

## FRANCHISE DISCLOSURE DOCUMENT

|                                                                                                                                                                                                                                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Qahwah House Franchisor, LLC<br/>a Delaware limited liability company<br/>5320 Oakman Boulevard<br/>Dearborn, MI 48126<br/>Phone: (313) 467-0438<br/>Email: <a href="mailto:coffee@qahwahhouse.com">coffee@qahwahhouse.com</a><br/>Website: <a href="https://www.qahwahhouse.com/">https://www.qahwahhouse.com/</a></p> |  The logo for Qahwah House Premium Organic Coffee. It features a circular emblem on the left containing a stylized coffee cup with steam rising from it. To the right of the emblem, the words "Qahwah House" are written in a large, elegant, cursive script. Below this, the words "PREMIUM ORGANIC COFFEE" are written in a smaller, bold, sans-serif, all-caps font. |
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This Franchise Disclosure Document describes a Qahwah House Premium Organic Coffee™ Shop franchise. The Qahwah House Coffee Shop franchise is a specialty coffee shop devoted to selling specialty coffee, coffee related products, and desserts for dine-in or carry out.

The total investment necessary to begin operation of a Qahwah House™ Coffee Shop is from \$676,200 to \$1,007,200. This includes \$199,000 that must be paid to the franchisor or its affiliates.

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

You may wish to receive your disclosure document in another format that is more convenient for you. To discuss the availability of disclosure in different formats, contact Ibrahim Alhasbani at 5320 Oakman Boulevard, Dearborn, MI 48126, or (313) 467-0438.

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

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

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

Issuance Date: October 31, 2024

## How to Use This Franchise Disclosure Document

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

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

## **What You Need To Know About Franchising *Generally***

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

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

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

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

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

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

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

### **Some States Require Registration**

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

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

### Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement requires you to resolve disputes with the franchisor by mediation, arbitration, and/or litigation only in Michigan. Out-of-state mediation, arbitration, or litigation may force you to accept a less favorable settlement for disputes. It may also cost more to mediate, arbitrate, or litigate with the franchisor in Michigan than in your own state.
2. **Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.
3. **Short Operating History.** The franchisor is at an early stage of development and has a limited operating history. This franchise is likely to be a riskier investment than a franchise in a system with a longer operating history.
4. **Supplier Control.** You must purchase all or nearly all of the inventory or supplies that are necessary to operate your business from the franchisor, its affiliates, or suppliers that the franchisor designates, at prices the franchisor or they set. These prices may be higher than prices you could obtain elsewhere for the same or similar goods. This may reduce the anticipated profit of your franchise business.

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

## **NOTICE UNDER MICHIGAN'S FRANCHISE INVESTMENT LAW**

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

1. A prohibition on the right of a franchisee to join an association of franchisees.
2. A requirement that a franchisee assent to a release, assignment, novation, waiver or estoppel which deprives a franchisee of rights and protections provided in this act. This shall not preclude a franchisee, after entering into a franchise agreement, from settling any and all claims.
3. A provision that permits a franchisor to terminate a franchise prior to the expiration of its term except for good cause. Good cause shall include the failure of the franchisee to comply with any lawful provision of the franchise agreement and to cure such failure after being given written notice thereof and a reasonable opportunity, which in no event need be more than thirty (30) days, to cure such failure.
4. A provision that permits a franchisor to refuse to renew a franchise without fairly compensating the franchisee by repurchase or other means for the fair market value at the time of expiration of the franchisee's inventory, supplies, equipment, fixtures and furnishings. Personalized materials which have no value to the franchisor and inventory, supplies, equipment, fixtures and furnishings not reasonably required in the conduct of the franchise business are not subject to compensation. This subsection applies only if: (1) the term of the franchise is less than five (5) years and (2) the franchisee is prohibited by the franchise or other agreement from continuing to conduct substantially the same business under another trademark, service mark, trade name, logotype, advertising or other commercial symbol in the same area subsequent to the expiration of the franchise or the franchisee does not receive at least six (6) months advance notice of franchisor's intent not to renew the franchise.
5. A provision that permits the franchisor to refuse to renew a franchise on terms generally available to other franchisees of the same class or type under similar circumstances. This section does not require a renewal provision.
6. A provision requiring that arbitration or litigation be conducted outside this state. This shall not preclude the franchisee from entering into an agreement, at the time of arbitration, to conduct arbitration at a location outside this state.
7. A provision which permits a franchisor to refuse to permit a transfer of ownership of a franchise, except for good cause. This subdivision does not prevent a franchisor from exercising a right of first refusal to purchase the franchise. Good cause shall include, but is not limited to:
  - a. the failure of the proposed transferee to meet the franchisor's then current reasonable qualifications or standards;
  - b. the fact that the proposed transferee is a competitor of the franchisor or sub-franchisor;

c. the unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations; and

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

8. A provision that requires the franchisee to resell to the franchisor items that are not uniquely identified with the franchisor. This subdivision does not prohibit a provision that grants to a franchisor the right of first refusal to purchase the assets of a franchisee on the same terms and conditions as a bona fide third party willing and able to purchase those assets, nor does this subdivision prohibit a provision that grants the franchisor the right to acquire the assets of a franchise for the market or appraised value of such assets if the franchisee has breached the lawful provisions of the franchise agreement and has failed to cure the breach in the manner provided in subsection 3.

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

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

IF FRANCHISOR'S MOST RECENT UNAUDITED FINANCIAL STATEMENT SHOWS A NET WORTH OF LESS THAN ONE HUNDRED THOUSAND (\$100,000) DOLLARS, YOU HAVE THE RIGHT TO REQUEST THE ESCROW OF THE INITIAL INVESTMENT AND OTHER FUNDS PAID UNTIL OBLIGATIONS TO PROVIDE REAL ESTATE, IMPROVEMENTS, EQUIPMENT, INVENTORY, TRAINING OR OTHER ITEMS INCLUDED IN THE FRANCHISE OFFERING ARE FULFILLED.

ANY QUESTIONS REGARDING THIS NOTICE MAY BE DIRECTED TO THE STATE OF MICHIGAN, DEPARTMENT OF ATTORNEY GENERAL, CONSUMER PROTECTION DIVISION, ATTN: FRANCHISE, G. MENNEN WILLIAMS BUILDING, 525 W. OTTAWA STREET, P.O. BOX 30213, LANSING, MICHIGAN 48909, TELEPHONE (517) 335-7567.

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## EXHIBITS

- A LIST OF STATE ADMINISTRATORS AND LIST OF AGENTS FOR SERVICE OF PROCESS
- B FRANCHISE AGREEMENT
- C ADDENDUM TO FRANCHISE AGREEMENT – RENEWAL
- D-1 ADDENDUM TO FRANCHISE AGREEMENT – TRANSFER
- D-2 FRANCHISE TERMINATION AND RELEASE AGREEMENT -- TRANSFER
- E TABLE OF CONTENTS OF BRAND STANDARDS MANUAL
- F CONFIDENTIALITY/NON-COMPETITION AGREEMENT
- G LIST OF QAHWAH HOUSE™ COFEE SHOPS / LIST OF FRANCHISEES THAT HAVE LEFT THE SYSTEM
- H FINANCIAL STATEMENTS
- I STATE SPECIFIC DISCLOSURES AND ADDENDA TO AGREEMENTS
- J STATE EFFECTIVE DATES
- K RECEIPT (2 COPIES)

## **ITEM 1—THE FRANCHISOR AND ANY PARENTS, PREDECESSORS AND AFFILIATES**

### **The Franchisor**

The Franchisor is Qahwah House Franchisor, LLC. In this Franchise Disclosure Document, the Franchisor will be referred to as "we," "us," or "Qahwah House™" and the person who buys the franchise will be referred to as "you." If the prospective franchisee is a corporation, partnership, limited liability company or other entity, "you" will mean the entity and the owners of the entity.

We are a Delaware limited liability company organized on October 4, 2024. We do business under our company name and "Qahwah House™." Our principal business address is 5320 Oakman Boulevard, Dearborn, MI. Our agents for service of process are listed on Exhibit A.

### **Parents, Predecessors and Affiliates**

Our parent company Qahwah House Holding Company, LLC, a Delaware limited liability company, maintains a principal place of business at 5320 Oakman Boulevard, Dearborn, MI 48126. We do not have any predecessors.

We have affiliates that operate Qahwah House™ Coffee Shops similar to the Franchise Business you will be operating. Since June 2019, our affiliate, Qahwah House of Dearborn, LLC, has operated a Qahwah House™ Coffee Shop at 6655 Schaefer Road, Dearborn, MI, which is its principal place of business. Since January 2022, our affiliate, Qahwah House II, LLC, has operated a Qahwah House™ Coffee Shop at 22000 Michigan Avenue, Dearborn, MI, which is its principal place of business.

From 2019 to 2022, our affiliate, Qahwah Trading, LLC ("Qahwah Trading"), offered and sold 5 license agreements to open and operate Qahwah House™ Coffee Shops. Each of the licensees to these license agreements are operating coffee shops similar to the Coffee Shop being offered here. Qahwah Trading has a principal place of business at 741 N. Charelsworth, Dearborn Heights, MI 48127. Qahwah Trading no longer offers or sells license agreements.

You will be required to purchase certain inventory, equipment, and supplies from our affiliates Qahwah Trading and Qahwah House Enterprises, LLC ("Qahwah Enterprises") for the development and operation of your Franchised Business. Qahwah Trading's principal place of business is listed above. Qahwah Enterprises has a principal place of business at 6655 Schaefer Road, Dearborn, MI.

Except as described above, we do not have any affiliates that offer franchises in any line of business or that provide products or services to our franchisees. The principal business addresses for our affiliates are listed above.

### **Franchisor's Business**

We offer and sell Qahwah House™ Coffee Shop franchises. We do not currently have other business activities.

## The Qahwah House™ Coffee Shop Franchise

The Qahwah House™ Coffee Shop franchise is a unique specialty coffee shop concept offering made to order specialty Yemeni coffee, coffee drinks, pastries, desserts, and related products for dine-in or takeout, which is operated in accordance with our specifications for operating a business (the "Franchise Systems") and under the tradenames and trademarks that are described in Item 13 of this Franchise Disclosure Document (the "Franchise Marks") (the Franchise Marks, trade dress, any copyrights relating to the Franchise Systems, any inventions or patents that are part of the Franchise Systems, and confidential information, proprietary rights, trade secrets, methods, or procedures that are part of the Franchise Systems are collectively referred to in this Disclosure Document as the "Intellectual Property"). The Qahwah House™ Coffee Shop franchise is sometimes referred to in this Franchise Disclosure Document as a "Coffee Shop."

You acquire the right to operate a Qahwah House™ Coffee Shop franchise by signing our standard Franchise Agreement that is also countersigned by us (see Exhibit B). Under the Franchise Agreement, you will acquire the right to operate a single Coffee Shop at an approved location (the "Franchise Location"). In the Franchise Agreement, the specific Qahwah House™ Coffee Shop franchise licensed to you is referred to as the "Franchise Business" or "Coffee Shop" and that term is also used in this Franchise Disclosure Document when describing provisions of the Franchise Agreement.

If you renew your Qahwah House™ Coffee Shop franchise, you will sign our then-current standard Franchise Agreement as well as an Addendum to Franchise Agreement – Renewal ("Renewal Addendum") (see Exhibit C). The Renewal Addendum modifies some of the provisions of the standard Franchise Agreement to reflect your status as an existing franchisee in a renewal term. If you acquire an existing Qahwah House™ Coffee Shop franchise by transfer from another franchisee, you will sign our then-current standard Franchise Agreement as well as an Addendum to Franchise Agreement – Transfer ("Transfer Addendum") (see Exhibit D-1). The Transfer Addendum modifies some of the provisions of the standard Franchise Agreement to reflect the fact that you are acquiring an open and operating Qahwah House™ Coffee Shop franchise.

## Market and Competition

The Qahwah House™ Coffee Shop franchise will primarily serve the public within the vicinity of the Franchise Location. The market for specialty coffee shops offering specialty coffee, coffee drinks, pastries, desserts, and similar products is developed. There is substantial competition in the coffee shop business and a Qahwah House™ Coffee Shop will compete with other specialty coffee shops and other restaurants generally that sell specialty coffee and coffee drinks, including those that are nationally affiliated, regionally affiliated and local, franchised and independently owned.

## Regulations

You must comply with all local, state, and federal laws and regulations relating to your Franchise Business and businesses in general. Laws and regulations specific to the industry in which your Franchised Business will operate include federal, state and local laws and health regulations regulating restaurants and food handling and labeling generally, including any requirements related to nutritional representations and menu labeling, such as United States Department of Agriculture (USDA) and Food and Drug Administration (FDA) standards; truth in menu and labeling laws; storage, preparation, and sale of food and beverage products; and

health, sanitation, and safety regulations relating to food service. Some local agencies may require that employees who prepare your food products become certified food handlers. In order to obtain certification, your employees may be required to attend instructional courses, pass required tests and pay a fee. Laws exist in every state and most local units of government (cities, townships, villages, counties, etc.) that govern the food service industry including, without limitation, zoning, health, sanitation, and safety regulations regarding food storage, preparation, and safety. It is your sole responsibility to obtain, and keep in force, all necessary licenses and permits required by public authorities. The Federal Clean Air Act and various other state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide, and particles, including caps on emissions from commercial food preparation. Some state and local governments also regulate indoor air quality, including prohibiting the use of tobacco products in public places. It is your sole responsibility to maintain compliance with all applicable federal, state, or local laws, regulations, or ordinances.

In addition, you must ensure compliance with Payment Card Industry (“PCI”) Data Security Standard (“DSS”) Requirements and Security Assessment Procedures and other applicable PCI requirements (“PCI Requirements”). The purpose of the PCI Requirements is to ensure the protection and privacy of customer information and credit card numbers. The PCI Requirements require secured data connections and other steps to protect information. The PCI Requirements are substantial and complex and change regularly, so you must devote material business and management time and effort to your compliance efforts. You could incur significant liability if there is credit card fraud and you have not complied with the PCI Requirements.

There may be other laws and regulations applicable to your business and we urge you to make inquiries about any laws or regulations that may impact your business.

#### Prior Business Experience

We do not operate and have not operated a business of the type to be operated by our franchisees. Our affiliates have operated a business of the type to be operated by our franchisees since June 2019. We have offered franchises for the type of business to be operated by our franchisees since October, 2024. From 2019 to 2022, our affiliate Qahwah Trading offered and sold license agreements to operate coffee shops similar to that being operated by our affiliates and franchisees. Qahwah Trading no longer offers license agreements and does not intend to offer license agreements in the future. Our affiliates have not offered franchises for the same type of business to be operated by our franchisees. We and our affiliates have not offered franchises in any other line of business.

### **ITEM 2—BUSINESS EXPERIENCE**

#### **Chief Executive Officer: Ibrahim Alhasbani**

Mr. Alhasbani has served as our Chief Executive Officer since January 2022. Since founding our affiliate Qahwah Trading in December 2016, to the present, Mr. Alhasbani has been employed as the Chief Executive Officer of our affiliate Qahwah Trading.

#### **Senior Director of Operations: Rafat Mohamed**

Mr. Mohamed has as our Senior Director of Operations since October 2024. Prior to this role, Mr. Mohamed was the Senior Finance Manager for Global Technology at Lineage Logistics in Novi,

MI, from October 2022 to October 2024. From May 2021 to October 2022, Mr. Mohamed served as Finance Manager for Technology at Lineage Logistics. Mr. Mohamed also held roles at Blue Cross Blue Shield of Michigan, serving as a Senior Project Consultant from February 2021 to May 2021 and as a Senior Product Performance Analyst as of October 2019 to February 2021.

**Chief of Staff: Uzair Bandagi**

Mr. Bandagi has served as our Chief of Staff since January 2023. From January 2023 to the present, Mr. Bandagi has been employed as the Chief of Staff for our affiliate Qahwah Trading. Between October 2019 and January 2023, Mr. Bandagi was a full-time student.

**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**

You must pay an initial franchise fee of \$80,000 for your first Qahwah House™ Coffee Shop franchise. The initial franchise fee is payable in full at the time you sign the Franchise Agreement. The initial franchise fee is earned at the time of payment and is not refundable under any circumstances. The initial franchise fee is uniform.

In addition, you must purchase certain equipment from our affiliate, Qahwah Enterprises, prior to the opening of your Coffee Shop. We expect the total cost of such equipment to be approximately \$87,000. You must also purchase certain initial inventory from our affiliate, Qahwah Trading, prior to the opening of your Coffee Shop. We expect the total cost of such initial inventory to be approximately \$32,000. These fees are generally not refundable under any circumstances.

**ITEM 6—OTHER FEES**

| <b>Type of Fee<sup>(1)</sup></b> | <b>Amount</b>     | <b>Due Date</b>                                                                                                                                    | <b>Remarks</b>                                                                                                         |
|----------------------------------|-------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------|
| Royalty                          | 8% of Gross Sales | Currently, on the tenth (10 <sup>th</sup> ) day of each month by electronic funds transfer (EFT) based on your Gross Sales for the preceding month | "Gross Sales" includes all revenues from the Franchise Business minus sales taxes paid, discounts, and refunds.<br>(2) |

|                                     |                                                    |                             |                                                                                                                                                                                                                                                                                                                                                                                                                     |
|-------------------------------------|----------------------------------------------------|-----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Brand Development Fund Contribution | Currently 2% of Gross Sales                        | Same as Royalty             | Coffee Shops operated by us or our affiliates will contribute to the Brand Development Fund on the same basis as franchisee Coffee Shops.                                                                                                                                                                                                                                                                           |
| Technology Fee                      | Currently \$300                                    | Same as Royalty             | <p>We will use Technology Fees for expenses related to the planning, design, development, maintenance, and/or support of our franchise technology and website. This fee includes your subscription fee to our proprietary mobile application.</p> <p>We reserve the right to increase this fee once each term year of the Franchise Agreement by an amount of up to 20% of the preceding year's Technology Fee.</p> |
| Minimum Local Advertising           | 1% of Gross Sales or \$1,000, whichever is greater | Spent locally each month    | <p>This amount may be spent for you alone or through joint or cooperative advertising.</p> <p><sup>(3)</sup> You will generally pay this amount to third-party suppliers, but we may require you to pay some or all of this amount to us, which we will spend on your behalf. We reserve the right to increase the flat minimum fee (currently \$1,000) up to 10% each year of the Franchise Agreement.</p>         |
| Grand Opening Advertising           | An amount specified by us, up to \$10,000          | As incurred, before opening | We will pay this amount to third party supplies or we may, in our discretion, collect up to the full amount of your grand opening advertising.                                                                                                                                                                                                                                                                      |

|                                                                                                             |                                                                                                           |             |                                                                                                                                                                                                                                                        |
|-------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Inventory Purchases                                                                                         | Actual cost to you of maintaining necessary levels of inventory and supplies to meet local market demands | As incurred | You must purchase certain equipment, inventory, and supplies from our affiliate Designated Suppliers. This fee is payable to the Designated Suppliers.                                                                                                 |
| Repairs and Maintenance                                                                                     | Actual cost to us                                                                                         | As incurred | If you fail to repair and maintain the Franchise Business, we may do so at your expense. <sup>(4)</sup>                                                                                                                                                |
| Renovation and Modernization                                                                                | Actual cost to us                                                                                         | As incurred | Renovation and modernization fees are payable to us only if you do not perform required renovation and modernization. <sup>(4)</sup>                                                                                                                   |
| Gift Card and other Programs                                                                                | Currently not assessed                                                                                    | As incurred | If we establish a program, we may periodically reconcile payments and we may charge an administrative fee. You must pay these charges to us or to a third-party gift card vendor that we specify. <sup>(5)</sup>                                       |
| Initial Training for Additional Management Personnel or for Replacement Designated Owner or General Manager | Currently \$1,500 per person, plus your expenses incurred your employees' travel, lodging, and meals      | As incurred | We will charge this fee for every additional person beyond 3 that attends our initial training program, or in the event you replace your General Manager or Designated Owner. We reserve the right to increase the above fee up to \$2,500 per person. |

|                                     |                                                                                                                                                                                                        |                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Additional/Ongoing Training         | Currently, \$300 per day, per trainee, plus our employees' or representatives' travel, lodging, and meal expenses                                                                                      | As incurred                                         | These charges must be paid for refresher or additional training that we may require from time to time throughout the term of the Franchise Agreement, held at a location that we specify. We reserve the right to increase the above fee up to \$550, plus our employees' or representatives' travel, lodging, and meal expenses. <sup>(6)</sup>                                                                                   |
| Additional Operations Assistance    | Currently \$350 per day, trainer, plus our employees' and representatives' travel, lodging, and meal expenses                                                                                          | Upon scheduling of Additional Operations Assistance | These charges must be paid if you request and we agree to provide, or we require, that you receive additional operations assistance at your Location. In addition, you must reimburse us for our actual expenses incurred for employees' travel, lodging, and meals to visit your Coffee Shop and provide additional operations assistance. We may increase this fee from time to time based on reasonable inflationary increases. |
| Late Charge, NSF Fees, and Interest | \$50 late charge for each payment that is late, NSF the greater of the charge that we incur or \$50, interest on late payments of 1.5% per month or the maximum rate allowed by law, whichever is less | As incurred                                         | These charges must be paid on all overdue amounts, including without limitation amount unpaid due to an understatement revealed by an audit. We will charge you an NSF fee for all non- approved (ACH Debit) or returned payments made by you that do not fund or clear your bank.                                                                                                                                                 |

|                                                  |                                                                                                                                                  |                                                                                                                                                                            |                                                                                                                                                                                                                                                                       |
|--------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Transfer Fee <sup>(7)</sup>                      | \$5,000; 75% of the then-current initial franchise fee; or 50% of the then-current initial franchise fee depending on the nature of the transfer | Upon our approval of a request to transfer your franchise; except that we may require you to pay a \$5,000 deposit upon your application for our approval of the transfer. | Paid if you transfer your franchise or an interest in your franchise.                                                                                                                                                                                                 |
| Renewal Fee                                      | 25% of our then current Franchise Fee                                                                                                            | At the time of renewal                                                                                                                                                     | You must pay this fee as a condition to renewal if you renew your franchise at the end of the initial term of the franchise.                                                                                                                                          |
| Relocation Fee                                   | 50% of the then-current initial franchise fee                                                                                                    | 50% of the Relocation Fee due upon your application for our approval of the relocation. The remaining balance due upon our acceptance of your new location.                | This fee must be paid if you change the location of your Coffee Shop. We may require additional on-site training at the new location, in our discretion. If we require additional on-site training, you must pay us the then-current Additional/Ongoing Training fee. |
| Opening Extension Fee                            | \$10,000                                                                                                                                         | Upon our approval of your request to extend the time to open                                                                                                               | We may, upon your request and in our sole discretion, grant you an extension of time, up to a maximum of 60 days, to open your Coffee Shop. If we grant you an extension, you must pay us a fee of \$10,000.                                                          |
| Audit and Inspection Expenses                    | Our actual costs                                                                                                                                 | As incurred                                                                                                                                                                | This cost must be paid if the audit is necessary because of your failure to furnish reports or financial information, or the audit discloses an understatement of 2% or more of Gross Sales, in the event of any third-party or governmental audit.                   |
| Product and Supplier Approval Fee <sup>(8)</sup> | The greater of \$750 or our actual costs and expenses                                                                                            | As incurred                                                                                                                                                                | You may be required to pay us this fee if you request that we approve                                                                                                                                                                                                 |

|                               |                                                                                                                                                                                                                                        |                                       |                                                                                                                                                                                                                                                                                                                                                                   |
|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                               |                                                                                                                                                                                                                                        |                                       | a product or supplier. If we approve the requested product or supplier for use generally throughout the QahWah House™ franchise system, we will refund the fee.                                                                                                                                                                                                   |
| Quality Assurance Inspections | Currently up to \$450 per quality assurance inspection. This fee may increase up to the then-current fee charged by the then designated third-party firm conducting the inspection                                                     | As incurred, when service is provided | These charges must be paid if we conduct, or we retain a third-party firm to conduct, quality assurance inspections of your Coffee Shop. These fees are currently payable to us. You may be required pay these charges directly to such third-party.                                                                                                              |
| Mystery Shopper Fee           | Currently, up to \$150 per mystery shop. This fee may increase up to the then-current fee charged by the then designated third-party firm conducting the inspection                                                                    | As incurred, when service is provided | These charges must be paid if we conduct, or we retain a third-party to conduct, mystery shopping at your Coffee Shop. We intend to conduct no more than four (4) mystery shops per year, but reserve the right to conduct more if we deem necessary. These fees are currently payable to us. You may be required pay these charges directly to such third-party. |
| Indemnification               | The amount of any “claims, losses, liabilities and costs” incurred by us in connection with any civil, criminal, or governmental action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry. <sup>(9)</sup> | As incurred                           | You must reimburse us if we incur liability from the operation of your franchise.                                                                                                                                                                                                                                                                                 |
| Insurance Policies            | Our actual costs                                                                                                                                                                                                                       | As incurred                           | If you fail to maintain insurance as required under the Franchise                                                                                                                                                                                                                                                                                                 |

|                                                                  |                                                                                                                                                       |                          |                                                                                                                                                                                    |
|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                  |                                                                                                                                                       |                          | Agreement, we may obtain such insurance on your behalf. You must pay us the costs of such insurance, plus our costs and expenses of obtaining and maintaining such insurance.      |
| Liquidated Damages for Certain Violations                        | \$250 for the first violation; \$500 for the second violation; and \$1,000 for the third or more violation or as stated in our Brand Standards Manual | Within 10 days of notice | You agree to pay us liquidated damages as a remedy for your failure to comply with certain contractual obligations and/or operational standards or procedures specified by us.     |
| Liquidated Damages For Loss of Bargain Under Franchise Agreement | As determined according to the formula described in Note 10 below <sup>(10)</sup>                                                                     | On demand                | Payable as part of the damages due to us if you breach the Franchise Agreement and the Franchise Agreement is terminated.                                                          |
| Costs and Attorneys fees                                         | The actual costs and expenses incurred by us                                                                                                          | As incurred              | You must reimburse us for costs and attorneys fees if we prevail in a judicial proceeding or if we engage a lawyer because of your failure to comply with the Franchise Agreement. |

#### Notes to Item 6 Table

- (1) Except as otherwise noted, all fees are imposed by and payable to us. All fees paid to us or our affiliate are non-refundable. We intend to uniformly impose the fees described in the table.

You must make all payments to us by electronic funds transfers (automatic bank transfers). You must install, at your expense, and use pre-authorized payment and computerized point-of-sales systems, credit verification systems, automatic payment systems, electronic funds transfer systems, or automatic banking systems as we may specify. We may specify these requirements to fulfill any business purpose reasonably related to the operation of your Coffee Shop and the Franchise Systems and to allow us to access reports of Gross Sales and other information and to initiate electronic or other transfers of all payments you are required to make to us. We may specify that any or all required payments to us be made daily, weekly, monthly, or another interval, instead as otherwise provided in the Franchise Agreement. We may require you to make required payments at different intervals than other Qahwah House™ franchisees.

- (2) The Franchise Agreement defines Gross Sales as the entire amount of the franchisee's revenues from the ownership or operation of the Franchise Business and any business at or about the Franchise Location or any approved remote locations including the proceeds of any business interruption insurance and any revenues received from the lease or sublease of a portion of the Franchise Location, whether the revenues are evidenced by cash, credit, checks, gift certificates or gift cards, electronic payment, digital currency, food stamps, coupons and premiums (unless exempted by us), services, property or other means of exchange, minus: (a) the amount of any sales taxes that are collected and paid to the taxing authority; (b) approved discounts given to customers if the non-discounted price is included in the revenues; (c) cash refunded and credit given to customers and receivables uncollectible from customers if the cash, credit or receivables are or were included in revenues; and (d) complimentary customer or employee meals, up to 1% of Gross Sales. Gross Sales are deemed received by the franchisee at the time the goods, products, merchandise, or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first. Gross Sales of property or services (for example, "bartering" or "tradeouts") are valued at the prices applicable to the products or services exchanged for those revenues at the time the revenues are received.
- (3) You must provide documentation to our reasonable satisfaction that you have spent the required amount of local advertising or, in our discretion we may require you to pay the minimum local advertising amounts to us for advertising in your local market. We must approve all local advertising before use by you. We may require your local advertising expenditure to include advertising your Franchise Business in the local "white pages" telephone directory. If we require you to pay the minimum local advertising amounts to us, we may use these amounts, in our discretion, for local advertising and promotion for you (including but not limited to radio, print, or Digital Advertising, flyers, promotions, direct mail, etc.) or as part of joint advertising or cooperative advertising. If you participate in joint advertising, you will pay your proportionate share of each advertisement. If an advertising cooperative has been or is formed for your market, the cooperative may require advertising fees be paid to the cooperative, but only if authorized by a majority vote of the members of the cooperative. You will not be required to contribute more than 5% of your Gross Sales to the advertising cooperative. As of the date of this Franchise Disclosure Document, no advertising cooperatives have been formed. The amounts spent by you for local advertising, joint advertising, and cooperative advertising specified by us will apply to your minimum local advertising obligations. Except for pre-opening/grand opening advertising and any contributions to the Brand Development Fund, you will not be required to spend more than the amounts specified in the table for local advertising, joint advertising, and cooperative advertising specified by us.
- (4) If at any time, in our reasonable judgment, the general state of repair, appearance or cleanliness of the Franchise Location or its equipment, furniture, fixtures, signs, Franchise Trade Dress, or other property do not meet our standards or specifications, we may notify you in writing, specifying the action you must take to correct the deficiency. You must initiate the specified action within 30 days after receipt of the notice and diligently proceed to complete the specified action. If you fail to initiate any required repairs or maintenance within 30 days after receipt of written notice from us describing the specific repairs or alterations that are required or if you fail to diligently proceed to complete the specific repairs, then we may have the repairs completed, at your expense, to maintain the Franchise Business in accordance with our required standards. If this occurs, you must immediately reimburse us for all costs we incurred to make the repairs.

