open

Colorado

Andrea Garcia - 2017
Street Address – TBD
Fort Collins, CO
(720) 982-5970
(Franchise Agreement signed in January 2017)

Derrek Kaier
Street Address – TBD
Greeley, CO
(303) 638-9459

Steven and Jill Anderson
4201 N Taft Ave
Loveland, CO 80538
(630) 319-4001

Alisha and Mo Charlo
Street Address – TBD
Windsor, CO
(720) 938-6753

ATTACHMENT I
(TO DISCLOSURE DOCUMENT)

FRANCHISEES WHO HAVE LEFT THE SYSTEM

FRANCHISEES WHO HAVE LEFT THE SYSTEM

Listed below is the name and last known city, state and telephone number of every franchisee who has had an outlet terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under their respective franchise agreement during the most recently completed fiscal year or who has not communicated with us within 10 weeks of the Issuance Date of this Disclosure Document

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

NONE

ATTACHMENT K
(TO DISCLOSURE DOCUMENT)

LIST OF STATE AGENCIES/AGENTS FOR SERVICE OF PROCESS

LIST OF STATE AGENCIES AND
AGENTS FOR SERVICE OF PROCESS

STATE	STATE AGENCY	AGENT FOR SERVICE OF PROCESS
CALIFORNIA	Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 576-7500 (866) 275-2677 (toll free) 1515 K Street, Suite 200 Sacramento, California 95814 (916) 445-7205 1350 Front Street, Room 2034 San Diego, California 92101 (619) 525-4233 One Sansome Street, Suite 600 San Francisco, California 94104 (415) 972-8559	Commissioner California Department of Business Oversight 320 West 4th Street, Suite 750 Los Angeles, California 90013 (213) 526-7500 (866) 275-2677 (toll free)
COLORADO	None	Brandon L Knudsen 17325 Primrose Lane Mead, CO 80542
IOWA	Iowa Secretary of State 321 E 12th Street Des Moines, Iowa 50319 (515) 281-5204	Same
NEBRASKA	Department of Banking and Finance 1230 "O" Street, Suite 400 P O Box 95006 Lincoln, Nebraska 68509-5006 (402) 471-3445	None
OREGON	Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4140	Director of Oregon Department of Consumer and Business Services Division of Finance and Corporate Securities Labor and Industries Building 350 Winter Street NE, Room 410 Salem, Oregon 97301-3881 (503) 378-4140

STATE	STATE AGENCY	AGENT FOR SERVICE OF PROCESS
TEXAS	Secretary of State Statutory Document Section James E Rudder Building 1019 Brazos Street Austin, Texas 78701 P O Box 13550 Austin, Texas 78711 (512) 463-5705	None

If a state is not listed, we have not appointed an agent for service of process in that state in connection with the requirements of franchise laws There may be states in addition to those listed above in which we have appointed an agent for service of process

There may also be additional agents appointed in some of the states listed

ATTACHMENT L
(TO DISCLOSURE DOCUMENT)

STATE SPECIFIC ADDENDA

STATE LAW ADDENDA TO THE ZIGGI'S COFFEE FRANCHISE, LLC FRANCHISE DISCLOSURE DOCUMENT

The followıng modıfications are to the Zıggı's Coffee Franchıse, LLC Franchıse Dısclosure Document for the states noted below

CALIFORNIA

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

OUR WEBSITE (www zıggıscoffee com) HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT www dbo ca gov

1 The followıng paragraph ıs added to the end of Item 3

Neıther we nor any person lısted ın Item 2 of thıs Dısclosure Document ıs subject to any currently effectıve order of any natıonal securıtıes assocıatıon or natıonal securıtıes exchange, as defined ın the Securıtıes Exchange Act of 1934, 15 U S C § 78a et seq , suspendıng or expellıng these persons from membershıp ın thıs assocıatıon or exchange

2 The followıng statement ıs added at the end of Item 6

In the event that Calıfornıa law ıs determıned to apply, the maxımum ınterest rate permıtted under Calıfornıa law varıes but ıs generally 10 percent per annum