In addition to regular maintenance obligations, you must renovate and modernize the Franchise Location, premises, equipment, furniture, fixtures, signs, Franchise Trade Dress, and other property of the Franchise Business on our request once during the initial term of the Franchise Agreement at any time after the end of the 5th year of the initial term of the Franchise Agreement, and thereafter no more frequently than once every 5 years during the term of the Franchise Agreement, to conform with our specifications for the then current image of Coffee Shops using the Franchise Marks and Trade Dress. The cost of each renovation and modernization will not exceed Fifteen Thousand and 00/100 Dollars (\$15,000) for each year since the last renovation and modernization undertaken by you at the Franchise Location. Renovation and modernization expenditures do not include routine maintenance and repairs. You must initiate the specified renovations within 30 days after receipt of the notice and diligently proceed to complete the specified action. If you fail to initiate any required renovations and modernizations within 30 days after receipt of written notice from us describing the specific renovations or alterations that are required or if you fail to diligently proceed to complete the specific renovations or alterations, then we may have the renovations or alterations completed, at your expense, to maintain the Franchise Business in accordance with our required standards. If this occurs, you must immediately reimburse us for all costs we incurred to make the renovations or alterations.

- (5) You must participate in any gifts cards, electronic or money cards (E-cards), frequency cards, awards or loyalty programs, or other programs specified by us and honor all such cards, awards, and other programs issued by us or by other franchise owners in accordance with our policies. We or a person designated by us may administer any of these programs specified by us. We currently specify participation in a gift card program, by which you will sell and redeem gift cards. We currently designate that you use a third-party gift card vendor for our gift card program. Amounts spent at your Coffee Shop on gift cards will be held by our designated third-party vendor, and remitted to the Coffee Shop at which the gift card is redeemed. You must pay periodic fees to the designated gift card vendor. The refundability of these fees will be determined under your agreement with the designated gift card vendor.
- (6) Any fees for additional or ongoing training will be uniform as to all persons attending training at that time. These fees are nonrefundable. In addition, if the additional or ongoing training is provided at our training facility or any other location that we may specify, you will be responsible for your and your employees' travel, lodging, meal, and any other expenses incurred to attend the training. If the additional or ongoing training is held at your Location or any other location that we may specify, you must reimburse us for our or our trainers' travel, lodging, meal, and any other expenses incurred to attend the training.
- (7) The transfer fee under the Franchise Agreement will vary depending on the nature of the transfer. For a non-control transfer to a new, minority franchisee owner or a transfer between existing franchisee owners, the transfer fee is \$5,000 payable to us when you submit an application for our consent to transfer. For a transfer to a new franchisee or new majority franchisee owner who has not previously been approved by us as a Qahwah House™ franchisee or franchisee owner, the transfer fee is equal to 75% of the then-current initial franchise fee. For a transfer to a new franchisee or new majority franchisee owner who has previously been approved by us as a Qahwah House™ franchisee or franchisee owner, the transfer fee is equal to 50% of the then-current initial franchise fee. For each of the latter two transfers, we may require you to pay us a non-refundable deposit of \$5,000 upon your application for our approval of the transfer. We will refund the amount

of the transfer fee, less any deposit and our costs and expenses, if the transfer is not completed.

- (8) This fee is only refundable if we approve your proposed supplier of goods or services for use by all QahWah House™ franchisees. If we only approve your specific use of the proposed supplier, and not use by all QahWah House™ franchisees, the fee is non-refundable.
- (9) The phrase “claims, losses, liabilities, and costs” includes: all claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory, or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys’ and experts’ fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging, and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts, arbitration, or other tribunals, or government or quasi-governmental entities (including those incurred by Indemnitees’ attorneys and/or experts); all expenses of recall, refunds, compensation, and public notices; and other amounts incurred in connection with the matters described.
- (10) In addition to any other remedies available to us, if the Franchise Agreement is terminated before its expiration (other than termination by you for cause), we will be entitled to recover from you damages attributable to the loss of bargain resulting from that termination. Our damages for loss of bargain will be the Royalty fees and Brand Development Fund contributions that would have been payable to us for the balance of the term of the Franchise Agreement, but not more than 24 months. The aggregate amount of Royalty fees and Brand Development Fund contributions that would have been payable will be the greater of 1) One Hundred Fifty Thousand and 00/100 Dollars (\$150,000.00) or 2) the product of multiplying the average monthly Royalty fees and Brand Development Fund contributions of the Franchise Business for the 12 month period (or lesser period if you were not in operation for a full 12 months) immediately preceding the date of termination or the date that you ceased to operate if earlier than the date of termination by 24.

## **ITEM 7—ESTIMATED INITIAL INVESTMENT**

### **YOUR ESTIMATED INITIAL INVESTMENT**

| <b>Type of Expenditure</b>                        | <b>Amount</b>          | <b>Method of Payment</b> | <b>When Due</b>                    | <b>To Whom Payment Is To Be Made</b>           |
|---------------------------------------------------|------------------------|--------------------------|------------------------------------|------------------------------------------------|
| Initial Franchise Fee <sup>(1)</sup>              | \$80,000               | Lump sum                 | On signing the Franchise Agreement | Us                                             |
| Professional Services <sup>(2)</sup>              | \$12,000 to \$18,000   | As agreed                | As incurred                        | Professionals                                  |
| Leasehold Improvements <sup>(3)</sup>             | \$240,000 to \$400,000 | As agreed                | Before opening as incurred         | Contractors, and Suppliers                     |
| Furniture, Fixtures, and Equipment <sup>(4)</sup> | \$200,000 to \$250,000 | As agreed                | Before opening as incurred         | Designated Supplier affiliate(s) and Suppliers |

|                                                                        |                                 |             |                            |                                                    |
|------------------------------------------------------------------------|---------------------------------|-------------|----------------------------|----------------------------------------------------|
| Computer Systems and Point-of-Sale ("POS") System <sup>(5)</sup>       | \$3,400 to \$4,000              | As agreed   | Before opening as incurred | Designated Suppliers and Suppliers                 |
| Permits, Business Licenses <sup>(6)</sup>                              | \$1,000 to \$2,000              | As incurred | Before opening as incurred | Third Parties and Governmental Organizations       |
| Signage (Indoor/Outdoor) <sup>(7)</sup>                                | \$9,000 to \$11,000             | As agreed   | Before opening as incurred | Suppliers                                          |
| Miscellaneous Travel and Living Expenses while Training <sup>(8)</sup> | \$12,000 to \$13,000            | As agreed   | Before opening as incurred | Third Parties                                      |
| Initial Inventory                                                      | \$35,000 to \$45,000            | As agreed   | Before opening as incurred | Our Designated Supplier affiliate(s) and Suppliers |
| Smallwares and Initial Operating Supplies                              | \$15,000 to \$25,000            | As agreed   | Before opening             | Designated Suppliers and Suppliers                 |
| Grand Opening Advertising <sup>(9)</sup>                               | \$5,000 to \$10,000             | As agreed   | As incurred                | Advertising Providers, or Us                       |
| Initial Lease Payments (three months) <sup>(10)</sup>                  | \$12,000 to \$78,000            | As agreed   | As specified in lease      | Landlord, Suppliers                                |
| Insurance <sup>(11)</sup>                                              | \$1,800 to \$2,200              | As Agreed   | Before opening as incurred | Insurance Companies                                |
| Miscellaneous Pre-Opening Expenses <sup>(12)</sup>                     | \$15,000 to \$19,000            | As agreed   | Before opening as incurred | Third Parties                                      |
| Pre-Opening Labor and Employee Payroll <sup>(13)</sup>                 | \$15,000 to \$20,000            | As agreed   | Before opening as incurred | Your employees                                     |
| Additional Funds (three months) <sup>(14)</sup>                        | \$20,000 to \$30,000            | As agreed   | As incurred                | Us, our affiliates, Suppliers and Employees        |
| <b>TOTAL ESTIMATED INITIAL INVESTMENT</b>                              | <b>\$676,200 to \$1,007,200</b> |             |                            |                                                    |

#### Notes to Item 7 Table

- (1) See Item 5 for an explanation of the amount and refundability of the initial franchise fee. The initial franchise fee is not refundable under any circumstances.

- (2) This estimate includes payments for architectural and design services, legal fees for creating your entity and negotiating your lease, mechanical and design services, site research company, and accounting and tax services. Whether these amounts are refundable depends upon your agreements with the professional.
- (3) You must improve the Franchise Location in accordance with our specifications. In some circumstances, a portion of the leasehold improvements may be included in your lease and you will not incur significant expenses for leasehold improvements, but in those cases your rent will generally be higher. The costs of your leasehold improvements are generally not refundable.
- (4) This category includes restaurant equipment, furniture, and fixtures for your Franchised Business. These costs will vary depending on your geographic area and the size of the Franchise Location. You may lease certain kitchen equipment used in the operation of your Franchised Business from an equipment-leasing business that meets our standards and specifications. Whether the costs of the equipment, furniture, and/or fixtures is refundable will depend on your agreement with the particular supplier.
- (5) You must purchase or lease a required point-of-sale ("POS") system from a designated supplier. You must allow us to automatically poll your sales-related and menu metrics directly from your POS on a daily basis. The amounts reflected in the table above are what you will spend during your initial phase of business (first 3 months). These amounts may increase over the term of the Franchise Agreement. Whether these amounts are refundable depends upon your agreement with each supplier.
- (6) You may need to obtain licenses to operate the Coffee Shop from your state or local governing authorities, such as occupancy permit and health department licenses or permits. However, fees may vary significantly depending upon the location of your franchise. Our estimates are based on our experience in the markets in which we conduct business and we do not have estimates for other areas. These costs are generally not refundable.
- (7) The price for signage will vary depending on the type of site and local ordinances for outdoor and indoor signage. Whether the costs of signage are refundable will depend on your agreement with the particular supplier.
- (8) Although we do not charge any fee for the initial training program (unless you request additional persons beyond 3 to attend the training program), you are responsible for paying any wages due to your employees as well as travel, food and lodging expenses incurred by you and your employees during initial training. These costs will depend on the distance you and your employees must travel and the type of accommodations you choose. Also, you separately pay to attend certain third-party certification program required by us or state or local laws or regulations for you or your employees, including ServSafe certification classes. That fee is not payable to us and is reflected in the estimate of Miscellaneous Pre-Opening Expenses. These costs are not refundable.
- (9) You must spend an amount specified by us to conduct grand opening advertising and promotions. The amount that we specify currently ranges \$5,000 to \$10,000. The grand opening advertising and promotions must be conducted in accordance with a plan that you must submit to us for our approval. We have the right to modify your plan and may

require you to use a public relations firm to assist with your grand opening. You must conduct the grand opening advertising and promotions for a period of sixty (60) days surrounding the opening of the Franchise Business. We will specify the number of days prior to your opening by which you must commence such grand opening advertising. The amount you must spend on grand opening advertising and promotions is separate from and in addition to your other advertising obligations. Whether these grand opening advertising expenses are refundable generally depends on the agreement with your particular supplier. We may, in our discretion, collect up to the full amount of your grand opening advertising as a fee and spend such amount on grand opening advertising in your local market on your behalf.

- (10) You will generally lease your Franchise Location. The square footage of a Qahwah House™ Coffee Shop franchise will be approximately 2,000 square feet, with capacity for 80 to 90 seats. A Qahwah House™ Coffee Shop franchise may be located in a free-standing building, shopping center, or strip mall with drive thru capabilities, or another location approved by us. In addition, you will need approximately 1,000 square feet of warehouse/storage that may not necessarily be part of the premises. For the first three months after the opening of your Franchise Business, we estimate that your monthly rent will range from \$0 (if you own the building) to \$78,500. The initial charge to you for leasing the Franchise Location is estimated to be one to three months of rent. Your rent may be subject to escalation clauses based on inflation or other factors as provided in your lease. The annual rent amount may vary significantly depending on the condition, location, and size of the location and the demand for the location among prospective tenants. Our estimates are based on our experience in the markets in which we currently conduct business, which may vary significantly from the market in which your Coffee Shop is located. Your initial investment will be much greater if you purchase real estate and construct your Franchise Location and we do not have any estimate of those costs. Whether any amount paid to your landlord is refundable will depend on your agreement with your landlord.
- (11) The estimate in this table is an estimated range of the initial cost for insurance for your Franchise Business for the initial period of three months. The types and amounts of insurance coverages are described in Item 8. Whether any of these amounts are refundable will depend on your agreement with your insurance provider.
- (12) Your miscellaneous pre-opening expenses are estimated to include utility deposits, utility payments, lease security deposits, and obtaining ServSafe certification for your employees. Whether any of these amounts are refundable will depend on your agreement with the particular supplier.
- (13) This estimate is based on the labor market and wage rates in the markets where we conduct business, which may vary significantly from your local labor market and wage rates. These amounts are not refundable.
- (14) This category covers expenses you may incur during the three-month initial phase of your Coffee Shop. The estimates above are based on our experience opening Coffee Shops in the markets where we conduct business. These expenses may include advertising expenses, insurance premiums, licensing fees, payroll costs, additional inventory and supplies, royalties and other fees under the Franchise Agreement, and other expensing incurred in initial operation of your Franchised Business. These expenses do not include any amounts for an owner's salary or draw. Your costs during this initial phase will depend

on factors including: how much you follow our procedures; your management skill, experience, and business abilities; local economic conditions; the local market for the franchise's product; competition; and the sales level reached during this initial phase. These costs are generally not refundable but will depend on your agreement with the particular supplier.

The above table describes our estimate of your initial investment to develop one Qahwah House™ Coffee Shop franchise. The estimate covers the period before the opening of your franchise and includes a category for additional expenses you may incur during the initial three-month phase after the opening of your franchise. The estimate does not include an owner's salary or draw. We urge you to retain the services of an experienced accountant or financial adviser in order to develop a business plan and financial projections for your franchise.

Your actual investment may vary depending on local conditions peculiar to your geographic area or market. For example, real estate demand, availability and occupancy rates. Additional variables that may impact your initial investment may be: the size of your facility; age of the structure; length of your lease or other instrument granting you the right to occupy the premises; if your space is to be built out by the property developer with no initial out-of-pocket costs to you; lease arrangements; location in the market; whether you are converting existing premises and whether in the same business; costs of demolishing existing leasehold improvements; construction costs; other variable expenses and whether you currently hold a lease for an acceptable location.

We relied on our affiliates' and owners' experience in developing and operating similar businesses to compile these estimates.

Except as may be noted, none of the payments to us are refundable. The refundability of payments to other parties is determined by your agreements with those parties.

We do not offer any financing for any part of your initial investment. You may, however, finance a portion of your initial investment with a third party. The availability and terms of financing with third parties will depend on factors including the availability of financing generally, your credit history, collateral you may have, and the lending policies of financial or leasing institutions.

## **ITEM 8—RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

### **General**

In order to maintain uniqueness, consistency, uniformity, quality and identity of Qahwah House™ Coffee Shops and the products and services sold by Qahwah House™ Coffee Shops and the group purchasing power of Qahwah House™ Coffee Shops, you must purchase all products and services used in the development and operation of your Franchise Business in accordance with our specifications and, when applicable, only from manufacturers, suppliers, or distributors designated or approved by us, as described in more detail below.

### **Obligations to Use Designated Products and Services**

We will specify any applicable products and services used in the development and operation of your Franchise Business as "Designated Products or Services." Designated Products and Services must be purchased in accordance with our specifications (which may include brand

names) and only from us or a manufacturer, supplier, distributor, or professional or other service provider specifically designated by us (which may be our affiliate, now or not yet in existence) (a "Designated Supplier"). We are not required to approve other suppliers for Designated Products and Services and we do not issue criteria to our franchisees for Designated Products or Services. We impose these requirements so that we can ensure uniformity and quality and sufficient volume purchases to obtain favorable pricing. We will specify Designated Products or Services and Designated Suppliers in an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual. We will issue notification of Designated Products or Services status and Designated Supplier status or revocation of the status to you in an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual.

#### Obligations to Purchase or Lease from Designated Suppliers

We currently designate that you must purchase or lease some products and services used in the development and operation of your Coffee Shop from Designated Suppliers, including the point of sale system, milk, and the following products and services for which our affiliates are Designated Suppliers. Our affiliate, Qahwah Trading is the Designated Supplier of certain tea, coffee beans, pastries, smallwares, and paper products used in the operation of your Coffee Shop. Our affiliate, Qahwah Enterprises, is the Designated Supplier of certain equipment used in your Coffee Shop, including coffee grinders, a coffee brewer, used in the operation of your Coffee Shop.

We or our affiliates may in the future act as a Designated Supplier of other products, services, or merchandise to our franchisees.

#### Obligations to Purchase or Lease from Approved Suppliers

Unless otherwise specified by us, all goods or services used in the design, development, construction, and operation of your Franchise Business, other than Designated Products or Services, must be obtained in accordance with our specifications (which may include brand names). We may require that certain goods or services be obtained only from a manufacturer, supplier, distributor, or professional or other service provider that has been approved by us (an "Approved Supplier"). An Approved Supplier will be a supplier that: (a) meets our standards for quality and uniformity of goods and services and other relevant standards established by us; (b) we have designated in writing as an Approved Supplier; and (c) we have not later revoked the designation as an Approved Supplier. You may request to have a supplier for items other than Designated Products or Services approved by submitting to us the information, samples or agreements necessary for our determination under the procedures specified by us. This request must be in writing and must include information about the product or supplier relating to our specifications, a sample of the product or service to be approved or a person at the manufacturer or supplier that we can contact for information. We may submit the information to an independent laboratory or another independent expert to determine if the product or supplier meets our specifications. We may charge you a fee equal to the greater of \$750 or our actual costs incurred in making this determination. On your request, and only on a confidential basis, we will furnish you with any issued standards and specifications for items other than Designated Products or Services, as well as any issued criteria for supplier approval. We will notify you in writing of our approval or disapproval of a supplier within 60 days after receiving all information that we reasonably believe is necessary to make the determination.

Before we approve a supplier, the supplier may be required to enter into an agreement with us in a form reasonably acceptable to us providing that the supplier will: (a) follow our procedures, specifications and standards, formulas, patterns, and recipes; (b) allow periodic quality control inspections of the supplier's premises and production facilities; (c) provide a reasonable number of samples, without charge, for inspection; (d) keep any trade secrets or other confidential information disclosed to it by us in confidence and have employees to which disclosure is made sign agreements that they will not use or disclose confidential information; and (e) pay a reasonable license fee for a limited license for the production and sale of items using the Intellectual Property. An approval of a supplier is not a blanket approval of the items the supplier may sell but only for specific items sold by that supplier as approved by us.

We will provide information on Approved Suppliers and we will issue approval or disapproval or notification of revocation of approval of products or suppliers to you through an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual.

Unless we otherwise specify to you in writing, and except for those goods and services that you must obtain from Designated Suppliers, we currently require you to purchase all goods and services used in the development and operation of your Franchised Business from Approved Suppliers. There is currently no Approved Supplier of any products or services in which any of our officers own an interest. We or our affiliates may in the future act as an Approved Supplier of additional products, services, or merchandise to our franchisees.

#### Additional Information Relating to Designated and Approved Suppliers

In order to take advantage of group purchasing power and to ensure uniformity and quality, we reserve the right to limit the total number of Approved Suppliers for any items. We may add or delete Designated or Approved Suppliers at any time and you must comply with those changes immediately on written notice from us. If we add a Designated or Approved Supplier, you must immediately, on written notice from us, take the steps necessary to comply with the credit, purchase, and other policies of the Designated or Approved Supplier. If we delete a Designated or Approved Supplier, you must cease purchasing products and services from that supplier immediately on written notice from us.

We may enter into agreements with Designated or Approved Suppliers for and on behalf of all Coffee Shops or all Coffee Shops in a particular region (a "Supplier Contract"), which may include price terms. If we enter into a Supplier Contract with a Designated or Approved Supplier, the terms and conditions of your relationship with that Designated or Approved Supplier will be controlled by that contract to the extent covered by the contract.

#### Obligations to Purchase under Specifications

The Franchise Agreement provides that all products and services used in the design, development, construction, or operation of the Franchise Business must be obtained in accordance with our specifications (which may include brand names) unless otherwise specified by us, which may involve obtaining such products and services from Designated or Approved Suppliers. Although we have the right to require you to purchase all items used in the Coffee Shop from Designated and Approved Suppliers, in our discretion we may issue specifications for certain products or services (which may include brand names) and allow you to purchase those products or services from any source as long as the products comply with our specifications. We currently

allow you to purchase certain computers and printers used in your Coffee Shop from any source so long as they meet our specifications.

Also, we may not issue specifications for some products and supplies and we may allow you to purchase those products and supplies from any source until we do issue specifications and/or supplier requirements for those items.

Your lease must be approved by us. We recommend that you engage independent counsel to assist you in the evaluation and negotiation of your lease. Also, unless we otherwise agree, you and your landlord must sign a Lease Addendum acknowledging certain rights we have under the Franchise Agreement that relate to your lease and you must sign a Collateral Assignment of Lease that assigns the lease to us at our option on the occurrence of certain events. A copy of our standard Lease Addendum is attached to the Franchise Agreement as Appendix G and a copy of our standard Collateral Assignment of Lease is attached to the Franchise Agreement as Appendix H.

In addition, your Franchise Location must be constructed or improved in accordance with any specifications we have issued for build-out, décor, signage, equipment layout, front of the house and back of the house space layout, etc. We must approve all drawings, plans and specifications relating to the design, construction and/or improvement of the Franchise Location. We must approve construction and architectural plans prior to construction. We will have the right to inspect and approve the construction before you open your Coffee Shop to make sure the approved plans and any specifications issued by us have been followed. If, in our opinion, the approved plans and any applicable specifications have not been followed, you must resolve any issues to our satisfaction before opening your Coffee Shop. Although we have the right to review and comment on and must approve all drawings, plans and specifications relating to the design, construction, and/or improvement of your Franchise Location, we are only acting to ensure compliance with the approved plans and any applicable specifications issued by us. We will not evaluate or be responsible for compliance with governmental requirements, legal requirements or adequacy of design and engineering relating to the design and construction and/or improvement of your Franchise Location and you are solely responsible for those matters.

You must acquire, maintain and update the equipment (including POS and computer systems), furniture, fixtures, signs, and other property that we specify for establishing and operating your Franchise Business. Also, all of these items must meet any standards and specifications issued by us.

You must purchase insurance coverage for your business in accordance with our standards and specifications. We currently specify the following insurance coverages:

- General Commercial Liability Insurance with the following limits: general aggregate--\$2,000,000; products/completed operations aggregate--\$2,000,000; personal and advertising injury--\$1,000,000; each occurrence--\$1,000,000; fire damage (any one fire)--\$100,000; and medical expense (any one person)--\$10,000.
- Commercial Property Insurance
- Coverage Enhancements, including expanded glass coverage; fire extinguisher recharge coverage; fire department service charge coverage; code update coverage; off-premises interruption of service; re-keying lock cylinders; consequential loss to merchandise; extended loss adjustment; pollutant clean up and removal--\$10,000.

- Non-owned and hired automobile liability insurance with minimum limits of \$1,000,000 per occurrence or the highest attainable limit available in the state in which the Franchise Business is located, if less than \$1,000,000.
- Business interruption sufficient to cover at least six (6) months of interrupted operations, including without limitation your obligations to us under the Franchise Agreement and to your suppliers.
- Business Owner's Umbrella Policy with limits of \$1,000,000 each occurrence and annual aggregate.
- Cyber Security Liability insurance with minimum limits of liability of \$1,000,000.
- Employer Practices Liability insurance with limits of liability as provided in our Brand Standards Manual.
- Worker's Compensation and/or Employer's Liability Insurance as required by law.

We may revise these insurance specifications in the future. You must purchase the specified insurance coverage from a supplier designated or approved by us and which meets our standards and specifications, including without limitation carrying an AM Best's Rating of not less than A-IX. Evidence of this insurance must be initially provided at least 14 days before you begin operating your Franchise Business. Certificates of renewal must be provided no later than 14 days before the expiration date of each policy. If you do not provide us with evidence of these insurance policies at any due date, we may purchase that insurance at your expense. You must immediately pay for any insurance obtained by us. Each required policy of insurance must name us as an additional insured and must provide that we will be given 30 days' notice before cancellation, modification or amendment of the policy. Your lease may require higher limits or additional coverages.

We formulate and modify our specifications based on our experience in the business. Factors that we consider include reliability and practicality of equipment for the intended use, and quality and uniformity of products and services. Except as described above with respect to the approval of products or suppliers, we are not required to issue our specifications to our franchisees. We may issue our specifications, changes to our specifications and lists of approved products and suppliers to you through an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual.

#### Revenues of Franchisor and Affiliates

Other than our affiliates Qahwah Enterprises and Qahwah Trading, we do not currently require you to purchase goods or services from us or any of our affiliates but reserve the right to require you to do so in the future. Also, we may, but are not obligated to, negotiate arrangements with suppliers for your benefit. We have the right to receive rebates or other fees from designated or approved suppliers based on sales of products or services to our franchisees. You must cooperate with us in the collection of those rebates or fees.

In the year ending December 31, 2023, we and our affiliates did not receive any revenue or other material consideration in connection with required purchases or leases by our

franchisees. Our sources of information for our affiliates' revenues include our affiliates' financial statements kept in the ordinary course of business.

#### Percentage of Purchases

All of your purchases from Designated Suppliers, Approved Suppliers, or in accordance with our specifications will represent 75 to 90% of your total purchases in the establishment of your franchise and 65 to 75% of your total purchases in operating your franchise.

#### Cooperatives; Material Benefits to Franchisees

We do not have any formal purchasing or distribution cooperatives. We do not provide material benefits to franchise owners based on a franchisee's use of designated or approved sources.

### **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 Franchise Disclosure Document.**

| <b>Obligation</b>                                          | <b>Section in Agreement</b>                                                                                                                                                       | <b>Disclosure Document Item</b> |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|
| a. Site selection and acquisition/lease                    | Sections 6.1 and 6.2 of the Franchise Agreement ("FA"); Section F of Renewal Addendum; Section F of Transfer Addendum                                                             | Items 7, 8, 11 and 17           |
| b. Pre-opening purchases/leases                            | Article 6 of the FA; Section F of Renewal Addendum; Section F of Transfer Addendum                                                                                                | Items 5, 7, and 8               |
| c. Site development and other pre-opening requirements     | Sections 6.3 to 6.8 of the FA; Sections F and G of Renewal Addendum; Sections F and G of Transfer Addendum                                                                        | Items 5, 7 and 11               |
| d. Initial and ongoing training                            | Article 7 of the FA; Section H of Renewal Addendum                                                                                                                                | Item 11                         |
| e. Opening                                                 | Sections 5.5 and 6.8 of the FA; Section G of Renewal Addendum; Section G of Transfer Addendum                                                                                     | Items 11 and 17                 |
| f. Fees                                                    | Section 3.2, Article 4, Sections 7.1, 7.3, 8.9, Article 9, Sections 14.3, 15.7, 16.5, 17.1, and 18.6; Sections C and D of Renewal Addendum; Sections C and D of Transfer Addendum | Items 5, 6 and 7                |
| g. Compliance with standards and policies/operating manual | Sections 2.1, 2.2, 3.2, 4.4, 4.10, Article 6, Sections 7.1, 7.2, Article 8, Sections 9.6, 9.7, Article 10, Sections                                                               | Items 8, 11, 13 and 16          |

|                                                        |                                                                                        |                    |
|--------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------|
|                                                        | 11.3 and 14.3 of the FA; Section C of Renewal Addendum; Section C of Transfer Addendum |                    |
| h. Trademarks and proprietary information              | Articles 11 and 12 of the FA                                                           | Items 13 and 14    |
| i. Restrictions on products/services offered           | Sections 8.3, 8.4, 8.6 and 8.7 of the FA                                               | Items 8, 11 and 16 |
| j. Warranty and customer service requirements          | None                                                                                   |                    |
| k. Territorial development and sales quotas            | Section 2.3 of the FA                                                                  | Item 12            |
| l. Ongoing product/service purchases                   | Sections 8.3 and 8.5 of the FA                                                         | Items 8 and 16     |
| m. Maintenance, appearance and remodeling requirements | Section 8.9 of the FA; Section C of Renewal Addendum; Section C of Transfer Addendum   | Items 11 and 17    |
| n. Insurance                                           | Section 8.13 of the FA                                                                 | Items 7 and 8      |
| o. Advertising                                         | Article 9 of the FA; Section I of Renewal Addendum; Section H of Transfer Addendum     | Items 6 and 11     |
| p. Indemnification                                     | Sections 8.9, 8.12, 8.13, 8.14, and Article 17 of the FA                               | Item 6             |
| q. Owner's participation/management/staffing           | Sections 8.10, 8.11, and 8.12 of the FA                                                | Items 11 and 15    |
| r. Records and reports                                 | Article 10 of the FA                                                                   |                    |
| s. Inspections and audits                              | Sections 10.3 and 10.4 of the FA                                                       | Item 6             |
| t. Transfer                                            | Article 14 of the FA; Transfer Addendum                                                | Item 6 and 17      |
| u. Renewal                                             | Sections 3.2 and 4.6 of the FA; Renewal Addendum                                       | Item 6 and 17      |
| v. Post-termination obligations                        | Articles 12, 13, 15 and 16 of the FA                                                   | Item 17            |
| w. Non-competition covenants                           | Article 13 of the FA                                                                   | Item 17            |
| x. Dispute resolution                                  | Article 18 of the FA                                                                   | Item 17            |
| y. Other                                               | NA                                                                                     |                    |

## **ITEM 10—FINANCING**

We do not offer direct or indirect financing for your franchise. We do not guaranty any of your notes, leases or other obligations.

## **ITEM 11--FRANCHISOR'S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS AND TRAINING**

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

### **Before Opening**

Before you open your business, we will:

1. Approve the area in which you will select the site for your franchise. We will also review your proposed location for our approval (Section 6.1 of Franchise Agreement).

We do not select the site for your franchise. You will generally lease your Franchise Location from an unrelated third party. You are responsible for the selection of the site of your franchise, subject to our approval. The factors that we consider when we recommend or approve a site include, without limitation, the surrounding population density, income levels, vehicle traffic counts, pedestrian traffic counts, visibility, ingress and egress, space dimensions, parking availability, signage restrictions, use restrictions, economic terms, the proximity to competitor specialty coffee shops, and the proximity to other Qahwah House™ locations (see Item 12). We will provide you with guidelines to assist in your site selection process and designate a lead real estate broker familiar with the Qahwah House™ Franchise System to work with a local real estate broker in your local geographic market. It is your sole responsibility to find a suitable location for your Coffee Shop and to evaluate the commercial value of the location for operation of your franchise.

You must submit to us a site selection package that we specify or approve, which must include pictures of the site, site plan, traffic counts, evidence confirming your prospects for obtaining the site, demographic information, economic terms, use clause, and any other materials and information we specify before we consider approving the location. We will make our determination of whether to approve the proposed location within 14 days after receiving all required materials and information from you. If we cannot agree on a site and you do not obtain a site for the Coffee Shop within two (2) months of the date of the Franchise Agreement, we may terminate the Franchise Agreement and your initial franchise fee is non-refundable.

2. Provide written specifications for the Franchise Location. (Section 5.1 of Franchise Agreement).

3. Review the lease for your Franchise Location. Although we have the right to review and comment on your lease for the Franchise Location, we will not evaluate or be responsible for the commercial reasonableness or suitability of the lease. You must evaluate and be solely responsible for the commercial reasonableness and suitability of your lease. If you lease the Franchise Location, you and the landlord must sign our standard Lease Addendum and you must sign our Collateral Assignment of Lease before you open (Section 6.2 and Appendices G and H of the Franchise Agreement).

4. Review your plans, drawings, and designs for construction or improvement of the Franchise Location. We will have the right to inspect and approve the construction before you open the Coffee Shop to make sure the approved plans and any specifications issued by us have been followed. If, in our opinion, the approved plans and any applicable specifications issued by us have not been followed, you must resolve any issues to our satisfaction before opening the

Coffee Shop. This may delay the opening of your Coffee Shop (Section 6.4 of Franchise Agreement).

5. Provide our specifications and/or sources of supply, including the names of any Designated or Approved Suppliers, for the equipment, fixtures, signs, inventory, and other products and services necessary for you to develop and begin operation of the Coffee Shop (Section 5.2 of Franchise Agreement). We do not deliver or install any of these items at your Franchise Location.

6. Provide you with access to our Brand Standards Manual for use in the operation of your Franchise Business (Section 5.3 of Franchise Agreement). Additional information regarding the Brand Standards Manual is set forth below in this Item under the subheading "Brand Standards Manual."

7. Provide you with training materials for you to completely remotely before you begin our in-person initial training program (Sections 5.4 and Article 7 of the Franchise Agreement).

8. Provide an initial training program to train you to operate the Coffee Shop (Sections 5.4 and Article 7 of Franchise Agreement). This obligation does not apply on renewal (Section E of Renewal Addendum). The training program is described in more detail below in this Item under the subheading "Training."

9. Provide 1 representative for up to 4 days surrounding the opening of your Franchised Business (the specific number of days will be determined by us) to assist in the initial operation of your Franchise Business (Section 5.5 of Franchise Agreement). This obligation does not apply on renewal or transfer (Section E of Renewal Addendum and Section E of Transfer Addendum).

10. Designate the Approved Products and Services to be offered by the Coffee Shop and provide sources of supply and/or our standards and specifications for all products used in the Coffee Shop (Section 5.6 of Franchise Agreement).

11. Provide guidance on the pricing of your products and services (Section 8.8 of Franchise Agreement).

12. Review for approval your plans for grand opening advertising for the Franchise Business (Sections 5.8 and 9.1 of Franchise Agreement).

Our obligations as outlined above generally will not apply if you are renewing your franchise or acquiring an existing franchise by transfer except that, on a transfer we will provide the initial training described in number 7 above (see the Renewal Addendum and Transfer Addendum).

### Time of Opening

We expect franchisees to open their Coffee Shops 8 months after signing the Franchise Agreement or paying consideration to us. The main factors that we expect to affect this time period are the availability of suitable locations, the ability to obtain mutually acceptable lease terms, the need for rezoning of the location, the ability to obtain financing, the local time frame for obtaining building permits, construction delays, shortages, delayed installation of equipment, fixtures or signs, and your personal timetable. You must sign your lease within 2 months of executing the

Franchise Agreement and open for business no later than 6 months after you obtain a signed lease for the Franchise Location, and the failure of either of which, we may terminate the Franchise Agreement. Your initial franchise fee is non-refundable.

### During Operation

During the operation of your franchise, we will:

1. Continually provide you with access to any updates to our Brand Standards Manual and other specifications for all aspects of the Coffee Shop (Section 5.3 of Franchise Agreement).
2. Provide ongoing training as specified by us (Section 5.4 and Article 7 of Franchise Agreement).
3. Provide 1 or more representatives for up to 4 days surrounding the opening of your Franchised Business (the specific number of days will be determined by us) to assist in the initial operation of your Franchise Business (Section 5.5 of Franchise Agreement). This obligation does not apply on renewal or transfer (Section E of Renewal Addendum and Section E of Transfer Addendum). If you request the assistance of our representatives beyond the 4-day (or less) period, we may provide the representative(s) for an additional period of time, but you must pay a charge for the additional services.
4. Designate the Approved Products and Services to be offered by the Coffee Shop and continually provide you with updates in our specifications for the Approved Products and Services. We will also provide sources of supply and/or our standards and specifications for nearly all products and services used in the Coffee Shop and will review for approval any products, services, or suppliers requested by you, except with respect to any Designated Products or Services (Sections 5.6, 8.6 and 8.7 of Franchise Agreement). The Approved Products and Services that we may authorize you to sell may differ from those that we authorize other Coffee Shops to sell based on regional differences in products and services authorized by us, sales of products or services on a limited-time-only basis that are not available to all Coffee Shops, the test marketing of products or services, or other business reasons in our discretion (Section 8.6 of Franchise Agreement).
5. Periodically visit your Coffee Shop at such intervals we deem appropriate throughout the term of the Franchise Agreement. During these visits, we will evaluate your operations and provide any operational advice and assistance deemed necessary by us. We will also provide reasonable operational advice and assistance to you by email, other internet resources, or telephone, including advice on specific Approved Products and Services, if requested by you (Sections 5.7 and 10.3 of Franchise Agreement). The result of the visit could result in required changes to the operation of your Coffee Shop.
6. Provide guidance on the pricing of your products and services (Section 8.7 of Franchise Agreement). You must follow any maximum or minimum pricing guidelines specified by us, subject to applicable laws (Section 8.7 of Franchise Agreement).
7. Administer and control the Brand Development Fund for the benefit of the tradenames and trademarks that are described in Item 13 of this Franchise Disclosure Document ("Franchise Marks") and our specifications for operating a Coffee Shop ("Franchise Systems")

and review for approval any local advertising proposed by you (Sections 4.3 and 5.8, and Article 9 of Franchise Agreement).

8. Make all modifications to or substitutions of our Intellectual Property on a uniform basis for all similar situated franchisees in a particular market (Section 11.6 of Franchise Agreement).

9. If your initial location becomes unusable, review for approval any alternative location proposed by you (Section 6.1 of Franchise Agreement).

10. Review proposed transferees of your Coffee Shop for approval (Article 14 of Franchise Agreement).

### Advertising

We require that you make periodic contributions to a Brand Development Fund in the amount of 2% of your Gross Sales, whichever is greater. We are not obligated to continue the Brand Development Fund and may change the amount or suspend contributions to or operations of the Brand Development Fund or terminate the Brand Development Fund (or reinstate the Brand Development Fund if it is terminated). All Qahwah House™ Coffee Shop franchises will contribute to the Brand Development Fund at the same rate. Qahwah House™ Coffee Shops owned and operated by our affiliates will contribute to the Brand Development Fund at the same rate as franchise Coffee Shops.

We will administer and control the Brand Development Fund in our discretion. We may use the Brand Development Fund to maximize general public recognition and patronage of the Franchise Marks and Qahwah House™ Coffee Shops; formulate, develop, and produce marketing, advertising and sales support materials for use by our franchisees; conduct marketing, advertising, and promotional programs on a national, regional, or local level; provide marketing support services to franchisees; develop, maintain, and support the Franchise Technology and Digital Marketing (as defined in the Franchise Agreement) for us and our franchisees; obtain public relations services; obtain marketing and advertising services to administer, create, distribute, place, publish, or otherwise provide marketing products and services to the Brand Development Fund; pay the expenses of the Brand Development Fund, including without limitation salaries and other employment expenses of our marketing staff, administrative costs, overhead, and other expenses we incur in connection with the administration of the Brand Development Fund; and other uses as we determine at our discretion. We are not required to spend your Brand Development Fund contributions to place advertising in your market or in any specific media. All expenses of the Brand Development Fund will be paid from the Brand Development Fund. The Brand Development Fund may borrow money and pay interest or establish credit from us or other entities. Payments of principal and interest on those loans may be deducted from the Brand Development Fund. The Brand Development Fund will not be used for marketing that is principally a solicitation for the sale of franchises but the Brand Development Fund may be used for ancillary or incidental uses for the solicitation or sale of franchises by us or other franchisees, including an area on our website or on print advertisements created or distributed by the Brand Development Fund or an advertising cooperative. We will submit to you, on request, an annual report of the receipts and disbursements of the Brand Development Fund, unaudited, prepared by our management, and provided in the manner we specify.

We may, in our discretion, administer the Brand Development Fund for some or all markets by disbursing a portion of the Brand Development Fund to one or more individual franchisees or

cooperative groups of franchisees for marketing or advertising expenditures in their markets. You must spend any of those disbursements to you on local or regional advertising and media as we determine. You must document these advertising expenditures at the times and in the manner specified by us.

We will use reasonable efforts to spend Brand Development Fund fees contributed to the Brand Development Fund during the fiscal year in which the contributions are made, taking into account reasonable reserves for advertising promotions and campaigns, repayment of debt, and other reasonable business needs in the next fiscal year. If we spend less than the total amount of funds available in the Brand Development Fund during any fiscal year, we will spend the unused funds during a future fiscal year. If we spend an amount greater than the amount available to the Brand Development Fund, and we have contributed the additional amounts to the Brand Development Fund, we will be entitled to be reimbursed by the Brand Development Fund for all those excess expenditures.

We have the right to incorporate the Brand Development Fund or manage the Brand Development Fund through a separate entity whenever we deem appropriate. We may assign some or all of our rights and duties related to the Brand Development Fund to the separate Brand Development Fund entity. We may change the separate Brand Development Fund entity or assign management of the Brand Development Fund back to us at any time in our discretion. Regardless of the entity, you consent to the automatic withdrawal of Brand Development Fund fees by electronic funds transfer on a weekly basis in the same manner as Royalty.

We did not collect Brand Development Fund payments from franchisees during 2023. As a result, we do not have any data on the portions of the advertising fees used for media placement, production of advertising, administrative costs, or other costs during 2023 or the portion of Brand Development Fund payments that were used for advertising that is principally a solicitation for the sale of franchises.

We currently require you to spend a minimum of 1% of your Gross Sales or \$1,000, whichever is greater, each month for advertising in your local market. You must provide us with documentation, at the times and in the form and manner specified by us, to prove that you spent the required amount on local advertising or, in our discretion, we may require you to pay the minimum local advertising amounts to us for advertising in your local market. If we require you to pay the minimum local advertising amounts to us, we may use these amounts, in our discretion, for local advertising and promotion for you (including but not limited to Digital Advertising, flyers, promotions, mailers, etc.) or as part of joint advertising or cooperative advertising. Your minimum local advertising requirement is separate from and in addition to your obligations for grand opening advertising and for contributions to the Brand Development Fund. If we require you to pay the minimum local advertising amounts to us, we will submit to you, on request, an annual report of the receipts and disbursements of those amounts, which may be unaudited and prepared by us.

We may designate a local, regional, or national advertising area that includes a group of Coffee Shops (an "Advertising Area"). If your Franchise Business is in a designated Advertising Area, you must participate in and pay your proportionate cost of any joint advertising programs specified by us for that Advertising Area. This amount would be included in the 1% required local marketing spend.

In addition, we may require an advertising cooperative to be formed and operated in an Advertising Area. If your Franchise Business is within that designated Advertising Area, you must

join, maintain a membership in, and sign and abide by the cooperative agreement for the advertising cooperative in that Advertising Area. Each advertising cooperative must adopt a cooperative agreement governing the organization and operation of the advertising cooperative. If specified by us, the cooperative agreement must require contributions to the advertising cooperative to be paid to us or to the advertising cooperative by electronic funds transfer. We must approve the structure of the advertising cooperative as well as the cooperative agreement and any changes to that agreement. The cooperative agreement must be submitted to us for prior approval. If we have not approved the cooperative agreement in writing within 14 days after receipt, the cooperative agreement will be deemed not approved. If the members of the advertising cooperative do not adopt and sign an approved cooperative agreement within 30 days after we designate the Advertising Area for the advertising cooperative, the advertising cooperative must adopt and you must sign our then current recommended cooperative agreement. The cooperative agreement cannot modify the terms of the Franchise Agreement but may require you to make contributions to the advertising cooperative in addition to any Brand Development Fund contributions you are required to make to us. You must make contributions to the advertising cooperative at the times and in the amounts as determined by the advertising cooperative. Each Coffee Shop in the advertising cooperative (including Coffee Shops operated by us or our affiliates) will have one vote on matters before the advertising cooperative. Decisions will be made as provided in the cooperative agreement, or if not otherwise specified, based on a majority of the votes entitled to be cast by the members of the advertising cooperative. Any franchisee holding an officer, management, executive, or committee position with the advertising cooperative must be a franchisee-in-good-standing as defined in Section 8.17 of the Franchise Agreement. The administration, costs, and expenses of each advertising cooperative will be the responsibility of the advertising cooperative. The advertising cooperative will be responsible for the collection of contributions from its members and we will not be responsible to you if other franchisees in the advertising cooperative fail to pay contributions or to otherwise abide by the cooperative agreement or the decisions of the advertising cooperative. We will have the authority to form, change, dissolve, or merge advertising cooperatives. As of the date of the Disclosure Document, no advertising cooperatives have been formed.

The amounts you spend for joint advertising and cooperative advertising specified by us will apply to your minimum local advertising obligation. We may require you to spend up to 5% of your Gross Sales on cooperative advertising and local advertising. Except for grand opening advertising under Section 9.1 of the Franchise Agreement, you will not be required to spend more than 5% of your Gross Sales per month for local advertising, joint advertising, and cooperative advertising specified by us unless you agree otherwise. This limit does not apply to Brand Development Fund contributions paid to us.

Your use of the Internet, email, websites, social networks, wikis, podcasts, online forums, content sharing communities, blogging, other social media accounts or participations (including, without limitation, Facebook, Twitter (or "X"), LinkedIn, YouTube, Pinterest, Instagram, Snapchat, Tiktok, and all other social media platforms now existing or later created), mobile technology, and other digital media, digital coupons, keyword or adword purchasing programs, search engine optimization, search engine marketing, marketing using other forms of digital media, and toll-free telephone numbers ("Digital Marketing") in connection with the operation, advertising, and marketing of your Coffee Shop is subject to the trademark, advertising, marketing, and other requirements of this Agreement and the Brand Standards Manual. You must not use any Digital Marketing in connection with the Coffee Shop, except with our written consent and then only in accordance with any policies and procedures specified by us. We have the sole right to control all Digital Marketing used to promote Coffee Shops (including the Franchise Business) and/or associated with the Franchise Marks. If we authorize you to use Digital Marketing, we may require

you to only use Digital Marketing through central accounts established by us. You must provide us with login, password, administrative password, security codes, and other information necessary for us to access and use (including use for marketing to your customers) any Digital Marketing accounts we authorize you to use. We have the right to control all responses to postings by customers and/or the public on Digital Marketing platforms relating to the Coffee Shop.

All advertising by you in any medium, including signage, must be factual and dignified, must conform to our standards and specifications, and to the highest standards of ethical advertising practice, and must be approved by us in writing before it is used. You must submit to us for approval all marketing and promotional materials, including signage, prepared by you for the Coffee Shop and not prepared by or previously approved by us. These materials must be submitted at least 14 days before use. We have the right to disapprove the use of any advertising materials by you at any time. You must discontinue the use of advertising materials immediately on receipt of our written notice, even if we previously approved the use of advertising materials. You must not use any advertising materials not approved by us. You agree to refrain from any business or advertising that may be injurious to our business or the goodwill associated with the Franchise Marks and Franchise Systems and other Coffee Shops. You are not allowed to advertise any products or services for your business using the Franchise Marks except the Approved Products and Services. If specified by us, all of your advertising must contain notices of: (a) our website domain name or other Digital Marketing specified by us; and/or (b) a statement regarding the availability of Qahwah House™ Coffee Shops franchises. To the extent possible, you must include the following language in all advertising: "Each Qahwah House™ specialty coffee shop is independently owned and operated."

#### Point of Sale (POS) and Computer Systems

We require you to use certain technology in connection with the Coffee Shop in our discretion, which may include websites, point of sale, and customer and restaurant management systems (which may include computer hardware, software, back office systems, web-based systems, licenses to use proprietary software or systems, etc.), Wi-Fi, intranet, extranet, web-based systems, mobile applications, other electronic media, and/or other technology specified by us (the "Franchise Technology"). Uses of the Franchise Technology may include advertising for all Qahwah House™ Coffee Shops, lists of Qahwah House™ Coffee Shops, on-line ordering, gift card and loyalty programs, inventory control for Coffee Shops, entering sales and other information, making schedules, projecting sales, reviewing reports, entering payroll, placing orders with suppliers, posting the Brand Standards Manual and communication between us, franchisees, and customers. You must acquire and use the Franchise Technology specified by us in the Coffee Shop and in the manner specified by us. Your access to and use of the Franchise Technology provided by us or our affiliates is subject to your compliance with the terms and conditions of use and other policies and procedures specified by us. You must pay all required license fees, service fees, and support, maintenance, update, and upgrade costs to use and maintain the Franchise Technology in the manner specified by us or a third-party supplier. We may change or modify the Franchise Technology in the future, including changes in the specifications and components relating to the Franchise Technology. In that case, you must obtain and begin to use the changed or modified Franchise Technology within 30 days after you receive written notice from us. There are no contractual limitations on the frequency or cost of these obligations. We disclaim all warranties with respect to the Franchise Technology.

The Franchise Technology that we currently specify for establishing a Qahwah House™ Coffee Shop includes a computerized Point of Sale System("POS"), generally two main stations

that will each include a register and computer screens with 3 to 4 printers, and a separate computer and monitor. The specified computer equipment and software will be used in your business to record sales transactions, including providing a break-down of credit card, check and cash sales, discounts, products sold, labor dollars spent, etc., be the time clock of the business (time/attendance), be the method of delivering the order to the production line, be used for receipts of transactions, be used for receiving and displaying online and delivery orders, be used to manage gift card and loyalty programs, be used to provide sales data to our home office, and be used for other back-of-house needs. We estimate that the initial cost for purchasing and installing the POS and computer systems for a Qahwah House™ Coffee Shop will range from \$3,400 to \$4,000, depending on the number of terminals, online ordering, location, and discounts. This estimate includes the first three monthly payments for the designated POS software. The POS Systems must be acquired from a Designated Supplier, some of which are proprietary to us or our affiliates. We do not have an obligation to maintain, update, upgrade, or support the hardware or software; however you must enter into a maintenance agreement with a Designated Supplier. The annual costs of required or optional maintenance to the POS Systems are included in the Technology Fee payable to us. We may require you to upgrade and/or update the Franchise Technology during the term of your Franchise Agreement as we deem necessary in our discretion, and there are no contractual limitations on the frequency or costs of this obligation.

We will have the right to independently access the sales and other data generated or stored by the Franchise Technology, including your POS systems. There are no contractual limitations on our right to access the information and data. You must provide us access to the information contained in or produced by the Franchise Technology in the manner specified by us and must supply us with any security codes necessary to obtain that access. We may retrieve, analyze, download and use the software and all data contained in or produced by the Franchise Technology at any time as long as the access does not unreasonably interfere with the operation of your Coffee Shop.

You must maintain high-speed Internet access at all times in the manner specified by us for communication with us, use of the Franchise Technology, and to allow us to access information from the Franchise Technology. Our rights to use the Franchise Technology data includes the right to deliver the data to any third party we deem appropriate in our sole discretion; provided that the identity and other personal information of your employees, agents, and customers are not improperly disclosed.

We currently implement a Technology Fee (see Item 6). We may use the Technology Fee for expenses relating to planning, design, development, maintenance, and/or support of the Franchise Technology. Although you pay Technology Fees to us, you will still be responsible for any license fees and the expense of maintenance and updates, including service contracts, relating to POS Systems and computer system software and other technology used in your Coffee Shops.

You are responsible for securing the data of your customers. You must comply with industry standards and all applicable laws relating to the protection of customer information and other personal information. You must comply with the PCI Requirements in connection with your Coffee Shop. It is recommended that you also comply with the ISO/IEC 27000-series information security standards (or other comparable third party information security standards) ("Information Security Standards") in connection with the Coffee Shop. It is your responsibility to research and understand the PCI Requirements and Information Security Standards, other industry standards, and applicable laws and to ensure that your business policies and practices comply with these requirements. You must periodically participate in audits of your information technology systems

and data security policies by third party auditors as specified by us. We have the right to engage a vendor to consult with and advise Qahwah House™ Coffee Shops franchisees on compliance with the PCI Requirements and Information Security Standards and to require you to pay a portion of the cost of the vendor's services as determined under our policies or to directly engage the vendor for these purposes. Also, we will have the right to acquire a cyber insurance policy for the Qahwah House™ franchise system and to require you to pay a portion of the cost of the cyber insurance policy as determined under our policies and procedures.

### Brand Standards Manual

Our Brand Standards Manual provides detail concerning the methods of operation of the Coffee Shop. As of the date of this Franchise Disclosure Document, the Brand Standards Manual consists of a total of approximately 247 pages. The Table of Contents of the Brand Standards Manual is attached as Exhibit E, which shows the number of pages dedicated to each subject matter. You will be given a paper copy, an electronic copy, or access on-line to an electronic copy of the Brand Standards Manual after signing the Franchise Agreement. You will be provided updates as they become available (Sections 5.3 and 8.2 of the Franchise Agreement).

### Training

You must not begin to operate the Coffee Shop unless a Designated Owner, and the General Manager, if the Designated Owner is not the General Manager (see Item 15) has attended and completed our initial training program. The training program must be completed to our satisfaction no less than 30 days prior to the opening of your Franchise Business.

The instructional materials used in our training program include training manuals and the Brand Standards Manual. Hadi El-Mawla will oversee our entire training program. Mr. El-Mawla has approximately 6 years of experience in the specialty coffee shop industry, all of which has been with the Qahwah House™ system.

The length of our training program will be approximately two (2) weeks depending on your experience in the food service and coffee shop industry. The training program will be conducted without charge for up to three persons (at least 1 Designated Owner and 1 General Manager). We will train additional management personnel if you request, but you must pay us a charge of \$1,500 for each additional management personnel. The training program will be conducted at a Qahwah House™ Coffee Shop in Dearborn, Michigan. We may designate an alternative location for your initial training program, in our discretion. You are responsible for any traveling and living expenses of you or your employees during the training program. The persons attending training may be required to sign an agreement relating to confidentiality and/or noncompetition in a form approved by us before beginning the training program (see Exhibit F and Item 14).

Your Coffee Shop must always be under the supervision of a General Manager that has attended and satisfactorily completed our training program (see Item 15).

Our training program will be conducted as often as necessary to ensure that new franchisees complete training before opening their Coffee Shop.

The following table provides additional information about the training program and an approximate time estimate.

## TRAINING PROGRAM

| Subject                                                 | Hours of Classroom Training | Hours of On-the-Job Training | Location     |
|---------------------------------------------------------|-----------------------------|------------------------------|--------------|
| History of Qahwah House                                 | 1                           |                              | Dearborn, MI |
| Use of the Manual                                       | 1                           |                              | Dearborn, MI |
| Tour of Qahwah House                                    | 1                           |                              | Dearborn, MI |
| Pre-Opening Procedures                                  | 1                           |                              | Dearborn, MI |
| Personnel Issues                                        | 1                           | 2                            | Dearborn, MI |
| Marketing/Advertising                                   | 1                           | 2                            | Dearborn, MI |
| Management Procedures                                   | 1                           | 8                            | Dearborn, MI |
| Reporting Requirements                                  | 1                           | 2                            | Dearborn, MI |
| Accounting/Record keeping                               | 1                           | 4                            | Dearborn, MI |
| Guest Service Procedures                                | 1                           | 12                           | Dearborn, MI |
| Front/Back of House – Manager Duties/Barista Procedures | 1                           | 29                           | Dearborn, MI |
| Back of House – Prep/Recipe Procedures                  | 1                           | 21                           | Dearborn, MI |
| Inventory Management                                    | 1                           | 2                            | Dearborn, MI |
| POS System                                              | 1                           | 8                            | Dearborn, MI |
| Cleaning Procedures                                     | 1                           | 8                            | Dearborn, MI |
| Safety Procedures                                       | 1                           | 2                            | Dearborn, MI |
| <b>Totals</b>                                           | 16                          | 100                          |              |

In addition, we will provide 1 representative for up to 4 days surrounding the opening of your Coffee Shop (the specific number of days will be determined by us) to assist in the initial operation of your Franchise. This obligation does not apply on renewal or transfer. We may, if we deem necessary or at your request, provide additional initial operations assistance to you. If we provide such additional initial operations assistance, you must pay us a reasonable daily charge (currently \$350), plus our actual lodging, food, and travel expenses for the additional days of assistance.

Your General Manager, and other employees that we may specify, must attend ServSafe training and receive ServSafe certification (or other similar food safety and food handling certification approved by us) prior to the opening of your Coffee Shop. You and your management employees may be required to attend additional or refresher training, sales programs, and

national meetings or conventions reasonably specified by us. We will give you reasonable notice of any additional specified training, sales programs, or meetings. We may impose a reasonable charge on you for any additional or refresher training, sales programs, and national meetings or conventions provided beyond the initial training program, and you will be responsible for you and your employees' travel, lodging, meals and other costs of attending any such training, programs, meetings, or conventions. Any fees will be uniform as to all persons attending the training, programs, meetings, or conventions at that time. Any additional or refresher training programs will generally be conducted at a Qahwah House™ Coffee Shop in Detroit, Michigan, at your Franchise Location, by online remote or video format, or at a location specified by us, in all cases in our discretion.

We may require you to complete additional training before offering new products or services from the Coffee Shop.

You are responsible for training all of your employees who work in any capacity in the Coffee Shop and are responsible for your employees' compliance with the operations standards that are part of the Franchise Systems. You must establish and maintain a continual program of training for your management and staff personnel in accordance with our specifications. Each of your employees must complete each part of the specified training program and you must not employ anyone who refuses or fails to complete each part of the specified training program.

## **ITEM 12—TERRITORY**

### **Franchise Location; Relocation**

You must operate your Coffee Shop only from a specific location, which will be designated in Item 1 on Appendix A to the Franchise Agreement. If the exact location for your Coffee Shop has not been determined before signing of the Franchise Agreement, you must use your best efforts to find a suitable location that we approve for your Coffee Shop within the area designated in Item 1 on Appendix A to the Franchise Agreement. You must always operate your Franchise Business only at a location approved in writing by us.

You shall not relocate your franchise without our approval. If your lease or sublease for the Franchise Location expires or terminates without your fault or if the Franchise Location is condemned, destroyed, or rendered unusable or you have other reasonable business reasons to relocate, you may request that we consent to the relocation of the Franchise Location. If the new location proposed by you is approved by us as a viable location and you have submitted a lease to us for review as provided in Section 6.2 of the Franchise Agreement, we will not unreasonably withhold consent to the relocation of the Franchise Location. The factors we consider for approving a new location are the same factors we consider for your initial location, which include, without limitation, the surrounding population density, income levels, vehicle traffic counts, pedestrian traffic counts, visibility, ingress and egress, space dimensions, parking availability, signage restrictions, use restrictions, economic terms, the proximity to competitor specialty coffee shops, and the proximity to other Qahwah House™ locations. We will not be required to consent to a new location if the location is outside of your Protected Area or if we believe the new location will encroach on the location of another Coffee Shop. If the Franchise Location becomes unusable for the Coffee Shop through no fault of yours (not including expiration of the Lease term) and a substitute location is not available within a reasonable period of time, the Franchise Agreement will terminate on conclusion of operation of the Coffee Shop at the Franchise Location.

### No Exclusive Territory

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.