3 The followıng paragraphs are added to the end of Item 17

The Calıfornıa Busıness and Professıons Code Sectıons 20000 through 20043 provıde rıghts to the Franchısee concernıng termınatıon, nonrenewal, or transfer of a franchıse If the Franchıse Agreement contaıns a provısıon that ıs ınconsıstent wıth the law, the law wıll control

The Franchıse Agreement contaıns a covenant not to compete, whıch extends beyond the termınatıon or expıratıon of the franchıse Thıs provısıon may not be enforceable under Calıfornıa law

The Franchıse Agreement requıres bındıng arbıtratıon The arbıtratıon wıll occur ın Denver, Colorado wıth the costs beıng awarded to the prevaılıng party Prospectıve Franchısees are encouraged to consult prıvate legal counsel to determıne the applıcabılıty of Calıfornıa and Federal laws (such as Busıness and Professıons Code 20040 5, Code of Cıvıl Procedure Sectıon 1281, and the Federal Arbıtratıon Act) to any provısıon of the Franchıse Agreement restrıctıng venue to a forum outsıde the State of Calıfornıa

The Franchıse Agreement requıres applıcatıon of the laws of the State of Colorado Thıs provısıon may not be enforceable under Calıfornıa law

Sectıon 31125 of the Franchıse Investment Law requıres us to gıve you a dısclosure document, ın a form contaınıng the ınformatıon that the commıssıoner may by rule or order requıre, before a solıcıtatıon of a proposed materıal modıficatıon of an exıstıng franchıse

You may be required to sign a general release if you renew or transfer your franchise California Corporations Code § 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code §§ 31000 through 31516) Business and Professions Code § 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code §§ 20000 through 20043)

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

Receipt

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

If Ziggi's Coffee Franchise, LLC ("ZCF") 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 requires 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 agreement or the 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

Iowa requires that we give you this Disclosure Document at the earlier of the first personal meeting or 14 calendar-days before the execution of the franchise or other agreement or the payment of any consideration, whichever occurs first

If ZCF 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, DC 20580, and the appropriate state agency identified on Attachment K

ZCF authorizes the parties identified on Attachment K to receive service of process for ZCF in the particular state

The following Franchise Sellers were involved in the offering of this franchise

> The following employee(s) of ZCF having a principal business address and telephone number the same as ZCF Brandon Knudsen, Thomas Thwaites, Justin Livingston, and ____________________
>
> ____
>
> The following independent sales agent (ZCF requests that the prospective franchisee fill in the information if known) ____________________ having a principal business address at ______________ ____________________________________, telephone number ______________

Issuance Date March 31, 2017

I received a Disclosure Document dated March 31, 2017 that included the following Attachments

Franchise Agreement (Attachment A), Reserved for Future Use (Attachment B), Nondisclosure and Noncompetition Agreement (Attachment C), Statement of Prospective Franchisee (Attachment D) Conditional Assignment of Lease (Attachment E), Current Form of General Release (Attachment F), Operations Manual Table of Contents (Attachment G), List of Franchisees (Attachment H), Franchisees Who Have Left the System (Attachment I) Financial Statements (Attachment J), List of State Agencies/Agents for Service of Process (Attachment K) and State Addendum to Disclosure Document (Attachment L)

DATE ______________

____
Prospective Franchisee

Print Name ______________________________

Please retain this copy for your records

Receipt

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The following employee(s) of ZCF, having a principal business address and telephone number the same as ZCF Brandon Knudsen, Thomas Thwaites, Justin Livingston, and ____________________

The following independent sales agent (ZCF requests that the prospective franchisee fill in the information if known) ____________________, having a principal business address at ____________________ telephone number ____________________

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DATE ____________________

____
Prospective Franchisee

Print Name ____________________

IMPORTANT PLEASE IMMEDIATELY SIGN AND SCAN AND E-MAIL IT TO BRANDON@ZIGGISCOFFEE COM, THEN RETURN THE ORIGINAL OF THIS PAGE BY MAIL OR COURIER TO ZIGGI S COFFEE FRANCHISE, LLC 400 MAIN STREET LONGMONT, COLORADO 80501