### Rights in Protected Area

As long as your Franchise Agreement is in effect and you are not in default, we will not open or authorize any other person to open a Qahwah House™ Coffee Shop at a location within the area that is within your “Protected Area.” Your Protected Area will be a geographic area surrounding your Coffee Shop represented by zip code or portion of a zip code, which will generally include a population of approximately 50,000 people. If the Franchise Location is in a densely populated area, the geographic area contained in your Protected Area may be smaller than a single zip code in a less densely populated area, or you may receive no Protected Area. The specific Protected Area granted to you will be determined by us, in our sole discretion, and will be described in Item 2 of Appendix A to the Franchise Agreement, which will generally be completed only after you have identified, and we have approved, a location for your Coffee Shop. Your limited rights in your Protected Area relate to location only and do not grant you any exclusivity of marketing or customers.

As exceptions to your limited rights in your Protected Area, we and our affiliates may operate or authorize other persons to operate businesses under the Franchise Marks and Franchise Systems and/or to offer and sell products and services offered at Coffee Shops at the following types of locations in the Protected Area: corporate cafeterias; institutional accounts (including grocery stores and warehouse clubs); offsite events (e.g. art fairs, fundraisers, etc.); stadiums; and locations with relatively fixed populations (e.g. airports, military bases, college campuses, hospitals and other medical facilities, indoor regional malls, certain large office buildings where a substantial portion of the inhabitants do not leave the building for breakfast/lunch and few people from outside the building come in for lunch); and similar locations. We may also license or authorize a ghost or virtual kitchen within your Protected Area.

### Modification of Protected Area

We reserve the right to modify your Protected Area from time to time upon written notice to you if, as determined by us in our discretion, the population increase and market trends in and around your Protected Area warrant additional Coffee Shops to meet the demand for Qahwah Coffee™ goods and services in and around the Protected Area. If we modify your Protected Area under such circumstances, you shall not have any options, rights of first refusal, or similar rights to open any additional Coffee Shops that may be located inside of your former Protected Area.

### Limitations; Reservation of Rights

The rights granted to you in the Franchise Agreement relate only to the sale of products over-the-counter at the Franchise Location, or delivery or catering from the Franchise Location if authorized by us in writing, and you are not granted any exclusive area or other territorial rights, except as described above. You will not have the right to provide catering, delivery, or online ordering services except as authorized in writing by us and then only under the policies and procedures specified by us. We may, in our discretion, authorize some franchisees to provide catering, delivery, or online ordering services and not others, in our discretion. You will not have the right to solicit or conduct business through the use of toll-free telephone numbers, catalogs,

direct mail, internet, or other advertising or solicitation methods not involving only sales over-the-counter at the Franchise Location unless you have our prior written approval.

You are not granted a minimum or maximum territory in which to operate your Franchise Business. As long as you provide your products and services from your Franchise Location and comply with applicable catering, delivery, and marketing restrictions, you are not limited in the area from which you may draw your customers. You must not use any Digital Marketing in connection with the Coffee Shop, except with our written consent and then only in accordance with any policies and procedures specified by us. We have the sole right to control all Digital Marketing used to promote Coffee Shops (including your Coffee Shop) and/or associated with the Franchise Marks.

Other than the rights described above, we reserve all rights relating to the Franchise Marks and Franchise Systems, including the right to: (a) operate and authorize others to operate Coffee Shops at any location outside the Protected Area; (b) operate and authorize others to operate businesses that are the same or similar to a Coffee Shop under names or trademarks other than the Franchise Marks at any location inside or outside the Protected Area; (c) operate and authorize others to operate businesses that are different from the business of a Coffee Shop under the Franchise Marks or any other names or trademarks at any location inside or outside the Protected Area; (d) use or authorize others to use the Franchise Marks and/or Franchise Systems, or any other trademarks or systems, in connection with the manufacture and sale of products at wholesale or retail, through the use of toll free telephone numbers, catalogs, direct mail, over the Internet, or through any other distribution channels; (e) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at a Coffee Shop, and franchising, licensing, or creating similar arrangements with respect to those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating (including in the Protected Area); and (f) be acquired (whether through acquisition of assets, ownership interests, or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Coffee Shops, or by another business, even if the business operates, franchises, and/or licenses competitive businesses in the Protected Area. Although we have the right to establish other franchise or company owned outlets with similar products or services using different trademarks, we have no present intention of doing so. We are not required to pay you any compensation for soliciting or accepting orders from inside your Protected Area.

### Franchisee Options; Additional Franchises

You will not have any options, rights of first refusal or similar rights to acquire additional franchises within any specified territory or any contiguous territories. We may allow you to acquire additional franchises if you meet our qualifications in place at that time for acquiring a franchise and ownership of multiple locations. These qualifications may include standards of character, business experience, financial strength, credit standing, health, reputation, business ability, experience, availability of management personnel, etc.

## **ITEM 13—TRADEMARKS**

### Principal Trademarks

You receive the right to operate your Coffee Shop under the name Qahwah House™, which is the primary Franchise Mark used to identify our Franchise System. You may also use any other current or future Franchise Marks to operate your Coffee Shop that we designate, including the logo on the front of this Disclosure Document and the service mark listed below. By “Franchise Marks,” we mean any trade name, trademark, service mark, or logo licensed to you to identify your Franchise Business.

The following is a description of the principal Franchise Marks we will license to you. The following table discloses the Franchise Marks that are either registered or pending on the U.S. Patent and Trademark Office (“USPTO”) Principal Register and the Franchise Marks for which we have filed applications for registration on the Principal Register.

| Mark                                                                                                                                | Registration Number | Application Number | Principal or Supplemental Register of the USPTO | Registration Date | Application Date |
|-------------------------------------------------------------------------------------------------------------------------------------|---------------------|--------------------|-------------------------------------------------|-------------------|------------------|
| <br>(Design plus words, letters, and/or numbers) | 6,219,218           |                    | Principal                                       | December 15, 2020 |                  |

Our Managing Member, Mr. Alhasbani (“Licensor”) owns the trademarks listed in this Item. Pursuant to an Intellectual Property License Agreement, effective October 31, 2024 (the “License Agreement”), Licensor has licensed us the right to use the Trademarks listed in this Item and to sublicense the use of the trademarks listed in this Item. The term of the License Agreement is perpetual unless terminated in accordance with its terms, including if we no longer desire to use the trademarks, we fail to perform our obligations under the License Agreement, or by mutual agreement. If the License Agreement is terminated, your franchise agreement will not be affected and you will continue to be able to operate your franchised Coffee Shop under the terms of your franchise agreement. The License Agreement may only be modified in a writing signed by us and

Licensor. If you fail to comply with the quality control standards set by Licensor with regard to the use of the trademarks, Licensor may terminate your Franchise Agreement.

You retain no rights in the Franchise Marks upon expiration or termination of your Franchise Agreement. You are not permitted to make any changes or substitutions of any kind in or to the use of the Franchise Marks unless we direct in writing. We may change the System presently identified by the Franchise Marks including the adoption of new Franchise Marks, new Approved Products, new equipment, or new techniques and you must adopt the changes in the System, as if they were part of the Franchise Agreement at the time of its execution. You must comply, within a reasonable time, if we notify you to discontinue or modify your use of any Franchise Mark. We will have no liability or obligation as to your modification or discontinuance of any Franchise Mark.

#### Material Determination of the USPTO

On December 15, 2017, our Managing Member, Mr. Alhasbani filed a trademark application to register the words “Qahwah House” (Serial No. 87,722,968) in connection with coffee beans and coffee shops. While Mr. Alhasbani disputed the USPTO’s position, that application ultimately did not register because it was refused on the basis that “Qahwah House” was descriptive of the goods and services listed in the application and that the mark was likely to cause confusion with a trademark registration that existed at that time for “Kahwa Coffee Roasting.”

On December 15, 2017, Mr. Alhasbani also filed a trademark application to register the words “Qahwah House” (Registration No. 6,219,218) in the stylized form incorporating the crescent shapes as shown on the cover page of this disclosure document. This application was also initially refused on the basis that it was likely to cause confusion with the same trademark registration for “Kahwa Coffee Roasting.” On March 20, 2020, the “Kahwa Coffee Roasting” registration was cancelled because that registrant failed to submit acceptable renewal declarations, which obviated the basis for the USPTO’s likelihood of confusion refusal. However, before Mr. Alhasbani’s application was allowed to register, the USPTO also required that he disclaim exclusive use of the words “Qahwah House” apart from the mark as shown, which limits our ability to prevent others from using those words. As a result, you may face competition from businesses that use the words “Qahwah House” in connection with the sale of goods and services that are the same or similar to those offered and sold by you.

With respect to the “Kahwa Coffee Roasting” registrant, we note that they reapplied and received a federal registration for the words “Kahwa Coffee Roasting” together with certain design elements, but were required to disclaim exclusive use of the words “Kahwa Coffee Roasting” apart from the mark as shown. We also note that registrant obtained a registration for the word “Kahwa” on the USPTO’s Supplemental Register. The registrant’s attempt to register “Kahwa” on the USPTO’s Principal Register was refused on the basis that the mark is generic, which refusal was affirmed by the USPTO Trademark Trial and Appeal Board on August 21, 2023. The registrant has appealed the TTAB’s order to the Court of Appeals for the Federal Circuit, which remains pending.

#### Determinations, Agreements or Uses Affecting Trademarks

Except as may be described above, there are no currently effective material determinations of the USPTO, Trademark Trial and Appeal Board, the Trademark Administrator of any state, or any court, any pending interference, opposition or cancellation proceeding nor

any pending material federal or state court litigation involving our principal Franchise Marks. There are no agreements currently in effect that limit our rights to use or license the principal Franchise Marks in any manner material to your franchise.

### Franchisee's Obligations

You must use our Franchise Marks only in connection with the operation of your Coffee Shop pursuant to the Franchise Systems and only in the manner specified in the Franchise Agreement or by us. You must operate your Coffee Shop under our Franchise Marks and under no other name or mark. You must not use our Franchise Marks in connection with any products or services not specifically approved by us in writing. You must not reproduce or cause to be reproduced our Franchise Marks in any manner, including production on forms or invoices, in connection with advertising, marketing or promotion, or on the Internet or in an Internet domain name, in connection with a website, or in connection with any Digital Marketing without our prior written approval. You must not use our Franchise Marks in your business, corporate, partnership, or limited liability company name. However, you must register to do business under the assumed business name of "Qahwah House™" with an additional number or designation as determined by us to distinguish the assumed name from other Coffee Shops (for example: "Qahwah House™ of \_\_\_\_\_").

You must promptly notify us of any claim, suit, or demand against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of the Franchise Marks. You must promptly notify us if you receive notice or are informed or learn that any third party, who you believe is using the Franchise Marks or any name or mark confusingly similar to the Franchise Marks without our authorization.

### Defense of Trademarks

If we become aware of a claim against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of the Franchise Marks, we may take action as we deem necessary and appropriate to protect and defend you against the claim by any third party. You must not settle or compromise any claim by a third party without our prior written consent. We will have the sole right to defend, compromise, or settle any claim, in our discretion, using attorneys of our choosing, and you agree to cooperate fully with us in connection with the defense of the claim. You may participate at your own expense in the defense or settlement, but our decisions with regard to the Franchise Marks will be final. We do not have an obligation under the Franchise Agreement to participate in your defense or to indemnify you for expenses or damages in a proceeding involving the Franchise Marks licensed to you.

### Prosecution of Infringers

If we become aware that a third party is using the Franchise Marks or any name or mark confusingly similar to the Franchise Marks without our authorization, we will, in our sole discretion, determine whether or not we will take any action against the third party on account of the alleged infringement of the Franchise Marks. You will not have any right to make any demand against any alleged infringer or to prosecute any claim of any kind or nature whatsoever against the alleged infringer for or on account of the infringement. If we choose to prosecute any infringement of the Franchise Marks, you must sign all documents and do all acts necessary or incidental to that action as our counsel may reasonably request. We do not have an obligation under the Franchise Agreement to take affirmative action when notified of infringement. We will have exclusive rights in any damages awarded or recovered in any prosecution of an infringement.

claim related to the Franchise Marks and we will not have any obligation to share any awards or recoveries with you.

#### Modification of Trademarks

We may change the authorization to use the Franchise Marks contained in the Franchise Agreement, including adding, discontinuing or modifying Franchise Marks, or substituting different Franchise Marks, by issuing, in a written notice, a description of the changes and the products or services to which they relate. You must use and abide by these changes or substitutions at your expense. We may make the changes because of the rejection of any pending registrations or the revocation of any existing registrations of the Franchise Marks, or due to the rights of senior users, or for other business reasons, except we will make the changes in the Franchise Marks on a uniform basis for all similarly situated Coffee Shops in a particular market.

### **ITEM 14—PATENTS, COPYRIGHTS AND PROPRIETARY INFORMATION**

#### Patents and Copyrights

We do not own any patents that are material to your franchise. We do not have any pending patent applications that are material to your franchise. We claim copyright protection for our Brand Standards Manual and similar materials, although these materials are not registered with the U.S. Registrar of Copyrights.

#### Proprietary Information and other Intellectual Property

The Brand Standards Manual and other aspects of the Franchise Systems are considered proprietary and confidential. This information may include Brand Standards Manuals, training methods, operations methods, knowledge and experience relating to Qahwah House™ Coffee Shops, advertising, marketing techniques and advertising programs, information regarding the identities and business transactions of customers and suppliers, computer software and similar technology, digital passwords and identifications, source code, data reports, knowledge of operating results and financial performance of Qahwah House™ Coffee Shops, and related Intellectual Property.

#### Determinations, Agreements or Uses Affecting Copyrights or Proprietary Information

There are no currently effective material determinations of the copyright office or any court regarding any of our copyrighted or proprietary information. There are no agreements currently in effect that limit our rights to use or license the copyrighted materials or any of our proprietary information. We do not know of any superior prior right or infringing uses of our copyrighted materials or our proprietary information that could materially affect your use of those materials or information.

#### Franchisee's Obligations

You must use our Intellectual Property only in accordance with our rules. You must use our Intellectual Property only in connection with the operation of the Franchise Business pursuant to the Franchise Systems and only in the manner specified in the Franchise Agreement or by us. You must not use our Intellectual Property in connection with any products or services not specifically authorized by us in writing. You must take reasonable steps to prevent disclosure of

this information to others. We require that all of your individual owners (if you are a business entity) sign an agreement relating to confidentiality and/or non-competition related to Qahwah House's system. We may require that you have your employees sign an agreement relating to confidentiality and/or non-competition before disclosing confidential information to them. This agreement must be in a form approved by us and we have the right to be a third-party beneficiary of that agreement with independent enforcement rights. Attached as Exhibit F is a form of Confidentiality and Noncompetition Agreement approved by us for use by our franchisees. We provide this form as an example of the form of agreement acceptable to us; however, we do not represent or suggest that this is the appropriate form for use by you or that the form complies with the applicable laws in your jurisdiction. You should have any employee confidentiality and/or noncompetition agreement forms you intend to use reviewed by your attorney to ensure the form provides you with the protections that you desire and that the form complies with the applicable laws in your jurisdiction.

Under the Franchise Agreement, you agree not to contest, directly or indirectly, our right or interest in our copyrights, trade secrets, methods, and procedures which are part of our business or contest our sole right to register, use or license others to use such copyrights, trade secrets, methods, and procedures.

You must promptly notify us of any claim, suit, or demand against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of our Intellectual Property. You must promptly notify us if you receive notice or are informed or learn that any third party who you believe is using our Intellectual Property without our authorization.

#### Defense of Copyrights and Proprietary Information

If we become aware of a claim against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of the Intellectual Property, we may take action as we deem necessary and appropriate to protect and defend you against the claim by any third party. You must not settle or compromise any claim by a third party without our prior written consent. We will have the sole right to defend, compromise, or settle any claim, in our discretion, using attorneys of our choosing, and you agree to cooperate fully with us in connection with the defense of the claim. You may participate at your own expense in the defense or settlement, but our decisions with regard to the Intellectual Property will be final. We do not have an obligation under the Franchise Agreement to participate in your defense or to indemnify you for expenses or damages in a proceeding involving the Intellectual Property licensed to you.

#### Prosecution of Infringers

If we become aware that a third party is using the Intellectual Property without our authorization, we will, in our sole discretion, determine whether or not we will take any action against the third party on account of the alleged infringement of the Intellectual Property. You will not have any right to make any demand against any alleged infringer or to prosecute any claim of any kind or nature whatsoever against the alleged infringer for or on account of the infringement. If we choose to prosecute any infringement of the Intellectual Property, you must sign all documents and do all acts necessary or incidental to that action as our counsel may reasonably request. We do not have an obligation under the Franchise Agreement to take affirmative action when notified of infringement. We will have exclusive rights in any damages awarded or recovered in any prosecution of an infringement claim related to the Intellectual Property and we will not have any obligation to share any awards or recoveries with you.

## Modification of Copyrights and Confidential Information

We may change the authorization to use the Intellectual Property contained in the Franchise Agreement, including adding, discontinuing or modifying Intellectual Property, or substituting different Intellectual Property, by issuing, in a written notice, a description of the changes and the products or services to which they relate. You must use and abide by these changes or substitutions at your expense. We may make the changes because of the rejection of any pending registrations or the revocation of any existing registrations, or due to the rights of senior users, or for other business reasons, except we will make the changes on a uniform basis for all similarly situated Coffee Shops in a particular market. All ideas, concepts, techniques, or materials concerning the Franchise System, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

## **ITEM 15—OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE COFFEE SHOPS**

The individual or at least 1 of the individuals designated in Paragraph 3 on Appendix A to the Franchise Agreement (a “Designated Owner”), must: (a) preserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchise Business; and (b) represent and act on behalf of the franchisee in all dealings with us. Each Designated Owner must have an ownership interest in the franchise. If all of the Designated Owners resign, die or become incapacitated, it will be considered a transfer under the Franchise Agreement. We may assume operation of the Franchised Business until the deceased or incapacitated owner’s interest is transferred to a third party approved by us, up to a maximum of 60 days.

The Franchise Business must, at all times, be under the direct supervision of a general manager as described in this Section (the “General Manager”). The General Manager must: (i) devote his or her full time and effort to the day-to-day active management and operation of the Coffee Shop; (ii) be personally responsible for the Coffee Shop at all times; and (iii) personally exercise his or her best efforts to market the Coffee Shop and maximize customer satisfaction. The General Manager must meet the following requirements before beginning to serve as General Manager for the Coffee Shop: (1) successful completion of our initial training program and any retraining or refresher training programs specified by us; (2) signing an agreement relating to confidentiality and non-competition in a form approved by us; and (3) if specified by us, the General Manager must have an equity or profit participation interest in the Coffee Shop.

If a Designated Owner is not the General Manager, the General Manager must be under the direct supervision of a Designated Owner. It is your responsibility to ensure that the Coffee Shop is always under the supervision of a trained General Manager. Your failure to have the Coffee Shop under the supervision of a trained General Manager is a material default under this Agreement.

## **ITEM 16—RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

You must sell all products and provide all services that we specify be provided by the Coffee Shop. You must not sell any products, provide any services, or engage in any business at the Coffee Shop or Franchise Location other than those specified by us without our written authorization. The products and services that we may specify or approve from time to time for Coffee Shops are referred to as the "Approved Products and Services." The Approved Products and Services are divided into two categories—"Required Products and Services" and "Optional Products and Services." You must offer the Required Products and Services. You may, but are not required to, offer the Optional Products and Services. You must receive our written approval before offering or providing any Optional Products or Services.

We may add, delete, or change Approved Products or Services that you can and must offer. You must abide by any additions, deletions and modifications and there are no limits on our rights to make these changes. We may change an Optional Product or Service to a Required Product or Service and *vice versa*. If we add any Approved Products or Services, you must obtain any necessary qualifications, training, and equipment and supplies necessary for providing the products or services. If an Approved Product or Service is deleted, you must cease offering that product or service immediately on written notice from us. You acknowledge that the Approved Products and Services we may authorize or require you to sell may differ from those that we authorize or require other Coffee Shops to sell based on regional differences in products and services we authorize, sales of products or services on a limited-time-only basis that are not available to all Coffee Shops, the test marketing of products or services, or other business reasons in our discretion. We will not have any liability or responsibility to you if you are not able or are not authorized to sell all the same products or services as other Coffee Shops.

You will have no right to solicit or conduct business through the use of toll-free telephone numbers, catalogs, direct mail, internet, social media or other advertising or solicitation methods not involving only sales over-the-counter at, or on the premises of, the Franchise Location. You may only sell the System's products and services at retail and you may not engage in the wholesale and/or distribution of any product, service, equipment or other component, or any related product or service, of the System.

## **ITEM 17—RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

### **THE FRANCHISE RELATIONSHIP**

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

| <b>Provision</b>                           | <b>Section in Agreement</b>                             | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|--------------------------------------------|---------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| a. Length of the franchise term            | Section 3.1 of Franchise Agreement                      | 10 years.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| b. Renewal or extension of the term        | Section 3.2 of Franchise Agreement and Renewal Addendum | Two 5-year renewal terms. You must comply with all obligations of Section 3.2 of the Franchise Agreement in order to renew.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| c. Requirements for you to renew or extend | Section 3.2 of Franchise Agreement                      | You and your affiliates: are not in default of any agreements with us; have not received 2 or more notices of default of the Franchise Agreement or any of our specifications, standards, or operating procedures within the last 12 months; provide notice in compliance with the Franchise Agreement; provide proof that you are able to maintain possession of Franchise Location, or proof that you have been able to secure and develop, in compliance with our then applicable standards used in the granting of a franchise, suitable alternative premises within your Protected Area for your Franchise Business; must take any action specified by us to comply with current appearance, equipment, and signage requirements, including refurbishment of the Franchise Location which refurbishment obligations may not be uniformly applied; have satisfied all material reporting requirements and monetary obligations to us and our affiliates, suppliers and creditors; have satisfied any additional training requirements for new or existing franchisees; have signed a general release in a form specified by us; have signed the then current Franchise Agreement; have paid the renewal fee; comply with current specifications, standards, and operating procedures; |

| Provision                           | Section in Agreement                          | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                     |                                               | and we approve the renewal. As a condition of renewal, you may be asked to sign a Franchise Agreement with materially different terms and conditions than your original Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| d. Termination by you               | Section 15.1 of Franchise Agreement           | If we materially breach the Agreement and do not cure after notice.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| e. Termination by us without cause  | Not Applicable                                | Not Applicable                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| f. Termination by us with cause     | Section 15.5 of Franchise Agreement           | We have the right to terminate the Franchise Agreement before its expiration only for good cause and only in accordance with the requirements of the Franchise Agreement. Good cause for termination of this Agreement by us includes any default by you as defined in Article 15 of the Franchise Agreement or elsewhere in the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| g. "Cause" defined—curable defaults | Sections 15.4 and 15.5 of Franchise Agreement | Notice and cure period is 10 days for monetary defaults and 30 days for other defaults. Curable defaults include: failure to enter into a lease for the Franchise Location; we determine that you are unable to complete or you have not completed our pre-opening training programs to our satisfaction, or you fail to demonstrate the qualities and abilities that we determine are necessary for the successful operation of the Franchise Business; you are unable to obtain necessary permits; you or we receive a substantial number of complaints from customers; you operate the business in a way that presents a health or safety hazards to customers; you fail or are unable to pay debts or you file a voluntary petition in bankruptcy or are adjudicated bankrupt or insolvent or make an assignment for the benefit of creditors; filing a petition or other pleading (or having one filed against you and you permit the continuance for more than 30 days) seeking reorganization, arrangement, composition, readjustment, liquidation, dissolution, or other similar relief; seek, |

| Provision                               | Section in Agreement                 | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|-----------------------------------------|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         |                                      | <p>consent to, or acquiesce in the appointment of any trustee, receiver, or liquidator of your business, or all or a substantial part of your assets, or fail to vacate the appointment of any trustee, receiver, or liquidator for any purpose within 30 days of appointment; you fail, within 30 days of the entry of a final judgment against you in any amount exceeding \$5,000, to discharge, vacate, or reverse the judgment or to stay execution on the judgment pending appeal or to discharge any judgment that is not vacated or reversed within 30 days after the expiration of the stay of execution; you allow a levy of execution to be made on the Franchise Business; you fail to promptly pay your obligations to us, our affiliates, or third-party suppliers as they become due or default under lease or finance agreement for real or personal property involved in Franchise Business; you fail to operate in accordance with standards, fail to meet current quality control standards, or fail to permit quality control checks and inspections; you fail to purchase from Designated or Approved Suppliers; disputes among owners that materially affect the business; other material breaches by you of the Franchise Agreement or any other agreement entered into with us or our affiliates, including breach of covenants of confidentiality, restrictions on competition, or personal guaranties; and cancellation of a guaranty.</p> |
| h. "Cause" defined—non-curable defaults | Sections 15.3 of Franchise Agreement | <p>Termination is effective on receipt of notice. Non-curable defaults include: your or a Designated Owner make any material misrepresentations or omissions or submit to us any report or statement that you know or should have known is false or misleading; fraud; you fail to have employees and agents sign confidentiality or noncompetition agreements; conviction of you or a Designated Owner of a crime as</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provision                                          | Section in Agreement              | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                    |                                   | <p>specified in the Franchise Agreement; you received 2 or more prior notices of default and/or to terminate for the same or a similar default during any consecutive 12 month period; you received 3 or more prior notices of default and/or to terminate, whether or not for the same or similar default, during any consecutive 12 month period; you fail to attend 2 or more mandatory meetings within any consecutive 12 month period; you abandon the franchise; you or a Designated Owner engage in substance abuse that interferes with the business; you engage in conduct that reflects materially and adversely on the Marks or Systems; your lease is terminated or mortgage foreclosed by reason of your failure to pay rent or mortgage payments or for any other cause for which you are responsible; you lose the right to occupy Franchise Location and fail to begin to immediately look for a substitute site and locate a substitute site accepted by us and begin to operate the Franchise Business at that substitute site within 90 days; you are assessed liquidated damages under the Franchise Agreement 3 or more times in a calendar year; you or any member of your team fails to complete the training program to our satisfaction, in our sole and unfettered judgement.</p> |
| i. Your obligations on termination/<br>non-renewal | Article 16 of Franchise Agreement | <p>Immediately and permanently de-identify and discontinue the use of the Intellectual Property, the Confidential Information, the Franchise Systems, and any trademarks, names, and logos confusingly similar to the Marks and Trade Dress, and any other materials that may, in any way, indicate that you are or were a Qahwah House<sup>TM</sup> franchisee, or in any way associated with us; immediately discontinue all advertising placed or ordered, and remove and deliver to us all sign faces,</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |

| Provision                       | Section in Agreement                | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------|-------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                 |                                     | advertising and promotional material, letterhead, forms, and any other items containing the Intellectual Property or the Confidential Information; cease using the Brand Standards Manual, the Confidential Information, and all other proprietary business information provided by us and must return to us all copies of the Brand Standards Manual, the Confidential Information, and other bulletins or other materials received from us containing information about the Intellectual Property and Coffee Shops; immediately and permanently cease to use and transfer Telephone Numbers and all Electronic Media; cease using any business name containing any of the marks and file an abandonment or discontinuance of the name with the appropriate local, county or state agency; immediately pay all sums and debts owing to us and our affiliates, notwithstanding the fact that those sums and debts may not at that time be fully due and payable; sell to us all or part of your inventory or products on hand as of the date of termination or expiration that are uniquely identified with us, if any, as we may request in writing within 30 days after the date of termination or expiration; and pay to us all costs and expenses incurred by us in connection with the successful enforcement of your post-termination obligations. |
| j. Assignment of contract by us | Section 14.6 of Franchise Agreement | No restriction on our right to assign.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| k. "Transfer" by you—defined    | Section 14.1 of Franchise Agreement | Includes directly or indirectly or contingently, whether voluntarily or by operation of law, selling, assigning, transferring, conveying, giving away, pledging, mortgaging or otherwise encumbering any interest in: (a) the Franchise Agreement; (b) the Franchise Business or any of the assets of the Franchise Business; (c) the Franchise Location; (d) any equity or voting interest in you (if you are an entity); or                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

| Provision                                              | Section in Agreement                          | Summary                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------------------------|-----------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                        |                                               | any other act defined as a transfer in the Franchise Agreement. You do not have the right to sublicense any of the rights granted by the Franchise Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| l. Our approval of a transfer by you                   | Sections 14.2 and 14.3 of Franchise Agreement | You must have our prior written consent to transfer your franchise. We will not unreasonably withhold consent to a permitted transfer.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| m. Conditions for our approval of the transfer         | Section 14.3 of Franchise Agreement           | The proposed transferee follows the same application procedures as a new franchisee and meets the conditions we have set for any new franchisee; we find the terms of the proposed transfer to not place unreasonable burdens on the proposed transferee; you must be in compliance with all obligations to us and must pay us and all suppliers all monies owing; you and the Seller must sign a termination agreement and a release of us and our affiliates, owners, officers, directors, employees, and agents; the proposed transferee completes training; the proposed transferee signs, at our option, a new Franchise Agreement on the standard form in use by us at the time of the transfer or an assumption of the existing Franchise Agreement; transfer fee paid by the proposed transferee; you or the proposed transferee must take any action specified by us to comply with current appearance, Franchise Trade Dress, equipment, and signage requirements; proposed transferee and affiliates are not in competition with a Qahwah House <sup>TM</sup> Coffee Shops; subordination agreement signed by the Seller (if installment payments required); landlord permits assignment of lease; and you and the proposed transferee comply with other standard procedures specified by us. |
| n. Our right of first refusal to acquire your business | Section 14.2 of Franchise Agreement           | We can match any offer for the purchase of your business.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

| <b>Provision</b>                                                          | <b>Section in Agreement</b>           | <b>Summary</b>                                                                                                                                                                                                                                                                                                                                                                                  |
|---------------------------------------------------------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| o. Our option to purchase your business                                   | Section 16.3 of Franchise Agreement   | We have the option to purchase the assets of your business for fair market value on termination or expiration of your franchise.                                                                                                                                                                                                                                                                |
| p. Your death or disability                                               | Section 14.4 of Franchise Agreement   | Your estate may operate the franchise if we approve a manager; we may, under the Franchise Agreement, have the option to operate the franchise for your estate.                                                                                                                                                                                                                                 |
| q. Non-competition covenants during the term of the franchise             | Section 13.1 of Franchise Agreement   | No involvement in competing business anywhere.                                                                                                                                                                                                                                                                                                                                                  |
| r. Non-competition covenants after the franchise is terminated or expires | Section 13.2 of Franchise Agreement   | No competing business for 2 years within (i) the Franchise Location; (ii) the area within 25 miles of the Franchise Location; and (iii) the areas within 25 miles of any other Qahwah House™ Coffee Shops existing or in development at the time you begin to operate the Competing Business.                                                                                                   |
| s. Modification of Franchise Agreement                                    | Section 20.11 of Franchise Agreement  | No modifications unless in writing, but specifications subject to change by us.                                                                                                                                                                                                                                                                                                                 |
| t. Integration/merger clause                                              | Section 20.11 of Franchise Agreement  | Only the terms of the Franchise Agreement are binding (subject to state law); however, no claim made in a Franchise Agreement is intended to disclaim the express representations made in this Franchise Disclosure Document.                                                                                                                                                                   |
| u. Dispute resolution by arbitration or mediation                         | Article 18 of the Franchise Agreement | Except for claims relating to the Trademarks, confidential information, trade secrets, covenants not to compete, termination of the Franchise Agreement, any action initiated by us seeking equitable relief, and your financial deficiencies, and subject to state law, all disputes must be arbitrated in the county of our principal place of business at the time that the action is filed. |
| v. Choice of forum                                                        | Section 18.4 of Franchise Agreement   | Litigation must be in the state in which our principal place of business is located at the time that the litigation is commenced (subject to state law).                                                                                                                                                                                                                                        |
| w. Choice of law                                                          | Section 18.3 of Franchise Agreement   | Michigan law applies (subject to state law).                                                                                                                                                                                                                                                                                                                                                    |

**APPLICABLE STATE LAW MAY REQUIRE ADDITIONAL DISCLOSURES RELATED TO THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. THESE ADDITIONAL DISCLOSURES, IF ANY, APPEAR IN EXHIBIT I TO THIS FRANCHISE DISCLOSURE DOCUMENT.**

**TERMINATION OF THE FRANCHISE AGREEMENT ON BANKRUPTCY OR INSOLVENCY MAY NOT BE ENFORCEABLE UNDER FEDERAL BANKRUPTCY LAW (11 U.S.C. § 101 ET SEQ.).**

### **ITEM 18—PUBLIC FIGURES**

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

### **ITEM 19—FINANCIAL PERFORMANCE REPRESENTATIONS**

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

We do not make any representations about a franchisee's future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor's management by contacting Ibrahim Alhasbani at 5320 Oakman Boulevard, Dearborn, MI 48126, or (313) 467-0438, the Federal Trade Commission, and the appropriate state regulatory agencies.

### **ITEM 20—OUTLETS AND FRANCHISEE INFORMATION**

**Table No. 1**

#### **Systemwide Outlet Summary For Years 2021 to 2023**

| <b>Outlet Type</b>   | <b>Year</b> | <b>Outlets at the Start of the Year</b> | <b>Outlets at the End of the Year</b> | <b>Net Change</b> |
|----------------------|-------------|-----------------------------------------|---------------------------------------|-------------------|
| Franchised           | 2021        | 1                                       | 2                                     | +1                |
|                      | 2022        | 2                                       | 4                                     | +2                |
|                      | 2023        | 4                                       | 10                                    | +6                |
| Company-Owned        | 2021        | 1                                       | 2                                     | +1                |
|                      | 2022        | 2                                       | 2                                     | 0                 |
|                      | 2023        | 2                                       | 2                                     | 0                 |
| <b>Total Outlets</b> | <b>2021</b> | <b>2</b>                                | <b>4</b>                              | <b>+2</b>         |
|                      | <b>2022</b> | <b>4</b>                                | <b>6</b>                              | <b>+2</b>         |
|                      | <b>2023</b> | <b>6</b>                                | <b>12</b>                             | <b>+6</b>         |

\* The Franchised outlets refer to the licensees of our affiliate, Qahwah Trading. Although these are not franchises, they are included because they are outlets of a type substantially similar to that offered to prospective franchisees. The Company-Owned outlets refer to the Coffee Shops operated by our affiliates.

**Table No. 2**  
**Transfers of Outlets From Franchisees to New Owners (Other than the Franchisor)**  
**For Years 2021 to 2023**

| State         | Year        | Number of Transfers |
|---------------|-------------|---------------------|
| IL            | 2021        | 0                   |
|               | 2022        | 0                   |
|               | 2023        | 0                   |
| MI            | 2021        | 0                   |
|               | 2022        | 0                   |
|               | 2023        | 0                   |
| NJ            | 2021        | 0                   |
|               | 2022        | 0                   |
|               | 2023        | 0                   |
| NY            | 2021        | 0                   |
|               | 2022        | 0                   |
|               | 2023        | 0                   |
| OH            | 2021        | 0                   |
|               | 2022        | 0                   |
|               | 2023        | 0                   |
| TX            | 2021        | 0                   |
|               | 2022        | 0                   |
|               | 2023        | 0                   |
| <b>Totals</b> | <b>2021</b> | 0                   |
|               | <b>2022</b> | 0                   |
|               | <b>2023</b> | 0                   |

**Table No. 3**  
**Status of Franchised Outlets For Years 2021 to 2023**

| State | Year | Outlets at Start of Year | Outlets Opened | Terminations | Non-Renewals | Re-acquired by Franchisor | Ceased Operations-Other Reasons | Outlets at End of Year |
|-------|------|--------------------------|----------------|--------------|--------------|---------------------------|---------------------------------|------------------------|
| IL    | 2021 | 0                        | 0              | 0            | 0            | 0                         | 0                               | 0                      |
|       | 2022 | 0                        | 1              | 0            | 0            | 0                         | 0                               | 1                      |
|       | 2023 | 1                        | 1              | 0            | 0            | 0                         | 0                               | 2                      |
| MI    | 2021 | 0                        | 1              | 0            | 0            | 0                         | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                         | 0                               | 1                      |
|       | 2023 | 0                        | 3              | 0            | 0            | 0                         | 0                               | 4                      |
| NJ    | 2021 | 0                        | 0              | 0            | 0            | 0                         | 0                               | 0                      |
|       | 2022 | 0                        | 1              | 0            | 0            | 0                         | 0                               | 1                      |
|       | 2023 | 1                        | 0              | 0            | 0            | 0                         | 0                               | 1                      |
| NY    | 2021 | 1                        | 0              | 0            | 0            | 0                         | 0                               | 1                      |
|       | 2022 | 1                        | 0              | 0            | 0            | 0                         | 0                               | 1                      |

|               |             |          |          |          |          |          |          |           |
|---------------|-------------|----------|----------|----------|----------|----------|----------|-----------|
|               | 2023        | 1        | 1        | 0        | 0        | 0        | 0        | 2         |
| TX            | 2021        | 0        | 0        | 0        | 0        | 0        | 0        | 0         |
|               | 2022        | 0        | 0        | 0        | 0        | 0        | 0        | 0         |
|               | 2023        | 0        | 1        | 0        | 0        | 0        | 0        | 1         |
| <b>Totals</b> | <b>2021</b> | <b>1</b> | <b>1</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>2</b>  |
|               | <b>2022</b> | <b>2</b> | <b>2</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>4</b>  |
|               | <b>2023</b> | <b>4</b> | <b>6</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b> | <b>10</b> |

\* The Franchised outlets refer to the licensees of our affiliate, Qahwah Trading. Although these are not franchises, they are included because they are outlets of a type substantially similar to that offered to prospective franchisees.

**Table No. 4**  
**Status of Company-Owned Outlets For Years 2021 to 2023**

| State         | Year        | Outlets at Start of Year | Outlets Opened | Outlets Reacquired from Franchisee | Outlets Closed | Outlets Sold to Franchisee | Outlets at End of the Year |
|---------------|-------------|--------------------------|----------------|------------------------------------|----------------|----------------------------|----------------------------|
| MI            | 2021        | 1                        | 0              | 0                                  | 0              | 0                          | 1                          |
|               | 2022        | 1                        | 1              | 0                                  | 0              | 0                          | 2                          |
|               | 2023        | 2                        | 0              | 0                                  | 0              | 0                          | 2                          |
| <b>Totals</b> | <b>2021</b> | <b>1</b>                 | <b>0</b>       | <b>0</b>                           | <b>0</b>       | <b>0</b>                   | <b>1</b>                   |
|               | <b>2022</b> | <b>1</b>                 | <b>1</b>       | <b>0</b>                           | <b>0</b>       | <b>0</b>                   | <b>2</b>                   |
|               | <b>2023</b> | <b>2</b>                 | <b>0</b>       | <b>0</b>                           | <b>0</b>       | <b>0</b>                   | <b>2</b>                   |

\* The Company-Owned outlets refer to the Coffee Shops operated by our affiliates.

**Table No. 5**  
**Projected Openings as of December 31, 2023**

| State         | Franchise Agreements Signed But Outlets Not Yet Opened | Projected New Franchised Outlets in the Next Fiscal Year | Projected New Company-Owned Outlets in the Next Fiscal Year |
|---------------|--------------------------------------------------------|----------------------------------------------------------|-------------------------------------------------------------|
| <b>Totals</b> | <b>0</b>                                               | <b>0</b>                                                 | <b>0</b>                                                    |

We did not begin offering franchises until 2024.

The information in the tables is as of December 31<sup>st</sup> of each year.

The names, addresses, and telephone numbers of all Qahwah House™ Coffee Shops as of the date of the Franchise Disclosure Document are listed on Exhibit G. A list of the name, city and state, and current business telephone number, or if unknown, the last known home 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 calendar year 2023 or who has not communicated with us within ten weeks of our application date (or the date of this Franchise Disclosure Document, if this Franchise Disclosure Document is not for use in a state requiring registration of franchises) is attached as Exhibit I. If

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

We have not had franchisees sign confidentiality clauses within the last three fiscal years. In some instances, current and former franchisees may be asked to sign provisions restricting their ability to speak openly about their experience with our franchise system. 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.

At this time there are no trademark-specific franchisee organizations associated with our franchise system that have been created, sponsored or endorsed by us or that have asked to be included in our Franchise Disclosure Document.

### **ITEM 21—FINANCIAL STATEMENTS**

Our financial statements listed below are attached as Exhibit H. We were organized on October 4, 2024. We have not been in business for three years, so we are not able to provide the financial statements that are normally required, which includes balance sheets for the previous two fiscal years and statements of operations, stockholders' equity and cash flows for the previous three fiscal years. Our fiscal year end is December 31, 2024.

- Audited balance sheets as of October 24, 2024

### **ITEM 22—CONTRACTS**

The following contracts are attached to this Franchise Disclosure Document:

- Franchise Agreement -- Exhibit B
- Addendum to Franchise Agreement-Renewal – Exhibit C
- Addendum to Franchise Agreement-Transfer – Exhibit D-1
- Franchise Termination and Release Agreement-Transfer – Exhibit D-2
- Confidentiality/Non-Competition Agreement -- Exhibit F

### **ITEM 23—RECEIPTS**

Two copies of a Receipt of this Franchise Disclosure Document, including all Exhibits, are attached as Exhibit K. You must date and sign one copy of the Receipt and deliver it to us.

**EXHIBIT A**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

**LIST OF STATE ADMINISTRATORS AND AGENTS FOR SERVICE OF PROCESS**

| <b>STATE</b>                               | <b>STATE ADMINISTRATOR</b>                                                                                                                                                            | <b>AGENT FOR SERVICE OF PROCESS</b>                                                                                                                                               |
|--------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>CALIFORNIA<br/>(filing required)</b>    | California Department of Financial Protection and Innovation<br>One Sansome Street, Suite 600<br>San Francisco, California 94104                                                      | California Department of Financial Protection and Innovation<br>320 West 4 <sup>th</sup> Street, Suite 750<br>Los Angeles, CA 90013-2344                                          |
| <b>ILLINOIS<br/>(filing required)</b>      | Illinois Office of Attorney General Franchise Bureau<br>500 South Second St.<br>Springfield, IL 62706<br>(217) 782-4465                                                               | Illinois Office of Attorney General Franchise Bureau<br>500 South Second St.<br>Springfield, IL 62706                                                                             |
| <b>INDIANA<br/>(notice filing)</b>         | Indiana Secretary of State Securities Division<br>302 West Washington Street<br>Room E-111<br>Indianapolis, IN 46204<br>(317) 232-6681                                                | Same                                                                                                                                                                              |
| <b>MARYLAND<br/>(filing required)</b>      | Office of Attorney General Securities Division<br>200 St. Paul Place<br>20 <sup>th</sup> Floor<br>Baltimore, Maryland 21202<br>(410) 576-6360                                         | Maryland Securities Commissioner<br>Office of Attorney General Securities Division<br>200 St. Paul Place<br>20 <sup>th</sup> Floor<br>Baltimore, Maryland 21202<br>(410) 576-6360 |
| <b>MICHIGAN<br/>(only notice required)</b> | Department of Attorney General Consumer Protection Division Franchise<br>G. Mennen Williams Building<br>525 W. Ottawa Street<br>P.O. Box 30213<br>Lansing, MI 48909<br>(517) 335-7567 | Michigan Department of Commerce Corporations and Securities Bureau<br>P.O. Box 30054<br>6546 Mercantile Way<br>Lansing, MI 48909                                                  |
| <b>MINNESOTA<br/>(filing required)</b>     | Commissioner<br>Minnesota Department of Commerce<br>85 Seventh Street East<br>Suite 280<br>St. Paul, Minnesota 55101-2198<br>(651) 539-1600                                           | Same                                                                                                                                                                              |
| <b>NEW YORK<br/>(filing required)</b>      | Office of the New York State Attorney General<br>Investor Protection Bureau Franchise Section<br>120 Broadway, 23rd Floor<br>New York, New York 10271<br>(212) 416-8236               | New York Secretary of State<br>Once Commerce Plaza<br>99 Washington Avenue, 6 <sup>th</sup> Floor<br>Albany, New York 12231<br>(518) 473-2492                                     |

| <b>STATE</b>                                  | <b>STATE ADMINISTRATOR</b>                                                                                                                                                                                  | <b>AGENT FOR<br/>SERVICE OF PROCESS</b>                                                                                                                                  |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NORTH<br/>DAKOTA<br/>(filing required)</b> | Franchise Division<br>Office of Securities Commission<br>600 East Boulevard, 5 <sup>th</sup> Floor<br>Bismarck, North Dakota 58505<br>(701) 328-2910                                                        | North Dakota Securities Department<br>State Capitol – 5 <sup>th</sup> Floor<br>600 East Boulevard<br>Bismarck, North Dakota                                              |
| <b>OREGON<br/>(no filing)</b>                 | Corporate Securities Section<br>Department of Insurance & Finance<br>Labor & Industries Bldg.<br>Salem, OR 97310<br>(503) 378-4387                                                                          | N/A.                                                                                                                                                                     |
| <b>RHODE<br/>ISLAND<br/>(filing required)</b> | Franchise Office<br>Division of Securities<br>233 Richmond Street, Suite 232<br>Providence, Rhode Island 02903<br>(401) 277-3048                                                                            | Director of Department of Business<br>Regulation<br>John O. Pastore Complex<br>1511 Pontiac Avenue<br>Building 69, 1 <sup>st</sup> Floor<br>Cranston, Rhode Island 02920 |
| <b>SOUTH<br/>DAKOTA<br/>(filing required)</b> | Division of Insurance<br>Securities Regulation<br>124 S. Euclid, Suite 104<br>Pierre, South Dakota 57501<br>(605) 773-4013                                                                                  | Department of Revenue and Regulation<br>Division of Securities<br>445 East Capitol Avenue<br>Pierre, South Dakota 57501                                                  |
| <b>VIRGINIA<br/>(filing required)</b>         | State Corporation Commission<br>Division of Securities and Retail<br>Franchising<br>Tyler Building, 9 <sup>th</sup> Floor<br>1300 E. Main Street, Ninth Floor<br>Richmond, Virginia 23219<br>(804) 371-9276 | Clerk, State Corporation Commission<br>Tyler Building, 1 <sup>st</sup> Floor<br>1300 E. Main Street, First Floor<br>Richmond, Virginia 23219                             |
| <b>WASHINGTON<br/>(filing required)</b>       | Department of Financial Institutions<br>Securities Division<br>PO Box 9033<br>Olympia, Washington 98507-9033<br>(360) 902-8760                                                                              | Director, Department of Financial Institutions<br>Securities Division<br>150 Israel Road Southwest<br>Tumwater, Washington 98501                                         |
| <b>WISCONSIN<br/>(filing required)</b>        | Department of Financial Institutions<br>Division of Securities<br>4 <sup>th</sup> Floor<br>345 W. Washington Avenue<br>Madison, Wisconsin 53703<br>(608) 266-3364                                           | Same                                                                                                                                                                     |

**EXHIBIT B**  
**FRANCHISE AGREEMENT**



**FRANCHISE AGREEMENT**

**BETWEEN**

**Qahwah House Franchisor, LLC  
("Franchisor")**

**AND**

\_\_\_\_\_  
**("Franchisee")**

**EFFECTIVE DATE:** \_\_\_\_\_, 2024

**LOCATION:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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**QAHWAH HOUSE FRANCHISOR, LLC**  
**FRANCHISE AGREEMENT**

THIS FRANCHISE AGREEMENT (this "Agreement") is made this \_\_\_\_\_ day of \_\_\_\_\_, 2024, between QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Agreement, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

**ARTICLE 1 - INTRODUCTION**

**1.1 Franchise Systems.**

We and our affiliates, as the result of the expenditure of time, skill, effort and money, have developed a unique specialty coffee shop concept offering made to order specialty Yemeni coffee, coffee drinks, pastries, desserts, and related products for dine-in or takeout. The Coffee Shop concept includes technical information and expertise relating to the preparation and serving of food products; the use of recipes, coffee beans, proprietary ingredients, and other food and beverage products, all of which constitute trade secrets and are identified by the public with Qahwah House™; prescribed exterior and interior design, decor, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; training and assistance; and advertising and promotional programs (collectively "Systems"); all of which may be changed, improved, and further developed by us. The Systems we specify for use by the Coffee Shop concept to be licensed to you under to this Agreement are referred to as the "Franchise Systems."

**1.2 Franchise Marks and Trade Dress.**

We identify our Coffee Shop concept by means of certain trademarks, service marks, trade names, logos, and other marks (our "Marks"). We also identify by means of, including without limitation, each and every detail of the design, layout, décor, color, scheme, supplies utilized, services offered, appearance of the premises, personnel, and other elements of the Franchised Business (our "Trade Dress"). We may, in the future, develop, use, and register additional or different trademarks, service marks, logos, trade dress, and other elements, all of which will be included as Marks and Trade Dress, that we may make available for use by you. The Marks and Trade Dress we authorize for use by the Coffee Shop concept licensed to you under this Agreement are referred to as the "Franchise Marks" and the "Franchise Trade Dress."

**1.3 Franchise Business.**

A business operated under the Franchise Systems, Franchise Marks, and Franchise Trade Dress, whether operated by us or our affiliates or other persons authorized by us, will be referred to in this Agreement as a "Coffee Shop." The Coffee Shop that you are licensed to operate under this Agreement will be referred to in this Agreement as the "Franchise Business."

#### **1.4 Your Desire to Obtain a Franchise.**

You recognize the advantages of operating under the Franchise Systems, Franchise Marks, and Franchise Trade Dress and desire to obtain the right to operate a Coffee Shop. We are willing to grant you a license to open and operate a Coffee Shop on the terms and conditions in this Agreement.

### **ARTICLE 2 - GRANT OF FRANCHISE**

#### **2.1 Grant of Franchise.**

We grant you the nonexclusive right to use the Franchise Marks, Franchise Trade Dress, and the Franchise Systems in connection with the operation of a single Coffee Shop in accordance with this Agreement and our "Brand Standards Manual" (as defined in Section 8.2). The Franchise Business must be operated at the location designated in accordance with Section 6.1 (the designated location is referred to as the "Franchise Location").

#### **2.2 Limitations.**

The rights we grant you in this Agreement relate only to the sale of products over-the-counter at the Franchise Location only, and you are not granted any exclusive area or other territorial rights, except as specifically provided in Section 2.3. You will not have the right to provide catering, delivery (including delivery by third-party delivery services), or online ordering services except as authorized in writing by us and then only under the policies and procedures specified by us. You will not have the right to solicit or conduct business through the use of toll-free telephone numbers, catalogs, or other advertising or solicitation methods not sales of products at the Franchise Location unless you have our prior written approval.

#### **2.3 Protected Area; Limited Exclusivity; Exceptions.**

Except as otherwise provided in this Agreement, as long as this Agreement is in effect and you are not in default under this Agreement, we will not open or authorize any other person to open a Coffee Shop location in the area that is described in Appendix A (the "Protected Area"). Your limited rights relate to location only and do not grant you any exclusivity of marketing or customers.

Notwithstanding your rights in the Protected Area under this Section, we and our affiliates may operate or authorize other persons to operate businesses under the Franchise Marks and Franchise Systems and/or to offer and sell products and services offered at Coffee Shops at the following types of locations in the Protected Area: (i) hotels, motels, resorts, casinos, or similar operations; (ii) hospitals and other health care facilities; (iii) universities, schools, and education facilities, (iv) condominiums, apartment buildings and complexes, and dormitories; (v) military bases; (vi) office buildings and business complexes; (vii) private clubs; and (viii) similar locations. We may also license or authorize a ghost or virtual kitchen within your Protected Area.

## **2.4     *Reservation of Rights.***

Other than the rights expressly granted to you in this Agreement, we reserve all rights relating to the Franchise Marks and Franchise Systems, including the right to: (a) operate and authorize others to operate Coffee Shops at any location outside the Protected Area, regardless of its proximity to the Franchise Location; (b) operate and authorize others to operate businesses that are the same or similar to a Coffee Shop under names or trademarks other than the Franchise Marks at any location inside or outside the Protected Area; (c) operate and authorize others to operate businesses that are different from the business of a Coffee Shop under the Franchise Marks or any other names or trademarks at any location inside or outside the Protected Area; (d) use or authorize others to use the Franchise Marks and/or Franchise Systems, or any other trademarks or systems, in connection with the manufacture and sale of products at wholesale or retail, through the use of toll free telephone numbers, catalogs, direct mail, over the Internet or through any other distribution channels, such as, without limitation, grocery stores, convenience stores, or other retail establishments; (e) acquire the assets or ownership interests of one or more businesses providing products and services similar to those provided at a Coffee Shop, and franchising, licensing or creating similar arrangements with respect to those businesses once acquired, wherever those businesses (or the franchisees or licensees of those businesses) are located or operating (including in the Protected Area); and (f) be acquired (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), by a business providing products and services similar to those provided by Coffee Shops, or by another business, even if the business operates, franchises and/or licenses competitive businesses in the Protected Area. We are not required to pay you any compensation for soliciting or accepting orders from inside your Protected Area.

## **ARTICLE 3 - TERM AND OPTION**

### **3.1     *Term.***

This Agreement will begin on the date of this Agreement and continue until ten (10) years after the date that your Franchise Business opens for business unless sooner terminated as provided in this Agreement.

### **3.2     *Option.***

You will have the option to remain a Qahwah House™ franchisee for two (2) additional periods of five (5) years if, at the beginning of each option period, respectively, all of the following conditions are fulfilled:

(a)     You are not in default under this Agreement or any other agreement with us or our affiliates and no affiliate of yours is in default under any agreement with us or our affiliates.

(b)     Within the last twelve (12) months we have not sent you two (2) or more notices of default of the terms of this Agreement or of any of our specifications, standards, or operating procedures (whether or not the notices related to the same or different violations and whether or not you have remedied those violations).

(c) You provide written notice of your intent to continue as a franchisee not more than twelve (12) months and not less than six (6) months before the beginning of the option period.

(d) You are able to maintain possession of the Franchise Location or you have been able to secure and develop, in compliance with our then applicable standards used in the granting of a franchise, suitable alternative premises within your Protected Area for your Franchise Business. Any alternative premises must be acceptable to and accepted in advance by us.

(e) You agree to take any action specified by us to make the Franchise Business comply with current appearance, Franchise Trade Dress, equipment, and signage requirements. You acknowledge that we may impose refurbishing obligations of you on renewal that may be different from other franchises at renewal based on numerous factors and that we may require you to take steps to refurbish the Franchise Location that we have not required of other franchisees.

(f) Throughout the term of this Agreement you have satisfied all material reporting requirements and all monetary obligations to us and our affiliates, suppliers and creditors within the amount of time specified for satisfaction or cure of default with respect to the obligation.

(g) You have satisfied any additional training requirements for new or existing franchisees.

(h) You have signed a general release, in a form specified by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents, members, managers, and employees.

(i) You must have signed and delivered to us our standard franchise agreement in use at the time of your notice to renew together with the other documents we are then using to grant new franchises, all of which will replace this Agreement (the new standard franchise agreement signed by you may have materially different terms and conditions from this Agreement).

(j) You have paid the renewal fee specified in Section 4.6. This fee must be paid at the time the new standard franchise agreement is signed by you and delivered to us.

(k) You must comply with the then current specifications, standards, and operating procedures.

(l) We have approved the renewal. We will not withhold approval of renewal without good cause.

If you fail or refuse to sign the franchise agreement and other documents and pay the renewal fee within thirty (30) days after delivery of the franchise agreement and other documents to you, when we have approved renewal of the franchise, it will be deemed that you have elected not to renew the franchise. If you do not elect to renew your franchise relationship, do not qualify

for renewal, or do not comply with the requirements for renewal specified above, the franchise relationship between you and us will automatically expire on completion of the term of this Agreement.

## **ARTICLE 4 - FEES**

### **4.1 Initial Franchise Fee.**

You must pay us an initial franchise fee in the amount of Eighty Thousand and 00/100 Dollars (\$80,000.00). The initial franchise fee is payable at the time you sign this Agreement. The initial franchise fee is considered earned at the time we sign this Agreement and is not refundable.

### **4.2 Royalty Fee; Gross Sales.**

You must pay us a monthly royalty fee ("Royalty") in an amount equal to eight percent (8%) of your Gross Sales. Your obligation to pay the Royalty will commence upon the date of you opening your Franchised Business. You must report Gross Sales and pay Royalty monthly in the manner specified in Section 4.10 on the tenth (10<sup>th</sup>) day of each calendar month based on your Gross Sales for the preceding calendar month. You must make Royalty payments daily or weekly or at some other interval, instead of monthly, if specified by us. Royalty fees are not refundable.

"Gross Sales" means the entire amount of all of your revenues from the ownership or operation of the Franchise Business and any business at or about the Franchise Location including sales at or from the Franchise Location or any approved remote locations including the proceeds of any business interruption insurance and any revenues received from the lease or sublease of a portion of the Franchise Location, whether the revenues are evidenced by cash, credit, checks, gift certificates or gift cards, electronic payment, digital currency, food stamps, coupons and premiums (unless exempted by us), services, property or other means of exchange, minus: (a) the amount of any sales taxes that are collected and paid to the taxing authority; (b) approved discounts given to customers if the non-discounted price is included in the revenues; and (c) cash refunded and credit given to customers and receivables uncollectible from customers if the cash, credit or receivables are or were included in revenues; and (d) complimentary customer or employee meals, up to one percent (1%) of Gross Sales. You are deemed to receive Gross Sales at the time the goods, products, merchandise, or services from which they derive are delivered or rendered or at the time the relevant sale takes place, whichever occurs first. Gross Sales consisting of property or services (for example, "bartering" or "trade outs") are valued at the prices applicable to the products or services exchanged for those revenues at the time the revenues are received.

### **4.3 Brand Development Fund Contributions.**

We require you to make monthly contributions to a Brand Development Fund in the amount of two percent (2%) of your Gross Sales. Your obligation to pay Brand Development Fund contributions will commence upon the date of you opening your Franchised Business. You must pay Brand Development Fund contributions to us monthly, in the manner specified in Section 4.10, on the tenth (10<sup>th</sup>) day of each calendar month based on your Gross Sales for the preceding calendar month. You must make required Brand Development Fund contributions daily or weekly or at some other interval, instead of monthly, if specified by us. We will use your Brand Development Fund contributions in the manner described in Section 9.2. Your Brand

Development Fund contributions are in addition to the amounts you must spend on grand opening and local advertising (see Article 9). You acknowledge and agree that we are not obligated to continue the Brand Development Fund and may suspend contributions to or operations of the Brand Development Fund or terminate the Brand Development Fund (or reinstate the Brand Development Fund if it is terminated).

#### **4.4 Technology Fees.**

You must monthly pay us a Technology Fee of an amount established by us from time to time. We currently charge a Technology Fee of \$300. We may increase the Technology Fee each term year of this Agreement in an amount of up to twenty percent (20%) of the preceding year's Technology Fee. The Technology Fee must be paid in the manner specified in Section 4.10 on the tenth (10<sup>th</sup>) day of each calendar month. We may use the Technology Fee for expenses relating to planning, design, development, maintenance, and/or support of the "Franchise Technology" (defined in Section 8.4). Although you may pay Technology Fee to us, you will still be responsible for any license fees and the expense of maintenance and updates, including service contracts, relating to point of sale ("POS") computer system software and other technology used in the Franchise Business.

#### **4.5 Training Fees and Expenses.**

We do not charge training fees for the initial training program (see Section 7.1). We may charge training fees on a per diem basis if you request to have additional people attend the initial training program or when you request or we require additional or refresher training at rates provided in our Brand Standards Manual. Also, we may charge for expenses we incur when providing additional training, including reimbursement for the costs of materials, travel (if any), and a reasonable charge to cover our personnel costs. In addition, you will be responsible for paying wages or salaries, expenses for travel, and food and lodging incurred by your employees during the initial training program and any additional training programs.

#### **4.6 Renewal Fee.**

You must pay us a renewal fee in the amount of twenty-five percent (25%) of the then-current initial franchise fee paid by new franchisees at the time of renewal if you elect to renew your franchise at the end of the initial term of the franchise.

#### **4.7 Transfer Fee.**

If you undertake a Transfer as defined in Section 14.1, you must pay us a transfer fee in an amount depending on the nature of the transfer. For a non-control Transfer to a new, minority franchisee owner or a Transfer between existing franchisee owners, the Transfer fee is \$5,000 payable to us when you submit an application for our consent to Transfer. For a Transfer to a new franchisee or new majority franchisee owner who has not previously been approved by us as a Qahwah House™ franchisee or franchisee owner, the Transfer fee is equal to 75% of the then-current initial franchise fee. For a Transfer to a new franchisee or new majority franchisee owner who has previously been approved by us as a Qahwah House™ franchisee or franchisee owner, the Transfer fee is equal to 50% of the then-current initial franchise fee. For each of the latter two Transfers, we may require you to pay us a non-refundable deposit of \$5,000 upon

your application for our approval of the Transfer. We will refund the amount of the Transfer fee, less any deposit and our costs and expenses, if the Transfer is not completed.

#### **4.8 *Late Charges, NSF Fees, and Interest.***

You must pay us or our affiliates the charges, fees, and interest described in this Section in connection with any payments due to us or our affiliates under this Agreement or under any other agreement or arrangement with us or our affiliates. You must pay us or our affiliates, on demand, a late charge of Fifty and 00/100 Dollars (\$50.00) for any payment not made within five (5) days of the due date of the payment. In addition, you must pay us or our affiliates, on demand, a fee equal to any charges we or our affiliates incur as a result of checks or debits returned for non-sufficient funds or other similar reasons, but not less than Fifty and 00/100 Dollars (\$50.00) for each item returned. Also, you must pay us or our affiliates, on demand, interest on all overdue payments from the date the payment was due until paid equal to the lesser of (i) one and a half percent (1.5%) per month or (ii) the maximum rate of interest permitted by law. The assessment of late charges and interest will not be our sole remedies for late payments and this Agreement may be subject to termination under Article 15.

#### **4.9 *Relocation Fee.***

You must pay us a relocation fee of fifty percent (50%) of then-current initial franchise fee if the Franchise Business is relocated as provided in Section 6.1. The relocation fee is one of the conditions imposed on the relocation and must be paid before we will grant acceptance to relocate the Franchise Business.

#### **4.10 *Manner and Timing of Payment.***

You agree that all fees are imposed and payable to us except minimum local advertising expenses, renovation and remodeling expenses, and insurance, which may be paid directly to the relevant suppliers. All fees paid to us are non-refundable. You must make all payments owed to us or our affiliates by electronic funds transfer (automatic bank transfers). You must install, at your expense, and use pre-authorized payment systems, electronic funds transfer systems, or automatic banking systems as we may specify. We may specify these requirements to fulfill any business purpose reasonably related to the operation of your Franchise Business and the Franchise Systems and to allow us to access reports of Gross Sales and other information and to initiate electronic or other transfers of all payments you are required to make to us. You must make payments at the times specified in this Agreement or as we may otherwise specify. You agree that we may specify payment by electronic fund transfers that we initiate. You must sign and deliver to your bank and to us the documents necessary to authorize and effectuate fund transfers as specified by us. You agree not to terminate the authorization as long as this Agreement is in effect. You agree not to close your bank account without providing us prior written notice and establishing a substitute bank account for the transfers. You agree that we may specify that any or all required payments to us be made daily, weekly, monthly, or another interval, instead as otherwise provided in this Agreement. You acknowledge that we may require you to make required payments at different intervals than other Qahwah House™ franchisees.

#### **4.11 No Setoff; Application of Payments.**

Your obligations for the full and timely payment of the fees described in this Agreement and all other amounts owed to us are absolute and unconditional. You must not delay or withhold payment to us of all or part of those amounts based on our alleged nonperformance or for any other reason or put the fees or other amounts in escrow or setoff against any claims you may allege against us. We may apply any of your payments first to any accrued late charges or interest and then to any delinquent fees or other amounts outstanding before crediting the payment in the manner specified by you or to the current amount due.

### **ARTICLE 5 – SERVICES PROVIDED TO YOU**

#### **5.1 Specifications for Franchise Location.**

We or a designated representative will provide written specifications for the Franchise Location, which may include specifications for space requirements and build out, or a template floor plan. We may, in our discretion, consult with you in the process of construction or improvement of the Franchise Location. You acknowledge that we will have no other obligation to provide assistance in the selection and acceptance of the Franchise Location other than the provision of written specifications and acceptance or non-acceptance of a proposed Franchise Location. At your reasonable request, we may, in our sole discretion and subject to the availability of our personnel, furnish you with additional site selection and/or development guidance and assistance that is beyond the nature and scope of the services we are then providing to new franchisees. If we elect to provide those additional services, we and you must agree in writing on the nature and scope of the additional services. We may charge you a reasonable fee for the additional services. You acknowledge that these additional services charges are not uniformly applied and we may offer other franchisees these services at a different or no cost.

#### **5.2 Equipment, Fixtures, Signs and Suppliers.**

We will provide our specifications and/or sources of supply for the equipment, fixtures, signs, inventory, and other products and services necessary for you to develop and operate the Franchise Business.

#### **5.3 Brand Standards Manual; Update Specifications.**

We will provide you with access to our Brand Standards Manual for use in the operation of the Franchise Business. We will provide you with any updates to the Brand Standards Manual as they become available.

#### **5.4 Training.**

We will provide remote initial training materials and an in-person initial program to train you to operate the Franchise Business. This obligation does not apply on renewal. In addition, we may provide or require ongoing and refresher training programs. See Article 7.

### **5.5 Setup and Opening.**

We will provide one (1) or more representatives for up to four (4) days surrounding the opening of your Franchise Business (the specific number of days before and after the opening will be determined by us) to assist in the opening and initial operation of your Franchise Business. If you request the assistance of our representatives beyond this initial period, or we deem it necessary in our discretion, we may provide the representatives for an additional period of time, but you must pay a charge for the additional services in an amount determined by us. This obligation does not apply to renewal or transfer.

### **5.6 Products and Services; Suppliers.**

We will designate the “Approved Products and Services” (defined in Section 8.6) to be offered by your Franchise Business and will provide you with any updates in our specifications for the Approved Products and Services to be offered by your Franchise Business, which may include, without limitation, new products and service offerings and equipment. We will also provide sources of supply and/or our standards and specifications for all products used in the Franchise Business and will review for approval any products, services, or suppliers requested by you, except with respect to any Designated Products or Services.

### **5.7 Other Operational Assistance.**

We will have a representative or a third-party quality inspection service supplier that we designate periodically visit your Franchise Business at intervals we deem appropriate throughout the term of this Agreement. During these visits, our representative or designee will inspect and evaluate your operations and provide any operational advice and assistance deemed necessary. We will also provide reasonable operational advice and assistance to you by email, other internet resources, or telephone, including advice on specific Approved Products, if requested by you. The result of the visit could result in required changes to the operation of your Franchise Business. We will notify you in writing of any required changes to bring your operations into compliance with our specifications and/or Brand Standards Manual, and failure to immediately implement such required changes shall constitute a default by you of this Agreement.

At our discretion, and upon your reasonable request or our requirement after evaluating your operations, we may, at our sole discretion, provide a representative to provide reasonable operational guidance and assistance in the operation of your Coffee Shop at your Franchise Location. We will charge you a fee of \$350 for this additional operational assistance per representative, per day of assistance, plus our representative’s costs and expenses of food, travel, and lodging, as provided in our Brand Standards Manual (we may increase the fee from time to time based on reasonable inflationary increases).

### **5.8 Advertising.**

We will review for approval your plans for grand opening advertising for your Franchise Business. We or a person designated by us will administer the Brand Development Fund for the benefit of the Franchise Marks and Franchise Systems and review for approval, any local advertising proposed by you. See Section 4.3 and Article 9.

## **ARTICLE 6 - LOCATION, LEASE, DEVELOPMENT, AND OPENING OF COFFEE SHOP**

### **6.1 *Location Selection and Acceptance; Relocation.***

You must obtain our prior written acceptance of the location for your Franchise Business and you must always operate your Franchise Business only at a location we have accepted in writing (the location accepted by us in writing is referred to as the "Franchise Location"). If the exact location for your Franchise Business has not been determined before signing this Agreement, you must use your best efforts to find a suitable location for the Franchise Business within the area designated in Paragraph 2 on Appendix A. You must submit to us a site selection package that we specify or accept, which must include pictures of the site, site plan, traffic counts, evidence confirming your prospects for obtaining the site, demographic information, economic terms, use clause, and any other materials or information we specify before we will consider accepting the location. The factors that we consider when we recommend or accept a location include, without limitation, the surrounding population density, income levels, vehicle traffic counts, pedestrian traffic counts, visibility, ingress and egress, space dimensions, parking availability, signage restrictions, use restrictions, and economic terms. We may use a third party to research the market prior to accepting the site which would be paid by you. We will make our determination of whether to accept the proposed location within fourteen (14) days after receiving all required materials and information from you. Once the physical address of the Franchise Location is determined and accepted, we will insert the address in Paragraph 1 of Appendix A. If we cannot agree on a site and you do not obtain a site for the Franchise Business within two (2) months of the Effective Date of this Agreement, we may terminate this Agreement.

We currently provide you with guidelines to assist in your site selection process and designate a lead real estate broker familiar with the Qahwah House™ Franchise System to work with a local real estate broker in your local geographic market to assist you in finding your location. We may provide other assistance to help you obtain a location. Although we may provide assistance, it is your sole responsibility to find a suitable location for your Franchise Business and to evaluate the commercial value of the location for operation of your franchise. Our location assistance, recommendations, and/or our acceptance of your location do not constitute a representation or guaranty of the commercial value, profitability, or success of your location or your business. We will not be responsible or liable to you for any claims relating to selection of the Franchise Location and you waive and release us from any of those claims.

You cannot relocate your franchise without our prior written acceptance. You may request that we consent to the relocation of the Franchise Location if the lease or sublease for the Franchise Location expires or terminates without your fault or if the location is condemned, destroyed or rendered unusable or you have other reasonable business reasons to relocate. The factors we consider for accepting the new location proposed by you are the same factors we consider for your initial location. We will not be required to consent to a new location if the location is outside of the Protected Area or if we believe the new location will encroach on the location of another Coffee Shop. If the new location proposed by you is accepted by us as a viable location and you have submitted to us a lease for the new location for review as provided in Section 6.2, we will not unreasonably withhold consent to the relocation of the Franchise Location. Any relocation will be at your sole expense, including payment to us of the relocation fee specified in Section 4.8. If the Franchise Location becomes unusable for the Franchise Business through no fault of yours and a substitute location is not available within a reasonable period of time, this

Agreement will terminate on conclusion of operation of the Franchise Business at the Franchise Location.

## **6.2 Lease Requirements.**

If you lease the Franchise Location, you must obtain our prior written acceptance of the lease. In order to obtain our acceptance, you must submit to us a description of the proposed site, evidence confirming your prospects for obtaining the site, economic terms, use clause, and any other materials we specify. You must obtain our prior written acceptance of the location under Section 6.1 and our acceptance of the lease under this Section before you sign the lease for the Franchise Location. You must deliver to us a fully signed copy of the lease for the Franchise Location within five (5) days after the lease is fully signed. However, we will not evaluate or be responsible for the commercial reasonableness or suitability of the lease. That is your sole responsibility and we recommend that you engage independent counsel to assist you in the evaluation and negotiation of your lease.

Unless we agree otherwise, the lease must contain the provisions included in the form of Addendum to Lease attached to this Agreement as Appendix G (except to the extent we agree to waive any of the provisions) and other provisions that we reasonably specify. The lease must not be terminated, renewed or in any way altered or amended by you and the landlord without our prior written consent. In addition, as a condition to acceptance of the lease, you must sign a Collateral Assignment of Lease and obtain your landlord's written acknowledgment and acceptance of the Collateral Assignment of Lease in the form attached to this Agreement as Appendix H. Except in accordance with this Agreement, you must not assign your lease or let or sublet the Franchise Location or any portion of the Franchise Location without our prior written consent.

## **6.3 Licenses and Permits.**

You must obtain all authorizations, permits, and licenses as required under federal, state, and local law for the lawful construction and operation of the Franchise Business, including zoning and other approvals, occupancy permits, all certifications from government authorities having jurisdiction over the site that all requirements for construction and operation have been met, building and other required construction permits, licenses to do business and fictitious name registrations, sales tax permits, health and sanitation permits, ratings and fire clearances. You must keep copies of all health department, fire department, building department and other similar state and local agency and entity certifications, other licenses, and reports of inspections on file and available for our review.

## **6.4 Development of Franchise Location.**

You must fully develop the Franchise Business in accordance with our specifications. You must construct and/or improve the Franchise Location in compliance with our specifications, including specifications for build-out, décor, signage, equipment layout, front of house and back of house space layout, etc. You must obtain our prior written acceptance of all drawings, plans, and specifications relating to the design, construction and/or improvement of the Franchise Location. We do not approve or designate the design firm, construction managers, or general contractor for the construction of your Location, but must approve construction and architectural plans prior to construction. You must obtain all customary contractors' sworn statements and partial and final

lien waivers for construction, remodeling, decorating, and installation of equipment at the Franchise Location. You must acquire, maintain and update the equipment (including POS and computer systems), furniture, fixtures, signs, and other property that we specify for establishing and operating the Franchise Business. Also, all of these items must meet any standards and specifications issued by us. We have the right to inspect and accept the construction before you open the Franchise Business to make sure the approved plans and our specifications have been followed. If, in our opinion, the approved plans or our specifications have not been followed, you must resolve any issues to our satisfaction before opening the Franchise Business.

Although we have the right to review and comment on and must designate or accept all drawings, plans and specifications relating to the design, construction and/or improvement of the Franchise Location, we are only acting to ensure compliance with the approved plans and any applicable specifications issued by us. We will not evaluate or be responsible for compliance with governmental requirements, legal requirements, or adequacy of design and engineering relating to the design and construction and/or improvement of the Franchise Location and you are solely responsible for those matters.

#### **6.5 Telephone Numbers, Internet Access, and Email Address.**

You must maintain high-speed Internet access at all times in the manner specified by us for communication with us, use of the Franchise Technology, and to allow us to access information from the Franchise Technology. You acknowledge our rights to use the Franchise Technology data include the right to deliver the data to any third-party we deem appropriate in our sole discretion; provided that the identity and other personal information of your employees, agents, and customers are not improperly disclosed. You must acquire and maintain telephone lines dedicated solely to the Franchise Business. You must also acquire and maintain high speed Internet access and an e-mail address so that you may communicate with us by e-mail, access any web-based computer systems and our intranet or extranet (if applicable) and so your customers may communicate with you by e-mail. If we specify, you must use the e-mail addresses provided or specified by us, and no other e-mail address, in the Franchise Business. You authorize us to have access to and to monitor all of your email correspondence.

#### **6.6 Completion of Training.**

You must successfully complete our initial training program, to our satisfaction, no less than thirty (30) days before beginning operation of the Franchise Business.

#### **6.7 Employees.**

You must hire and train sufficient management and other employees for the Franchise Business to comply with the Franchise Systems.

#### **6.8 Opening of Franchise Business.**

You must have fully developed the Franchise Business in accordance with our specifications and have complied with all other conditions to opening specified in this Agreement or otherwise by us before you open the Franchise Business to the public. You must sign your lease within two (2) months of executing this Agreement and open for business no later than six (6) months after you obtain a signed lease for the Franchise Location, and the failure of either of

which, we may terminate this Agreement. We may in our sole discretion agree to an extension of time for you to open your business, not to exceed 60 days. If we grant you an extension, you must pay us a fee of \$10,000.

## **ARTICLE 7 – TRAINING**

### **7.1 Initial Training.**

We will make available an initial program to train you to operate the Franchise Business. You must not begin operating the Franchise Business unless a “Designated Owner” (defined in Section 8.9) and the “General Manager” (defined in Section 8.9), if the Designated Owner will not be the General Manager, has attended and completed the initial training program to our satisfaction. You may have up to three (3) persons (at least one (1) Designated Owner and one (1) General Manager) attend the initial training program without paying any additional fees to us. We will train additional management personnel if you request, but in that case, you must pay us a fee of \$1,500 for each additional management personnel. Also, you will be responsible for any traveling and living expenses of you or your management employees during the training program. The training program will be conducted at a Qahwah House™ Coffee Shop that we designate in Dearborn, Michigan. The persons attending the initial training program must sign an agreement relating to confidentiality and/or non-competition in a form approved by us before beginning the training program. You must complete remote initial training materials that we provide and the in-person initial training to our satisfaction no less than (30) days prior to opening.

If we determine that you have not completed the training program to our satisfaction or that you or your team of employees is not ready to open the Franchise Business to the public in accordance with our standards, we may: (a) require you and/or your management employees to attend additional training before the Franchise Business opens to the public; and/or (b) require you to use additional assistance from our representatives for a period of time during and after opening of the Franchise Business. We have the right to charge you for the additional training and/or assistance.

Any replacement of the General Manager or Designated Owner shall be appointed by you within ten (10) days of the prior General Manager's or Designated Owner's resignation or termination. If we conduct any training for the replacement General Manager or Designated Owner, you shall pay to us all costs and expenses related to such training at the then-current rates for additional training, as well as all expenses related to such General Manager or Designated Owner, including without limitation, wages, meals, lodging and travel to attend the training. All of our training programs are provided to protect our brand and the Franchise Marks and not to control the day-to-day operations of your business. You acknowledge that we may, from time-to-time, provide optional templates for certain employment policies and procedures, including without limitation, a sexual harassment policy. You have sole discretion as to adoption of any such policies and procedures and the specific terms of such policies and procedures. Training with respect to all such policies and procedures shall be your sole responsibility.

In addition to the initial training program for the Designated Owner and General Manager described above, we will assist you in the opening of your Franchise Business by providing training to your management employees at your Franchise Business by sending one (1) representative to your Franchise Location to provide training to your management employees for up to four (4) days surrounding the opening of your Franchise Business (the specific number of

days before and after the opening will be determined by us) and assist you in the initial operation of your Franchise Business as provided in our Brand Standards Manual. This obligation does not apply on renewal or transfer.

## **7.2 Your Training Program for Employees.**

You shall maintain competent and conscientious personnel to operate the Franchise Business in accordance with this Agreement, the Franchise System, and the Brand Standards Manual. You are responsible for training all of your employees who work in any capacity in the Franchise Business and are responsible for your employees' compliance with the operations standards that are part of the Franchise Systems. You must establish and maintain a continual program of training for your management and staff personnel in accordance with our specifications. Each of your employees must complete each part of the specified training program and you must not employ anyone who refuses or fails to complete each part of the specified training program.

## **7.3 Additional Training, Sales Programs and Meetings.**

A Designated Owner (or, if specified by us, the General Manager or other management employees) must, solely at your expense, attend additional training, sales programs, and meetings reasonably specified by us. We will give reasonable notice of any additional specified training, sales programs, and meetings. We reserve the right to require you attend more refresher training courses in the future. We may require you to pay a reasonable charge for any training provided to you or your managers beyond the initial training program described in Section 7.1. Any fees we charge will be uniform as to all persons attending additional training at that time. We may require that you complete additional training, or we may provide additional training at your request in our sole discretion, before offering new Approved Products or Services from the Franchise Business.

We may require that your managers, including replacement managers in the event any previously trained manager-level employees are no longer employed at the Franchise Business, satisfactorily complete our training programs and additional training programs. We may charge reasonable fees for training managers. You are responsible for paying the wages or salaries, expenses for travel, food and lodging incurred by your employees during all training courses and programs. If requested by us, you agree to assist us in training other Qahwah House™ franchisees; provided that, we must reimburse you for any expenses you incur in providing this assistance.

In our sole discretion, we may create an audio and/or video recording of any training programs at our expense. You will be responsible for any fee related to your participation in or attendance of such training program, including without limitation any online training or examination programs we may implement.

We may also require your General Manager and other employees to attend and obtain certification through food safety and food handling programs provided by third-parties that we designate (such as, ServSafe) prior to the opening of your Coffee Shop. You will be responsible for all costs incurred in obtaining any such certifications.

If you request additional training either at the opening or otherwise, you will be responsible for our trainer's per diem fee and related travel costs. You must also pay wages, employment related expenses, travel, and living expenses for your employees. If we, in our sole discretion, complete the opening assistance and training and determine that your management staff needs additional training, you are responsible for the additional training costs, including wages, travel, and living expenses of our staff. You and your team members must complete the training program to our satisfaction in our sole and unfettered judgement.

We will not be obligated to continue any specific ongoing training or advice we provide based on course of dealing or otherwise. We may discontinue or modify any ongoing training or advice at any time.

## **ARTICLE 8 – OPERATIONS AND SYSTEM STANDARDS**

### **8.1 *Continuing Operations and Best Efforts.***

You acknowledge that the reputation and goodwill of the Franchise System is based in large part on offering high quality products and services to its customers. Accordingly, you shall use, provide, or offer for sale at the Franchise Business only those menu items, products, supplies, uniforms, proprietary apparel, proprietary promotional items, small wares, paper products, grocery items, and other items, products and services that we from time to time approve (and which are not thereafter disapproved) and that comply with our Brand Standards Manual. You must continually operate the Franchise Business after opening in accordance with the provisions of this Agreement throughout the term of this Agreement. You must use your best efforts to promote and maximize the sales of the Franchise Business throughout the term of this Agreement. You must maintain at all times, sufficient equipment, supplies, and personnel to operate the Franchise Business at optimal capacity and efficiency as specified by us.

### **8.2 *Standards of Operation; Brand Standards Manual.***

You acknowledge that every component of the Franchise Systems is important to us and to the operation of the Franchise Business. You must, at all times, operate and maintain the Franchise Business in a competent manner and in full compliance with all aspects of the Franchise Systems specified by us. In all business dealings with the public, you must be governed by the highest standards of honesty, integrity, fair dealing and ethical conduct.

You must comply with all lawful and reasonable policies and procedures specified by us in connection with the operation of the Franchise Business. These specifications may include without limitation standards, techniques and procedures for: (a) the safety, maintenance, cleanliness, sanitation, function, hours of operation, and appearance of the Franchise Business and the equipment, fixtures, furniture, décor, signs, and Trade Dress used in the Franchise Business; (b) qualifications, dress, uniforms, grooming, general appearance, and demeanor of employees; (c) the products and services required or authorized to be offered and sold by the Franchise Business; (d) type, shelf life, quality, taste, portion control, and uniformity and manner of preparation and sale of all of the products sold by the Franchise Business; (e) methods and procedures relating to receiving and preparing customer orders; (f) receiving and processing online or delivery orders, (g) sales, advertising, and promotional techniques and programs; (h) construction, maintenance, and appearance of the Franchise Business and the Franchise

Location; (i) payment, credit, accounting, and financial reporting policies and procedures; (j) use of our intranet or extranet (if established) for entering sales and other information, projecting sales, ordering supplies, entering expenses, receiving reports and other operational requirements as specified by us; (k) purchase and maintenance of equipment, fixtures, signs, and inventory; (l) insurance coverage; (m) use of standard forms and the Franchise Marks; (n) use and illumination of exterior and interior signs, displays, and similar items; (o) atmosphere of the Franchise Location, including music and lighting; (p) warranties to customers and the handling of customer complaints and customer communications; (q) identification, pursuant to our specifications, of the Franchise Business as an independently owned and operated business; (r) attendance by you and your management employees at required training programs and meetings; (s) using and honoring gift certificates, coupons, and other local and national promotional programs authorized or specified by us; and (t) other details of the operation of the Franchise Business and your relationship with us. Notwithstanding the foregoing, and consistent with the goals of the Franchise System, you will be responsible for the day-to-day operation of the Franchise Business.

The policies and procedures we specify may be contained in our training, operating, and/or policy manuals or in memos, bulletins, newsletters, emails, or other written or electronic materials prepared by us (for the purposes of this Agreement, "Brand Standards Manual" will mean all manuals or other written materials relating to the Franchise Systems or containing our specifications). We will provide you with a digital or paper copy or give you on-line access to any currently existing Brand Standards Manual after the signing of this Agreement or when and if prepared by us and made available to franchisees. We will provide you with a digital or paper copy or give you on-line access to any applicable modifications or additions to the Brand Standards Manual as they become available. The Brand Standards Manual remains our property, must not be duplicated, and must be returned to us or destroyed immediately on request or on expiration or termination of this Agreement.

You must at all times ensure that your copy of the Brand Standards Manual is kept current and up to date. If there is a dispute as to the contents of the Brand Standards Manual, the terms and dates of the master copy of the Brand Standards Manual maintained by us at our place of business or as available on our intranet will be controlling.

Due to the nature of operation of the Franchise Business and the fact that the specifications for the Franchise Business may change, we reserve the right to change the Franchise Systems after the signing of this Agreement and to change the terms of the Brand Standards Manual after the signing of this Agreement to reflect those changes. You must comply with all changes immediately on receipt of written notice from us of the change. The Brand Standards Manual cannot change the terms of this Agreement but will be in addition to this Agreement and will have the same effect as if included in this Agreement. If the Brand Standards Manual is inconsistent with this Agreement, this Agreement will control. We agree to specify our policies and procedures in a reasonable manner.

### **8.3 Acquisition of Products and Services.**

You must acquire, maintain, use, and update all equipment (including POS and computer systems), furniture, fixtures, signs, and other property that we specify for establishing and operating your Franchise Business. All of these items must meet any standards and specifications issued by us.

#### **8.4 Use of the Franchise Technology in Operations.**

We require you to use certain technology in connection with the Franchise Business in our discretion, as described in our Brand Standards Manual, which may include websites, point of sale, and customer and restaurant management systems (which may include computer hardware, software, back office systems, web-based systems, licenses to use proprietary software or systems, etc.), Wi-Fi, intranet, extranet, other web-based systems, mobile applications, other electronic media, and/or other technology specified by us (the “Franchise Technology”). Uses of the Franchise Technology may include advertising for all Qahwah House™ Coffee Shops, lists of Qahwah House™ Coffee Shops, on-line ordering, gift card and loyalty programs, inventory control for Coffee Shops, entering sales and other information, projecting sales, reviewing reports, placing orders with suppliers, posting the Brand Standards Manual and communication between us, franchisees, and customers. You must acquire and use the Franchise Technology specified by us in the Franchise Business and in the manner specified by us. Your access to and use of the Franchise Technology is subject to your compliance with the terms and conditions of use and other policies and procedures specified by us. You agree to comply with those terms, conditions, policies, and procedures. You must pay all required license fees, service fees, and support, maintenance, update, and upgrade costs to use and maintain the Franchise Technology in the manner specified by us or a third-party supplier. We may change or modify the Franchise Technology in the future, including changes in the specifications and components relating to the Franchise Technology. In that case, you must obtain and begin to use the changed or modified Franchise Technology within thirty (30) days after you receive written notice from us.

We have the right to independently access the sales information and other data generated or stored by the Franchise Technology, including your POS systems. There are no contractual limitations on our right to access and use that information and data. You must provide us access to the information contained in or produced by the Franchise Technology in the manner specified by us and must supply us with any security codes necessary to obtain that access. We may retrieve, analyze, download, and use the software and all data contained in or produced by the Franchise Technology at any time as long as the access does not unreasonably interfere with the operation of your Franchise Business. You must maintain high-speed Internet access at all times in the manner specified by us for communication with us, use of the Franchise Technology, and to allow us to access information from the Franchise Technology. Our rights to use the Franchise Technology data includes the right to deliver the data to any third party we deem appropriate in our sole discretion; provided that the identity and other personal information of your employees, agents, and customers are not improperly disclosed.

THE FRANCHISE TECHNOLOGY AND ITS CONTENT ARE PROVIDED “AS-IS”. WE AND OUR AGENTS AND LICENSORS DISCLAIM ANY AND ALL WARRANTIES RELATING TO THE FRANCHISE TECHNOLOGY, EXPRESS OR IMPLIED, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, TITLE AND NON-INFRINGEMENT, REGARDING ANY CONTENT AND YOUR ABILITY OR INABILITY TO USE THE FRANCHISE TECHNOLOGY AND ITS CONTENT.

USE OF THE FRANCHISE TECHNOLOGY IS AT YOUR SOLE RISK. WE WILL NOT BE LIABLE TO YOU OR ANY PERSON CLAIMING THROUGH YOU FOR ANY DIRECT, INDIRECT, CONSEQUENTIAL, INCIDENTAL OR OTHER DAMAGES UNDER ANY THEORY OR LAW FOR ANY ERRORS IN OR THE USE OF OR INABILITY TO USE THE FRANCHISE TECHNOLOGY AND ITS CONTENT INCLUDING DAMAGES FOR LOST PROFITS, BUSINESS, DATA, OR DAMAGE TO ANY COMPUTER SYSTEMS.

### **8.5 Specifications and Suppliers for Products and Services.**

The purpose of the product, service, and supply requirements described in this Section is to maintain uniqueness, consistency, uniformity, quality, and identity of Coffee Shops and the products and services offered and sold by Coffee Shops and the group purchasing power of Coffee Shops.

We will specify any applicable products and services used in the development and operation of the Franchise Business as “Designated Products and Services.” Designated Products and Services must be purchased in accordance with our specifications (which may include brand names) and only from us or a manufacturer, supplier, distributor, or professional, or other service provider specifically designated by us (which may be our affiliate, now or not yet in existence) (a “Designated Supplier”). We will specify Designated Products and Services and Designated Suppliers in an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual. We will issue notification of Designated Products and Services status and Designated Supplier status or revocation of the status to you in an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual. We currently designate that you must purchase some products and services used in the development and operation of your Franchise Business from Designated Suppliers, including your POS system, certain equipment, and certain food and beverage inventory.

Unless otherwise specified by us, you must acquire all products and services used in the design, development, construction, and operation of the Franchise Business, other than Designated Products and Services, in accordance with our specifications (which may include brand names) and, if we further specify in writing, only from a manufacturer, supplier, distributor, or professional or other service provider that has been approved by us (an “Approved Supplier”). An Approved Supplier will be a supplier that: (a) meets our standards for quality and uniformity of goods and services and other relevant standards established by us; (b) we have designated in writing as an Approved Supplier; and (c) we have not later revoked the designation as an Approved Supplier. You may request to have a supplier for items other than Designated Products and Services approved by submitting to us the information, samples, and agreements necessary for our determination under the procedures specified by us. Your request must be in writing and must include information about the product or supplier relating to our specifications, a sample of the product or service to be approved, and a person at the manufacturer or supplier that we can contact for information. We may submit the information to an independent laboratory or another independent expert to determine if the product or supplier meets our specifications. We may charge you a fee equal to our actual costs incurred in making this determination. On your request, and only on a confidential basis, we will furnish you with any issued standards and specifications for items other than Designated Products and Services, as well as any criteria for supplier approval. We will notify you in writing of our approval or disapproval of a supplier within sixty (60) days after receiving all information that we reasonably believe is necessary to make the determination.

Before we approve a supplier, the supplier may be required to enter into an agreement with us in a form reasonably acceptable to us that requires the supplier to: (a) follow our procedures, specifications and standards, formulas, patterns, and recipes; (b) allow periodic quality control inspections of the supplier’s premises and production facilities; (c) provide a

reasonable number of samples, without charge, for inspection; (d) keep any trade secrets or other confidential information disclosed to it by you or us in confidence and have employees to whom disclosure is made sign agreements that they will not use or disclose confidential information; and (e) pay a reasonable license fee for a limited license for the production and sale of items using the Intellectual Property (defined in Section 11.1). Our approval of a supplier is not a blanket approval of the items the supplier may sell but only for specific items sold by that supplier as approved by us.

We will provide information on Approved Suppliers and we will issue approval or disapproval or notification of revocation of approval of products or suppliers to you through an on-line web-based communication portal or in emails, memos, bulletins, and/or in our Brand Standards Manual.

In order to take advantage of group purchasing power and to ensure uniformity and quality, we reserve the right to limit the total number of Approved Suppliers for any items. We may add or delete Designated or Approved Suppliers at any time and you must comply with those changes immediately on written notice from us. If we add a Designated or Approved Supplier, you must immediately, on written notice from us, take the steps necessary to comply with the credit, purchase, and other policies of the Designated or Approved Supplier. If we delete or revoke the designation of a Designated or Approved Supplier, you must cease purchasing products and services from that supplier immediately on written notice from us.

We may enter into agreements with Designated or Approved Suppliers for and on behalf of all Coffee Shops or all Coffee Shops in a particular region (a "Supplier Contract"), which may include price terms. If we enter into a Supplier Contract with a Designated or Approved Supplier, the terms and conditions of your relationship with that Designated or Approved Supplier may be controlled by that contract to the extent covered by the contract.

Our designation of a Designated or Approved Supplier or manufacturer, or other provider of products or services, does not create any express or implied promise, guaranty or warranty by us as to the quality of products or services, availability of products and services, and timely delivery of products and services of the Designated or Approved Supplier or other provider of products and services and we disclaim any promises, guaranties, or warranties. You agree that we will not have any liability to you for any claims, damages or losses suffered by you as a result of or arising from the products or services provided by or the acts or omissions of any Designated or Approved Supplier.

You acknowledge and agree that we and/or our affiliates have the right to receive rebates, commissions, dividends, distributions or other fees, discounts or payments from Designated and Approved Suppliers or other providers of products or services based on sales of products or services to the Franchise Business and other Coffee Shops ("Supplier Payments"). You agree that we and our affiliates will have the right to collect all Supplier Payments and to use the Supplier Payments for any purpose in our sole discretion, including without limitation, our retention of all Supplier Payments for our use and benefit. You must cooperate with us and our affiliates in the collection of Supplier Payments. You also acknowledge and agree that we may, in our sole discretion, and on a non-uniform basis: (i) pay, pass-through or waive some or all of the Supplier Payments to or for the benefit of franchisees in certain markets or to or for the benefit of some, but not all, franchisees in a particular market; or (ii) use the Supplier Payments for any other purpose,

including purposes that may benefit certain markets or some, but not all, franchisees in a particular market.

Any products or services sold by or through us or our affiliates will be sold in accordance with the terms contained in memos, bulletins, emails, franchisee meetings, or otherwise in writing by us, our affiliates or by the manufacturer of the products. These terms may be modified on written notice from us, our affiliates or by the manufacturer of the products.

EXCEPT AS EXCLUSIVELY SET FORTH IN WRITING, WE AND OUR AFFILIATES MAKE NO WARRANTIES, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO ANY PRODUCTS OR SERVICES SOLD BY OR THROUGH US OR OUR AFFILIATES, INCLUDING THE IMPLIED WARRANTY OF TITLE AND THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE. WE WILL NOT BE LIABLE FOR PERSONAL INJURY OR PROPERTY DAMAGE, LOSS OF PROFIT, OR OTHER INCIDENTAL, CONSEQUENTIAL OR SPECIAL DAMAGES ARISING OUT OF THE USE OR INABILITY TO USE THE PRODUCTS AND SERVICES SOLD BY OR THROUGH US OR OUR AFFILIATES, IF ANY, OR FOR ANY DAMAGES (REGARDLESS OF THEIR NATURE) CAUSED BY OUR FAILURE TO FULFILL OUR RESPONSIBILITIES UNDER THIS AGREEMENT. OUR AND OUR AFFILIATES' SOLE LIABILITY FOR ANY WARRANTIES GRANTED IS TO REPAIR OR REPLACE, AT OUR OR OUR AFFILIATES' OPTION, ANY PRODUCTS AND SERVICES SOLD BY OR THROUGH US AND OUR AFFILIATES THAT ARE NOT IN COMPLIANCE WITH THE WARRANTY. OUR AND OUR AFFILIATES' LIABILITY RELATING TO PRODUCTS AND SERVICES SOLD BY OR THROUGH US AND OUR AFFILIATES WILL IN NO EVENT EXCEED THE STATED SELLING PRICE OF THE PRODUCTS AND SERVICES TO YOU. ANY WARRANTIES GRANTED WILL BE VOID AND OF NO FORCE AND EFFECT WITH RESPECT TO ANY PRODUCTS THAT ARE DAMAGED AS A RESULT OF (A) NEGLIGENCE, ALTERATION OR ACCIDENT OR (B) IMPROPER USE, INCLUDING FAILURE TO FOLLOW OPERATING AND MAINTENANCE PROCEDURES SPECIFIED BY US AND OUR AFFILIATES.

#### **8.6 *Products and Services Offered by the Franchise Business.***

You must sell all products and provide all services that we specify be provided by the Franchise Business. You must not sell any products, provide any services, or engage in any business at the Franchise Business or Franchise Location other than those specified by us without our written authorization. The products and services that we may specify or approve from time to time for Coffee Shops will be referred to as the "Approved Products and Services." The Approved Products and Services are divided into two categories—"Required Products and Services" and "Optional Products and Services." You must offer the Required Products and Services. You may, but are not required to, offer the Optional Products and Services. You must receive our written approval before offering or providing any Optional Products or Services.

We may add, delete, or change Approved Products and Services that you can and must offer. You must abide by any additions, deletions, and modifications and there are no limits on our rights to make these changes. We may change an Optional Product or Service to a Required Product or Service, and *vice versa*. If we add any Approved Products or Services, you must obtain any necessary qualifications, training, and equipment and supplies necessary for providing the products or services. If an Approved Product or Service is deleted, you must cease offering that product or service immediately on written notice from us. You acknowledge that the Approved Products and Services we may authorize or require you to sell may differ from those that we

authorize or require other Coffee Shops to sell based on regional differences in products and services we authorize, sales of products or services on a limited-time-only basis that are not available to all Coffee Shops, the test marketing of products or services, or other business reasons in our discretion. We will not have any liability or responsibility to you if you are not able or are not authorized to sell all the same products or services as other Coffee Shops.

#### **8.7 Pricing; Promotional Programs; Gift Cards.**

We may exercise rights with respect to the pricing of Approved Products and Services to the fullest extent permitted by then-applicable law in order to enhance the competitive position and consumer acceptance for the products and services of Coffee Shops. These rights may include: (a) prescribing the maximum and/or minimum retail prices that you may charge customers for the products and/or services offered and sold at the Franchise Business; (b) recommending retail prices; (c) advertising specific retail prices for some or all products or services sold by the Franchise Business and requiring you to observe those prices; (d) engaging in marketing programs, promotional programs, drives, giveaways, contests, and other campaigns and requiring you to participate in those programs, which may directly or indirectly impact your retail prices; and (e) otherwise mandating, directly or indirectly, the maximum and/or minimum retail prices that the Franchise Business may charge the public for the products and services it offers. We may engage in this activity either periodically or throughout the term of this Agreement. Further, we may engage in this activity only in certain geographic areas (e.g. cities, states, regions) and not others, or with regard to certain subsets of franchisees (e.g. airports, arenas, other captive audiences) and not others. You acknowledge and agree that any maximum, minimum, or other prices we prescribe or suggest may or may not optimize the revenues or profitability of the Franchise Business and you irrevocably waive all claims arising from or related to our specification or suggestion of retail prices for the Franchise Business.

You must participate in any gifts cards, electronic or money cards (E-cards), frequency cards, awards or loyalty programs, or other programs specified by us and honor all such cards, awards, and other programs issued by us or by other franchise owners in accordance with our policies. We or a Designated Supplier may administer any of these programs specified by us. We or such Designated Supplier administering the program may charge administrative fees for administering those programs. You must provide us with all information collected and databases created in connection with these programs.

If we establish a gift card or E-card program, we may incorporate the gift card or E-card fund or manage the gift card or E-card fund through a separate entity whenever we deem appropriate. We may assign some or all our rights and duties related to the gift card or E-card fund to a separate gift card or E-card fund entity. We may change the separate E-card fund entity or assign management of the gift card or E-card fund back to us at any time in our discretion.

#### **8.8 Signage.**

All signage and decorating materials at the Franchise Business must conform to our specifications. In particular, you must post a prominent sign in the Franchise Business identifying you as a franchisee in a format that we deem acceptable, including statements (1) that you independently own and operate the Franchise Business, (2) that the Franchise Marks are owned by us, and (3) that you use the Franchise Marks pursuant to a license we have issued to you.

### **8.9 Maintenance; Refurbishing; Alterations.**

You must maintain the Franchise Location, premises, equipment, furniture, fixtures, signs, Franchise Trade Dress, and other property of the Franchise Business in a clean, attractive, and safe condition and in good maintenance and repair and in compliance with the standards specified by us. You must, at your expense, engage in any program of preventative maintenance specified by us for the equipment, furniture, fixtures, signs, Franchise Trade Dress, and other property of the Franchise Business. We may specify the timing and manner of performing the maintenance services and may designate one or more suppliers that you may be required to use for preventative maintenance services.

If at any time, in our reasonable judgment, the general state of repair, appearance or cleanliness of the Franchise Location or its equipment, furniture, fixtures, signs, Franchise Trade Dress, or other property do not meet our standards or specifications, we may notify you in writing, specifying the action you must take to correct the deficiency. You must initiate the specified action within thirty (30) days after receipt of the notice and diligently proceed to complete the specified action. If you fail to initiate any required repairs or maintenance within thirty (30) days after receipt of written notice from us describing the specific repairs or alterations that are required or if you fail to diligently proceed to complete the specific repairs, then we may have the repairs completed, at your expense, to maintain the Franchise Business in accordance with our required standards. If this occurs, you must immediately reimburse us for all costs we incurred to make the repairs.

In addition to regular maintenance obligations, you must renovate and modernize the Franchise Location, premises, equipment, furniture, fixtures, signs, Franchise Trade Dress, and other property of the Franchise Business on our request once during the initial term of this Agreement at any time after the end of the 5th year of the initial term of this Agreement, and thereafter no more frequently than once every five (5) years, to conform with our specifications for the then current image of Coffee Shops using the Franchise Marks; provided, however, that the cost of each renovation and modernization will not exceed Fifteen Thousand and 00/100 Dollars (\$15,000) for each year since the last renovation and modernization undertaken by you at the Franchise Location. Renovations and modernizations shall not include routine maintenance or repairs to the Franchise Location, premises, equipment, furniture, fixtures, signs, Franchise Trade Dress, and other property of the Franchise Business. You must initiate the specified renovations within thirty (30) days after receipt of the notice and diligently proceed to complete the specified action.

If you fail to initiate any required renovations and modernizations within thirty (30) days after receipt of written notice from us describing the specific renovations or alterations that are required or if you fail to diligently proceed to complete the specific renovations or alterations, then we may have the renovations or alterations completed, at your expense, to maintain the Franchise Business in accordance with our required standards. If this occurs, you must immediately reimburse us for all costs we incurred to make the renovations or alterations.

You must not make any material alterations to the leasehold improvements or appearance of the Franchise Location and must not make any material alterations to the equipment, furniture, fixtures, signs, Franchise Trade Dress, or other property of the Franchise Business without our prior written approval. We agree not to unreasonably withhold acceptance provided that the alterations are consistent with the image of the Franchise Systems and are not prohibited by your lease or by law.

### **8.10 Management of the Franchise Business.**

The individual or at least one of the individuals designated in Paragraph 3 on Appendix A (a "Designated Owner"), must: (a) preserve and exercise ultimate authority and responsibility with respect to the management and operation of the Franchise Business; and (b) represent and act on your behalf in all dealings with us. Each Designated Owner must have an ownership interest in Franchisee. If all of the Designated Owners listed in Paragraph 3 of Appendix A resign, die, or become incapacitated, it will be considered a Transfer under the provisions of Article 14.

The Franchise Business must, at all times, be under the direct supervision of a general manager as described in this Section (the "General Manager"). The General Manager must: (i) devote his or her full time and effort to the day-to-day active management and operation of the Franchise Business; (ii) be personally responsible for the Franchise Business at all times; and (iii) personally exercise his or her best efforts to market the Franchise Business and maximize customer satisfaction. The General Manager must meet the following requirements before beginning to serve as General Manager for the Franchise Business: (1) successful completion of our initial training program and any retraining or refresher training programs specified by us; (2) signing an agreement relating to confidentiality and non-competition in a form approved by us; and (3) if specified by us, the General Manager must have an equity or profit participation interest in the Franchise Business.

If a Designated Owner is not the General Manager, the General Manager must be under the direct supervision of a Designated Owner. It is your responsibility to ensure that the Franchise Business is always under the supervision of a trained General Manager. Your failure to have the Franchise Business under the supervision of a trained General Manager is a material default under this Agreement.

### **8.11 Hours of Operation.**

You will operate the Franchise Business during such days, nights, and hours as may be designated by us from time to time. You acknowledge and agree that the hours of operation are integral to the value of the Franchise Systems and the Marks, and any failure by you to operate during the designated hours of operation is detrimental to the Franchise Systems and the Marks. You further acknowledge and agree that the day-to-day operational decisions relating to the opening and closing procedures of the Franchise Business, including any security, staffing, and other similar matters, shall be made solely by you.

### **8.12 Other Employee Matters.**

You must hire all employees for the Franchise Business and must be exclusively responsible for the terms and conditions of their employment and compensation. We will not exercise direct or indirect control of your employees' working conditions, or the terms and conditions of their employment. We do not share or codetermine the terms and conditions of employment of your employees or participate in matters relating to the employment relationship between you and your employees, such as hiring, promotion, demotion, termination, hours or schedule worked, rate of pay, benefits, work assigned, discipline, response to grievances and complaints or working conditions. You have sole responsibility and authority for these terms and conditions of employment. You are responsible for compliance with all federal, state, county, municipal, and other civil and criminal statutes, laws, ordinances, regulations, rules, and orders of public authorities applicable to your employment practices and employees, including the Fair

Labor Standards Act and comparable laws regulating minimum wage, overtime pay, recordkeeping, youth employment standards, and other aspects of employment. We will not control and will not be responsible for your payroll or other employee matters regardless of any information that we may provide in operations or training manuals or otherwise. You must prominently post signs at the Franchise Location (including in the area in which all official employment relating notices are posted) and at your offices informing employees and independent contractors that their relationship is solely with you and that they are not an employee of us or any of our affiliates. You must include similar language in all employment contracts, offer letters, employee handbooks, paychecks, and other materials. We may specify the language for the required postings and notices. You must indemnify us and hold us harmless from and against any liability relating to or arising from employment related decisions and obligations, including joint employer liability and labor and employment law violations by you or your employees.

You must implement a training program for your employees in compliance with our standards. You must maintain at all times a staff of trained employees sufficient to operate the Franchise Business in compliance with our standards. You must require your employees and agents to sign an agreement relating to confidentiality and/or non-competition in a form approved by us. You must ensure that all of your employees, while engaged in the operation of the Franchise Business, wear uniforms conforming in color and design to those standard in the Franchise Systems and approved by us. You must ensure that all of your employees present a neat and clean appearance and must render competent, sober and courteous service to the customers of the Franchise Business.

### **8.13 Insurance.**

You must purchase the following specified insurance coverage for your business in accordance with our standards and specifications, and from a supplier designated or approved by us:

- General Commercial Liability Insurance with the following limits: general aggregate--\$2,000,000; products/completed operations aggregate--\$2,000,000; personal and advertising injury--\$1,000,000; each occurrence--\$1,000,000; fire damage (any one fire)--\$100,000; and medical expense (any one person)--\$10,000.
- Commercial Property Insurance
- Coverage Enhancements, including expanded glass coverage; fire extinguisher recharge coverage; fire department service charge coverage; code update coverage; off-premises interruption of service; re-keying lock cylinders; consequential loss to merchandise; extended loss adjustment; pollutant clean up and removal--\$10,000.
- Non-owned and hired automobile liability insurance with minimum limits of \$1,000,000 per occurrence or the highest attainable limit available in the state in which the Franchise Business is located, if less than \$1,000,000.
- Business interruption sufficient to cover at least six (6) months of interrupted operations, including without limitation your obligations to us under the Franchise Agreement and to your suppliers.

- Business Owner's Umbrella Policy with limits of \$1,000,000 each occurrence and annual aggregate.
- Cyber Security Liability insurance with minimum limits of liability of \$1,000,000.
- Employer Practices Liability insurance with limits of liability as provided in our Brand Standards Manual.
- Worker's Compensation and/or Employer's Liability Insurance as required by law.

We may revise these insurance specifications in the future. Evidence of this insurance must be initially provided at least fourteen (14) days before you begin operating your Franchise Business. Certificates of renewal must be provided no later than fourteen (14) days before the expiration date of each policy. If you do not provide us with evidence of these insurance policies at any due date, we may purchase that insurance at your expense. You must immediately pay for any insurance obtained by us. Each required policy of insurance must name us as an additional insured and must provide that we will be given thirty (30) days' notice before cancellation, modification or amendment of the policy. Your lease may require higher limits or additional coverages.

Each required insurance policy must meet the following requirements: (a) the policy must name us (and any of our affiliates or representatives that we may reasonably specify) as an additional insured on the form specified by us; (b) the policy must not be subject to cancellation, modification, or amendment except after thirty (30) days written notice to us; (c) the policy must be obtained from or through a Designated or Approved Supplier, as applicable, and an insurance carrier with an AM Best's Rating of not less than A-IX; (d) the policy must provide that your failure to comply with any term, condition, or provision of the insurance contract, or other conduct by you, will not void or otherwise affect the coverage of us or our affiliates or representatives (e.g. we, although named as an insured, will nevertheless be entitled to recover under the policy on any loss incurred by us or our agents or employees by reason of your negligence or the negligence of your agents and employees); (e) the applicable policies must cover your indemnification obligations under this Agreement; (f) the policy must be primary to and without right of contribution from any insurance purchased by us; and (g) the policy must contain a waiver of subrogation in our favor for casualty losses. Your obligation to obtain and maintain the policies of insurance in the minimum amounts specified by us will not be limited in any way by reason of any insurance that we maintain and will not relieve you of your indemnification obligations under this Agreement.

You acknowledge that the insurance coverages and amounts specified by us reflect minimum required amounts and are not meant to reflect your actual insurance coverage needs. It is your responsibility to carefully evaluate your insurance needs and to obtain the insurance coverages and amounts necessary to satisfy those insurance needs.

#### **8.14 Data Security Requirements.**

You shall, at your expense, lease or purchase the necessary equipment and/or software and shall have arrangements in place with Visa, MasterCard, American Express and such other credit card issuers as we may designate, from time to time, to enable the Coffee Shop to accept such methods of payment from customers. You shall also accept debit cards, stored value gift cards or other non-cash payment systems specified by us to enable customers to purchase

Approved Products and Services. You shall obtain all necessary hardware and/or software used in connection with these non-cash payment systems. At all times, you shall maintain credit card relationships with the credit and debit card issuers or sponsors, check or credit verification services, financial center services, and electronic funds transfer systems (together, "Credit Card Vendors") that we designate as mandatory. The term Credit Card Vendors includes among other things, companies that provide services for electronic payment, such as near field communication vendors (for example, "Apple Pay" and "Google Wallet"). You may not use any Credit Card Vendors that we have not approved in writing or for which we have revoked approval. We have the right to modify the requirements and designate additional approved or required methods of payment and vendors for processing such payments, and to revoke approval of any such service provider. You are responsible for securing the data of your customers. You agree to comply with the then-current Payment Card Industry Data Security Standards ("PCI Requirements") as those standards may be revised and modified by the PCI Security Standards Council (see [www.pcisecuritystandards.org](http://www.pcisecuritystandards.org)), or any successor organization or standards that we may reasonably specify. Among other things, you agree to implement the enhancements, security requirements, and other standards that the PCI Security Standards Council (or its successor) requires of a merchant that accepts payment by credit and/or debit cards. You must demonstrate compliance upon reasonable request, which may include having an independent third-party Qualified Security Assessor (QSA) conduct a PCI/DSS audit. In the event you are unable to demonstrate full compliance, we may require that you engage the services of an Approved Supplier to assist you on an ongoing basis. Having a securely managed firewall that meets our system standards is one part of the current requirement. You will be required to enter into a contractual relationship directly with an approved managed firewall supplier, if we so determine.

You are responsible for securing the data of your customers. You must comply with industry standards and all applicable laws relating to the protection of customer information and other personal information. You must comply with the PCI Requirements in connection with the Franchise Business. It is recommended that you also comply with the ISO/IEC 27000-series information security standards (or other comparable third-party information security standards) ("Information Security Standards") in connection with the Franchise Business. It is your responsibility to research and understand the PCI Requirements and Information Security Standards, other industry standards, and applicable laws and to ensure that your business policies and practices comply with these requirements. You must periodically participate in audits of your information technology systems and data security policies by third party auditors as specified by us. We have the right to engage a vendor to consult with and advise Qahwah House™ Coffee Shop franchisees on compliance with the PCI Requirements and Information Security Standards and to require you to pay a portion of the cost of the vendor's services as determined under our policies or to directly engage the vendor for these purposes. Also, we will have the right to acquire a cyber insurance policy for the Qahwah House™ franchise system and to require you to pay a portion of the cost of the cyber insurance policy as determined under our policies and procedures.

If you detect or are notified of a data breach involving the data of your customers ("Data Breach"), you must immediately notify us of the Data Breach. You must cooperate with us in investigating and halting the Data Breach, including giving us access to your information technology systems. We will have the right to name legal counsel to deal with the Data Breach and to control media communications relating to the Data Breach. You must not make any public statements about the Data Breach without our approval. You must indemnify us and hold us

harmless for all claims and costs, including attorneys' fees, incurred by us as a result of any Data Breach that is your responsibility.

We have the right to engage a vendor to consult with and advise Qahwah House™ franchisees on compliance with the PCI Requirements and to require you to pay a portion of the cost of the vendor's services as determined under our policies or to directly engage the vendor for these purposes. Also, we will have the right to acquire a cyber insurance policy for the Qahwah House™ franchise system and to require you to pay a portion of the cost of the cyber insurance policy as determined under our policies and procedures. We will have the right to collect your share of the costs of the vendor and/or cyber insurance policy on a periodic basis in the manner provided in Section 4.10 of this Agreement.

#### **8.15 Compliance with Laws and Other Obligations; Taxes.**

You must obtain and keep in force every registration, charter, license, and permit required for the Franchise Business. In addition to all other references in this Agreement, you shall comply with all requirements of federal, state and local laws, rules, regulations, and orders related to the operation of your Franchise Business, including but not limited to all federal, state, and local laws, rules, regulations, or ordinances that govern food preparation and service and sanitary conditions, the federal Clean Air Act and various implementing state laws require certain state and local areas to meet national air quality standards limiting emissions of ozone, carbon monoxide and particulate matters, including caps on emissions from commercial food preparation, all federal, state, and local laws, rules, regulations, and ordinances that govern your employment relationship with your employees, and other laws, rules and regulations that apply to businesses generally, such as the Americans With Disabilities Act, Fair Labor Standards Act, Family and Medical Leave Act, Affordable Care Act, Federal Wage and Hour Laws, Title VII of the Civil Rights Act, Age Discrimination in Employment Act, Affordable Care Act, Employee Retirement Income Security Act, and the Occupational Safety and Health Act, also apply to Coffee Shops, and comparable laws regulating minimum wage, overtime pay, recordkeeping, youth employment standards, and other aspects of employment), environmental regulation, and taxation.

You must pay, when due, all taxes of every kind applicable to the Franchise Business or the income of the Franchise Business, including all local, state, and federal taxes. We will not be responsible for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied on you or the Franchise Business, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any taxes that we pay to any federal, state, or local taxing authority on account of your operations or payments that you make to us.

We may, but have no obligation to, advise you on legislative or other legal developments that may affect the Franchise Business. Any information we provide to you does not relieve you of your responsibility to consult with your own legal advisors regarding laws applicable to the Franchise Business. You acknowledge that you are solely responsible for complying with all laws applicable to the Franchise Business.

#### **8.16 Separate Identification of Franchise Business.**

You must identify the Franchise Business as a separate business by filing an assumed name certificate as appropriate in the state and/or county of location of the Franchise Business.

You must conspicuously post at the Franchise Location a notice to the effect that the Franchise Business is independently owned and operated by you and not by us. You must conspicuously identify yourself in all dealings with customers, suppliers, public officials, your employees, and others as the owner of the Franchise Business under a franchise granted by us and to place notice of independent ownership on the forms, business cards, stationery, advertising, job postings, employment applications, and other materials specified by us.

#### **8.17 Participation in Franchisee Advisory and other Committees.**

We may establish committees of franchisees to advise us on various matters involving the Franchise Systems. You will be eligible to participate on those committees, in accordance with the rules established by us and each committee, but only if you are a franchisee-in-good-standing at that time and have been a franchisee-in-good-standing for the six (6) month period before serving on the committee. In order to be a franchisee-in-good-standing, you must be: (a) current in all obligations to us and our affiliates; and (b) operating in accordance with all requirements of the Franchise Systems, including requirements relating to quality, cleanliness and service.

### **ARTICLE 9 – ADVERTISING**

#### **9.1 Grand Opening Advertising.**

You agree to spend an amount specified by us, up to Ten Thousand and 00/100 Dollars (\$10,000.00), to conduct grand opening advertising and promotions. The grand opening advertising and promotions must be conducted in accordance with a plan that you must submit to us. We have the right to modify your plan and may require you to use a public relations firm to assist with your grand opening. The grand opening advertising and promotions must occur for a period of sixty (60) days surrounding the opening of your Franchise Business, with the precise number of days specified by us. The amount you must spend on grand opening advertising and promotions is separate from and in addition to your other advertising obligations.

#### **9.2 Administration of Brand Development Fund.**

You must make contributions to the Brand Development Fund as provided in Section 4.3. You acknowledge and agree that we are not obligated to continue a Brand Development Fund and may suspend contributions to our operations of the Brand Development Fund or terminate the Brand Development Fund (or reinstate the Brand Development Fund if it is terminated). We will administer and control the Brand Development Fund in our sole discretion. We may use the Brand Development Fund to: maximize general public recognition and patronage of the Franchise Marks and Qahwah House™ Coffee Shops; formulate, develop and produce marketing, advertising, and sales support materials for use by franchisees; conduct marketing, advertising, and promotional programs on a national, regional, or local level; provide marketing support services to franchisees; develop, maintain, and support the Franchise Technology and “Digital Marketing” (defined in Section 9.7) for us and/or franchisees; obtain public relations services; obtain marketing and advertising services from third parties to administer, create, distribute, place, publish, or otherwise provide marketing products and services to the Brand Development Fund and to develop and implement Franchise Technology and Digital Marketing; pay the expenses of the Brand Development Fund, including without limitation, salaries and other employment expenses of our marketing staff, administrative costs, overhead, and other expenses we incur in connection

with the administration of the Brand Development Fund; and other uses determined in our discretion.

We are not required to spend your Brand Development Fund contributions to place advertising in your market or in any specific media. All expenses of the Brand Development Fund will be paid from the Brand Development Fund. The Brand Development Fund may borrow money and interest on those loans may be deducted from the Brand Development Fund. The Brand Development Fund will not be used for marketing that is principally a solicitation for the sale of franchisees but the Brand Development Fund may be used for ancillary or incidental uses for the solicitation or sale of franchises by us or other franchisees, including an area on our website or on print advertisements created or distributed by the Brand Development Fund or an advertising cooperative. We will submit to you, on request, an annual report of the receipts and disbursements of the Brand Development Fund, which may be unaudited and prepared by us and provided in a manner we specify. Neither we nor an agency engaged by us will be liable for consequential or incidental damages resulting from administration of the Brand Development Fund or resulting from any marketing or advertising materials produced or placed by or on behalf of us or you, including any claims for loss of business.

We may, in our discretion, administer the Brand Development Fund for some or all markets by disbursing a portion of the Brand Development Funds to one or more individual franchisees or cooperative groups of franchisees for advertising expenditures in their markets. You must spend any of those disbursements to you on local or regional advertising and media as we determine. You must document these advertising expenditures at the times and in the manner specified by us.

We will use reasonable efforts to spend Brand Development Fund fees contributed to the Brand Development Fund during the fiscal year in which the contributions are made, taking into account reasonable reserves for advertising promotions and campaigns, repayment of debt, and other reasonable business needs in the next fiscal year. If we spend less than the total amount of funds available in the Brand Development Fund during any fiscal year, we will spend the unused funds during a future fiscal year. If we spend an amount greater than the amount available to the Brand Development Fund, and we have contributed the additional amounts to the Brand Development Fund, we will be entitled to be reimbursed by the Brand Development Fund for all those excess expenditures.

The Brand Development Fund is established as a separate banking account and monies received for the Brand Development Fund are accounted for separately from our other funds. There is no fiduciary or trust relationship created by our administering the Brand Development Fund. We have the right to incorporate the Brand Development Fund or manage the Brand Development Fund through a separate entity whenever we deem appropriate. We may assign some or all of our rights and duties related to the Brand Development Fund to the separate Brand Development Fund entity. We may change the separate Brand Development Fund entity or assign management of the Brand Development Fund back to us at any time in our discretion. Regardless of the entity, you consent to the automatic withdrawal of Brand Development Fund fees by electronic funds transfer on a weekly basis in the same manner as Royalty. We anticipate all of our franchisees will contribute to the Brand Development Fund, although there is no prohibition against us charging higher or lower rates for future franchisees. We also may forgive, waive, settle, or compromise claims by or against the Brand Development Fund. We may defer or reduce a franchisee's contribution based on the peculiarities of a particular territory or

circumstance, existing business practices or other factors that we deem to be important to the operation of any Qahwah House™ Coffee Shop or the Franchise Systems. If we terminate the Brand Development Fund, we will distribute all unused monies to the contributors in proportion to their respective contributions during a pre-determined period.

### **9.3 Minimum Local Advertising.**

You must monthly spend the greater of One Thousand and 00/100 Dollars (\$1,000) or one percent (1%) of your Gross Sales, for advertising in your local market. We may increase the required minimum spend amount each year of this Agreement by ten percent (10%). You must provide us with documentation, at the times and in the form and manner specified by us, to prove that you spent the required amount on local advertising, or in our discretion, we may require you to pay the minimum local advertising amounts to us for advertising in your local market. If we require you to pay the minimum local advertising amounts to us, we may use these amounts, in our discretion, for local advertising and promotion for you (including but not limited to Digital Advertising, flyers, promotions, mailers, etc.) or as part of joint advertising or cooperative advertising described in Section 9.4. Your minimum local advertising requirement is separate from and in addition to your obligations for grand opening advertising and for contributions to the Brand Development Fund. If we require you to pay the minimum local advertising amounts to us, we will submit to you, on request, an annual report of the receipts and disbursements of those amounts, which may be unaudited and prepared by us.

### **9.4 Joint Advertising and Advertising Cooperatives.**

We may designate a local, regional or national advertising area that includes a group of Coffee Shops (an "Advertising Area"). If your Franchise Business is in a designated Advertising Area, you must participate in and pay your proportionate cost of any joint advertising programs specified by us for that Advertising Area.

In addition, we may require an advertising cooperative to be formed and operated in an Advertising Area. If your Franchise Business is within that designated Advertising Area, you must join, maintain a membership in, and sign and abide by the cooperative agreement for the advertising cooperative in that Advertising Area. Each advertising cooperative must adopt a cooperative agreement governing the organization and operation of the advertising cooperative. If specified by us, the cooperative agreement must require contributions to the advertising cooperative to be paid to us or to the advertising cooperative by electronic funds transfer. We must approve the structure of the advertising cooperative as well as the cooperative agreement and any changes to that agreement. The cooperative agreement must be submitted to us for prior approval. If we have not approved the cooperative agreement in writing within fourteen (14) days after receipt, the cooperative agreement will be deemed not approved. If the members of the advertising cooperative do not adopt and sign an approved cooperative agreement within thirty (30) days after we designate the Advertising Area for the advertising cooperative, the advertising cooperative must adopt and you must sign our then current recommended cooperative agreement. The cooperative agreement cannot modify the terms of this Agreement but may require you to make contributions to the advertising cooperative in addition to any Brand Development Fund contributions you are required to make to us. You must make contributions to the advertising cooperative at the times and in the amounts as determined by the advertising cooperative. Each Coffee Shop in the advertising cooperative (including Coffee Shops operated by us or our affiliates) will have one vote on matters before the advertising cooperative. Decisions

will be made as provided in the cooperative agreement, or if not otherwise specified, based on a majority of the votes entitled to be cast by the members of the advertising cooperative. Any franchisee holding an officer, management, executive, or committee position with the advertising cooperative must be a franchisee-in-good-standing as defined in Section 8.15 of this Agreement. The administration, costs, and expenses of each advertising cooperative will be the responsibility of the advertising cooperative. The advertising cooperative will be responsible for the collection of contributions from its members and we will not be responsible to you if other franchisees in the advertising cooperative fail to pay contributions or to otherwise abide by the cooperative agreement or the decisions of the advertising cooperative. We will have the authority to form, change, dissolve, or merge advertising cooperatives.

All advertising or promotional programs and materials used by an advertising cooperative or furnished to the members of the advertising cooperative must be approved in advance by us under Section 9.6 and must comply with the other requirements of Section 9.6. We may require an advertising cooperative to work with us or an agency designated by us in coordinating and placing local, regional or national advertising for the members of the advertising cooperative.

#### **9.5 *Limits on Your Local Advertising Obligations.***

The amounts you spend for joint advertising and cooperative advertising specified by us will apply to your minimum local advertising obligation under Section 9.3. Except for grand opening advertising under Section 9.1, you will not be required to spend more than five percent (5%) of your Gross Sales per month for local advertising, joint advertising, and cooperative advertising unless you agree otherwise. This limit does not apply to Brand Development Fund contributions paid to us under Section 4.3.

#### **9.6 *Advertising by You; Approval of Advertising Materials.***

We have the right to set advertising policies and procedures that you must follow. These advertising policies and procedures may include required promotions, limiting marketing to a certain area so that you are not directing marketing to another franchisee's area, and limiting the type of marketing that you may use.

All advertising by you in any medium, including signage, must be factual and dignified, must conform to our standards and specifications, and to the highest standards of ethical advertising practice, and must be approved by us in writing before it is used. You must submit to us for approval all marketing and promotion materials, including signage, prepared by you for the Franchise Business and not prepared by or previously approved by us. These materials must be submitted at least fourteen (14) days before use. We have the right to disapprove the use of any advertising materials by you at any time. You must discontinue the use of advertising materials immediately on receipt of our written notice, even if we previously approved the use of advertising materials. You must not use any advertising materials not approved by us. You agree to refrain from any business or advertising that may be injurious to our business or the goodwill associated with the Franchise Marks and Franchise Systems and other Coffee Shops. You are not allowed to advertise any products or services for your business using the Franchise Marks except the Approved Products.

If specified by us, all of your advertising must contain notices of: (a) our website domain name or other Digital Marketing specified by us; and/or (b) a statement regarding the availability

of Qahwah House™ Coffee Shop franchises. To the extent possible, you must include the following language in all advertising: “Each Qahwah House™ Coffee Shop is independently owned and operated.”

### **9.7 Digital Marketing.**

Your use of the Internet, email, websites, social networks, wikis, podcasts, online forums, content sharing communities, blogging, other social media accounts or participations (including, without limitation, Facebook, Twitter, LinkedIn, YouTube, Pinterest, and Instagram), mobile technology, and other digital media, digital coupons, keyword or adword purchasing programs, search engine optimization, search engine marketing, marketing using other forms of digital media, and toll-free telephone numbers (“Digital Marketing”) in connection with the operation, advertising, and marketing of your Franchise Business is subject to the trademark, advertising, marketing, and other requirements of this Agreement and the Brand Standards Manual. You must not use any Digital Marketing in connection with the Franchise Business, except with our written consent and then only in accordance with any policies and procedures specified by us. We have the sole right to control all Digital Marketing used to promote Coffee Shops (including the Franchise Business) and/or associated with the Franchise Marks. If we authorize you to use Digital Marketing, we may require you to only use Digital Marketing through central accounts established by us. You must provide us with login, password, administrative password, security codes, and other information necessary for us to access and use (including use for marketing to your customers) any Digital Marketing accounts we authorize you to use. We have the right to control all responses to postings by customers and/or the public on Digital Marketing platforms relating to the Franchise Business.

## **ARTICLE 10 – REPORTS, ACCESS AND AUDIT, CUSTOMER LISTS**

### **10.1 Reports and Financial Statements.**

You must use the standard reporting systems and forms specified by us. You must submit to us a complete statement of Gross Sales and other information specified by us for the reporting periods and on the forms specified by us. You must provide us with copies of all sales or similar tax returns, annual income tax returns, monthly profit and loss statements, monthly balance sheets, monthly inventory statements, and annual financial statements. You must provide copies of monthly statements or reports to us within fifteen (15) days of the end of each month and copies of annual statements or reports within thirty (30) days of the end of your fiscal year. We may specify other requirements relating to reporting in the Brand Standards Manual. Your failure to timely provide required reports or financial statements may result in liquidated damages amounts being assessed against you under Section 15.7.

You agree that we may receive information directly from suppliers and you authorize your suppliers to provide information directly to us. You agree to sign separate authorizations or additional documents requested by suppliers or that we deem necessary for us to obtain information directly from suppliers.

All financial or other statements, reports, and/or records provided by you under this Article 10 shall be accompanied by a certificate signed by your chief financial officer, or comparable executive, to the effect that such statements, reports, and/or records fairly and accurately reflect the matters reported therein and are complete and correct. We may disclose your financial

records in future Franchise Disclosure Documents and reporting analyses presented to third parties and to our actual and potential lenders. Also, we may share information in your financial or other statements, reports, and/or records with other franchisees or prospective franchisees in the ordinary course of our business as a tool to improve the Qahwah House™ franchise system's volume of business and as required to support any financial performance representation we make in our Franchise Disclosure Document.

## **10.2 *Records.***

You must keep complete and correct books of account, business records, and records of Gross Sales, in accordance with the procedures specified by us and in accordance with generally accepted accounting principles. You must keep all of your business records for the greater of: (a) seven (7) years; or (b) the time period specified by any applicable federal, state or local law or regulation.

## **10.3 *Inspection; Shopping Service.***

We and our designated agents have the right, at any reasonable time and without prior notice, to: (a) inspect the Franchise Business; (b) confer with you and your management employees; and (c) inspect your equipment, signage, fixtures, furniture, and operating methods. We may require that you furnish your customers with an evaluation form specified by us pre-addressed to us. Also, we may require that you maintain a comment box at the Franchise Location, which may only be opened by us. You must fully cooperate with our representatives making any inspection or retrieving information from the comment box.

We may ourselves or through a third-party shopping service evaluate the operation and quality of the Franchise Business, including the food quality, drink quality, inventory availability, customer service, cleanliness, merchandising, franchise compliance and proper use of the Franchise Technology. We may use service evaluations to inspect the Franchise Business at any time at our expense, without prior notification to you, including but not limited to the use of third-party quality assurance inspectors and/or mystery shoppers. We may make the results of any service evaluation available to you, in our sole discretion.

You must take action as may be necessary to immediately correct any deficiencies detected during any inspection by us or agents. If you fail to make these corrections within a reasonable period of time, we will have the right, but not the obligation, to correct any deficiencies that may be susceptible of correction, including removal from the premises of any non-conforming products, fixtures, furnishings, equipment, supplies, advertising, or promotional materials and signs, and to charge you a reasonable fee for any expenses we incur in correcting the deficiencies. You must also reimburse our cost for any repeat inspections deemed necessary, in our discretion, based on previously identified repeat inspections, or of any necessary third-party safety or quality inspections. Your violations of this Agreement or our specifications observed in any inspection or other evaluation may result in liquidated damages amounts being assessed against you under Section 15.7.

## **10.4 *Our Right to Access Records and Audit.***

We or our designated representatives may at any reasonable time examine and copy your books, records, and tax returns. We may, and reserve the right to, require you to use the

professional services of an accountant or accounting firm in connection with preparing your books, records, and tax returns. You hereby waive any accountant-client privilege to allow your accountant or accounting firm to disclose to use information required to be disclosed under this Agreement. You agree and consent to our use of the financial information of your Franchise Business and financial or other statements, reports, and/or records you provide to us in future franchise disclosure documents. We also may, on five (5) days written notice to you, have an independent audit made of your books and records. If an audit reveals that you have understated your Gross Sales in any report to us, you must immediately pay us the amount due on the understated amount on demand, in addition to any interest and late charges under Section 4.8 from the date originally due to the date paid.

We will conduct the audit at our expense; however, if an audit is made necessary by your failure to furnish reports, financial statements, or tax returns, or discloses an understatement of two percent (2%) or more of the Gross Sales of your Franchise Business, or an underpayment of two percent (2%) or more to the Brand Development Fund or Royalty fees, in any report, then you must pay for the costs of the audit, including any travel expenses, meals, lodging and compensation of our employees or agents and reasonable accounting and attorney's fees.

You understand that nothing contained in this Section constitutes our agreement to accept any payments after they are due or a commitment by us to extend credit to or otherwise finance the operation of your Franchise Business. Your payment of our expenses and/or late charges and interest are not our sole remedies in those circumstances and this Agreement may be subject to termination under Article 15.

#### **10.5 Notices of Certain Events.**

You must notify us in writing of the details of any of the following events, within one (1) business day of the occurrence of the event:

- (a) The start of any civil or criminal action, suit, countersuit or other proceeding against you or any Designated Owner, or the General Manager.
- (b) You, any Designated Owner, or the General Manager receives a notice of noncompliance with any law, rule, or regulation.
- (c) The issuance of any conviction or plea of guilty or no contest in a criminal matter, order, writ, injunction, award, or decree of any court or other tribunal, any agency, or other governmental organization against you, any Designated Owner, or the General Manager.
- (d) Any governmental department or agency begins an investigation of the Franchise Business, schedules a review, inspection, or audit of the Franchise Business, issues a complaint, report, warning, certificate, or rating concerning you or the Franchise Business, or takes any action against the Franchise Business.

You must provide us with any additional information we request, within five (5) days of request, about the status, progress or outcome of any of the events listed in this Section. Your failure to provide the notice and/or additional information required by this Section will be considered a material default under this Agreement.

## **10.6 Customer Information.**

If we request, you must provide us with complete information about your customers, including names, addresses, email addresses, phone numbers, LinkedIn, Facebook, Twitter and other social media addresses, other contact information, and other information specified by us ("Customer Information"). The Customer Information must be provided in the manner and format specified by us, which may include having you deliver written or electronic copies or our remotely accessing the information on your computer systems. We may also access and obtain the Customer Information from your records (including computer records) and from software and other service providers that can provide us access to that information. The Customer Information will be our property and we may use the Customer Information for our business purposes.

## **ARTICLE 11 – INTELLECTUAL PROPERTY**

### **11.1 Intellectual Property Defined.**

Our intellectual property includes: (a) the Marks; (b) the Trade Dress; (c) the Franchise System; (d) any present or future copyrights relating to the Systems or the Qahwah House™ Coffee Shop concept, including, but not limited to, the Brand Standards Manual and marketing materials; (e) any present or future inventions, patents, and patents pending that are part of the Systems; (f) the Confidential Information (defined in Section 12.1); and (g) any other proprietary rights, trade secrets, methods, or procedures that are part of the Systems (collectively referred to in this Agreement as the "Intellectual Property").

### **11.2 Acknowledgements; No Contesting Our Rights.**

You acknowledge the validity of the Intellectual Property and that we, our affiliates, and Ibrahim Alhasbani ("Licensor"), who has licensed us the right to use and sublicense the Intellectual Property according to the terms of this Agreement, are the exclusive owners of the Intellectual Property. You agree that any further rights or goodwill that may develop in any of the Intellectual Property in the future will inure solely to the benefit of us, our affiliates, and Licensor. You do not now and will not in the future assert a claim to any goodwill, reputation, or ownership of the Intellectual Property by virtue of your non-exclusive license to use the Intellectual Property or for any other reason. Nothing in this Agreement gives you any right, title, or interest in or to any of the Intellectual Property, except a mere privilege and license during the term of this Agreement, to display or use the Intellectual Property according to the terms and conditions of this Agreement. During the term of this Agreement and after its expiration or termination, you agree not to directly or indirectly contest our ownership, title, right, or interest in or to, or our license to use, or the validity of the Intellectual Property, or contest our sole right to register, use, or license others to use the Intellectual Property. You acknowledge that Licensor retains the right to independently enforce the terms of this Agreement relating to your use of the Intellectual Property consistent with our Brand Standards Manual.

### **11.3 Use of Intellectual Property.**

You must use the Intellectual Property only in accordance with our rules. You must use the Intellectual Property only in connection with the operation of the Franchise Business pursuant to the Franchise Systems and only in the manner specified in this Agreement or by us. You must

operate the Franchise Business under the Franchise Marks and you must not use any other name or mark in connection with the Franchise Business without our prior written consent. You must not use the Intellectual Property in connection with any products or services not specifically authorized by us in writing. You must take reasonable steps to prevent disclosure of this information to others. We require that all of your individual owners (if you are a business entity) sign an agreement relating to confidentiality and/or non-competition related to the Franchise Systems, approved by us and we have the right to be a third-party beneficiary of that agreement with independent enforcement rights. You must not reproduce or cause to be reproduced any Franchise Marks in any manner, including reproduction on forms or invoices, in connection with advertising, marketing or promotion, or on the Internet or in an Internet domain name, in connection with a website, or in connection with any Digital Marketing, without our prior written consent. You must not use the Franchise Marks in your business, corporate, partnership, or limited liability company name. However, you must register to do business under the assumed business name of "Qahwah House™" with an additional designation as determined by us to distinguish the assumed name from other Coffee Shops (for example: "Qahwah House™ of \_\_\_\_\_") as authorized in Appendix B.

On expiration or termination of this Agreement, we may, if you do not do so, sign in your name and on your behalf, any documents necessary in our judgment to end and cause discontinuance of your use of the Franchise Marks and you irrevocably appoint and designate us as your attorney-in-fact for that purpose.

#### **11.4 Defense of Intellectual Property.**

You must promptly notify us of any claim, suit, or demand against you on account of any alleged infringement, unfair competition, or similar matter relating to your use of the Intellectual Property. We will then take action as we deem necessary and appropriate to protect and defend you against the claim by any third party. You must not settle or compromise any claim by a third party without our prior written consent. We will have the sole right to defend, compromise, or settle any claim, in our discretion, using attorneys of our choosing, and you agree to cooperate fully with us in connection with the defense of the claim. You may participate at your own expense in the defense or settlement, but our decisions with regard to the Intellectual Property will be final. We do not have an obligation under this Agreement to participate in your defense or to indemnify you for expenses or damages in a proceeding involving Intellectual Property licensed to you.

#### **11.5 Prosecution of Infringers.**

You must promptly notify us if you receive notice or are informed or learn that any third party who you believe is using the Intellectual Property or any name or mark confusingly similar to the Marks without our authorization. We will then, in our sole discretion, determine whether or not we will take any action against the third party on account of the alleged infringement of the Intellectual Property. You will not have any right to make any demand against any alleged infringer or to prosecute any claim of any kind or nature whatsoever against the alleged infringer for or on account of the infringement. If we choose to prosecute any infringement of the Intellectual Property, you must sign all documents and do all acts necessary or incidental to that action as our counsel may reasonably request. We do not have an obligation under this Agreement to take affirmative action when notified of infringement. We will have exclusive rights in any damages awarded or recovered in any prosecution of an infringement claim related to the

Intellectual Property and we will not have any obligation to share any awards or recoveries with you.

#### **11.6 *Modification or Substitution of Intellectual Property.***

We may change the authorization to use the Intellectual Property contained in this Agreement, including adding, discontinuing or modifying Intellectual Property, or substituting different Intellectual Property, by issuing, in a written notice, a description of the changes and the products or services to which they relate. You must use and abide by these changes or substitutions at your expense. We may make the changes because of the rejection of any pending registrations or the revocation of any existing registrations of the Intellectual Property, or due to the rights of senior users, or for other business reasons, except we will make the changes in the Intellectual Property on a uniform basis for all similarly situated Coffee Shops in a particular market. All ideas, concepts, techniques, or materials concerning the Franchise Systems, whether or not protectable intellectual property and whether created by or for you or your owners or employees, must be promptly disclosed to us and will be deemed to be our sole and exclusive property, part of the system and works made-for-hire for us. To the extent that any item does not qualify as a “work made-for-hire” for us, you assign ownership of that item, and all related rights to that item, to us and must take whatever action (including signing an assignment or other documents) we request to show our ownership or to help us obtain intellectual property rights in the item.

#### **11.7 *Innovations.***

All ideas, concepts, techniques, variations, improvements, marketing programs, techniques, materials or other intellectual properties that relate to or enhance the Franchise Business or the Systems (“Innovations”), whether or not protectable intellectual property and whether created by or for us or by or for you, must be promptly disclosed to us and will be our sole and exclusive property, part of the Franchise Systems, and works made-for-hire for us. You hereby permanently and irrevocably assign ownership of the Innovations, and all related rights to the Innovations, to us to the extent the Innovations do not qualify as a “work made-for-hire” for us. You agree to take whatever action (including signing an assignment or other documents) that we request to evidence our ownership of the Innovations or to help us obtain intellectual property rights in them.

### **ARTICLE 12 - CONFIDENTIAL INFORMATION**

#### **12.1 *Confidential Information Defined.***

You acknowledge that prior to or during the term of this Agreement we may disclose to you, either orally or in writing, certain proprietary and/or confidential information relating to developing and operating a Coffee Shop (the “Confidential Information”). The Confidential Information includes:

- (a) Brand Standards Manuals, training methods and materials, menus, recipes, food preparation techniques and other techniques, processes, policies, procedures, systems and data;
- (b) Knowledge and experience relating to Qahwah House™ Coffee Shops;

(c) Advertising, marketing techniques and strategies, and advertising programs used in developing and operating Qahwah House™ Coffee Shops;

(d) All information regarding the identities and business transactions of customers and suppliers, including but not limited to customer information and product source information;

(e) Computer software and similar technology and systems that have been or may be developed by or for us or our agents, which is proprietary to us, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;

(f) Financial information, including but not limited to knowledge of the operating results and financial performance of Qahwah House™ Coffee Shops;

(g) New ventures, pending projects and proposals, and product development information; and

(h) Other aspects of the Franchise Systems now or later revealed to you under this Agreement and all changes and enhancements in the Franchise Systems, even if developed by you.

(i) Other property and information that we describe as being Confidential Information or trade secrets of the Franchise Systems.

## **12.2 Ownership and Use of Confidential Information.**

You acknowledge that we own the Confidential Information. You agree that you will not acquire any interest in the Confidential Information, other than the right to use it as we specify solely for the purpose of establishing and operating the Franchise Business during the term of this Agreement. You acknowledge and agree that the Confidential Information is proprietary to us and is disclosed to you in confidence only on the condition that you and your shareholders, officers, directors, partners, members, managers, owners, investors, employees, and agents, "Family Members" (defined in Section 13.4), and affiliates agree that they will:

(a) Not use the Confidential Information in any business or capacity other than in the Franchise Business as authorized by this Agreement, both during the term of this Agreement and after expiration or termination of this Agreement;

(b) Keep each item deemed to be part of the Confidential Information absolutely confidential, both during the term of this Agreement and after expiration or termination of this Agreement;

(c) Not make unauthorized copies of any Confidential Information disclosed via electronic medium or in written or other tangible form;

(d) Adopt and implement procedures to prevent unauthorized use or disclosure of Confidential Information, including restricting its disclosure to your employees; and

(e) Require your employees, agents, and any other person or entity to which you reveal Confidential Information to sign an agreement relating to confidentiality and/or non-competition in a form approved by us before revealing any aspect of the Confidential Information. We have the right to be a third-party beneficiary of those agreements with independent enforcement rights; and

(f) On the expiration or termination of this Agreement or the transfer of the Franchise Business, immediately cease using any and all of the Confidential Information in any business or otherwise and return to us all copies of all Confidential Information in your possession.

You acknowledge and agree that you will be liable to us for any use of the Confidential Information not authorized by this Agreement. If you or your shareholders, officers, directors, partners, members, managers, owners, investors, employees, and agents, Family Members receive notice of any request, demand, or order to transfer or disclose all or any portion of the Confidential Information, you shall immediately notify us thereof and shall fully cooperate with and assist us in prohibiting or denying any such transfer or disclosure. Should such transfer or disclosure be required by a valid, final, non-appealable court order, you shall fully cooperate with and assist us in protecting the confidentiality of the Confidential Information to the maximum extent permitted by law.

## **ARTICLE 13 – RESTRICTIONS ON COMPETITION**

### **13.1 *Covenant Not to Compete During Term.***

You and your shareholders, officers, directors, partners, members, managers, owners, investors, Family Members (defined in Section 13.4) and affiliates must not, during the term of this Agreement engage in any activity in competition with us or our franchisees and licensees, including involvement, whether as an owner (except ownership of no more than 1% of a publicly traded entity), director, officer, member, manager, employee, consultant, lender, representative or agent, or in any other capacity, or otherwise in any business that is involved, in whole or in part, in a "Competing Business" (defined in Section 13.4), (except other Coffee Shops operated under franchise agreements entered into with us), or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a Competing Business, unless you have received our prior written approval.

### **13.2 *Covenant Not to Compete After Term.***

On the termination (including termination on transfer), expiration, or non-renewal of this Agreement, you and your shareholders, officers, directors, members, managers, partners, owners, investors, Family Members, and affiliates, must not, for a period of two (2) years commencing on the later of the effective date of termination, expiration, or non-renewal, or the date of any Court order enforcing this provision, directly or indirectly, engage in any activity in competition with us or our franchisees and licensees, including involvement, whether as an owner (except ownership of no more than 1% of a publicly traded entity), partner, director, officer, member, manager, employee, consultant, lender, representative, or agent, or in any other capacity in any business that is involved, in whole or in part, in a Competing Business or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a

Competing Business; provided that, the restrictions in this Section will only apply within the "Geographic Areas" (defined in Section 13.4).

### **13.3 Other Restrictions.**

You and your shareholders, officers, directors, members, managers, partners, owners, and investors, Family Members, and affiliates, must not, during the term of this Agreement and for a period of two (2) years after termination, expiration, or non-renewal of this Agreement, directly or indirectly: (a) divert or attempt to divert any business or customer of the Franchise Business or any other Coffee Shop to any Competing Business by direct or indirect inducements or otherwise; (b) sponsor, appoint, or encourage or influence or promote friends, relatives, or associates to operate a Competing Business; or (c) employ any person or furnish of permit access to our Confidential Information to any person who is engaged or has arranged to become engaged in any activity in competition with Qahwah House™ Coffee Shops, including involvement, either as an owner (except no more than 1% of the publicly traded securities of an entity), partner, director, officer, member, manager, employee, consultant, lender, representative, or agent, or in any other capacity, of any business that is involved, in whole or in part, in a Competing Business or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a Competing Business.

### **13.4 Definitions of Competing Business, Geographic Areas, and Family Members.**

The following definitions will apply to this Agreement:

(a) "Competing Business" means any business that competes with Qahwah House™ Coffee Shops and/or that offers the same or similar products, services, menu items, and other food and beverage offerings as Qahwah House™ Coffee Shops, including but not limited to, a retail business in which coffee-based drinks constitute at least five percent (5%) or more of the sales of the business.

(b) "Geographic Areas" means: (i) the Franchise Location; (ii) the area within twenty-five (25) miles of the Franchise Location; and (iii) the areas within twenty-five (25) miles of any other Qahwah House™ Coffee Shop existing or in development at the time you begin to operate the Competing Business.

(c) "Family Members" means all individuals with any of the following relationships with you or any of your shareholders, officers, directors, partners, members, managers, owners, investors, and affiliates: (i) spouse; (ii) children; (iii) grandchildren; (iv) stepchildren; (v) parents; (vi) siblings; (vii) spouse's parents; and (viii) spouse's siblings.

### **13.5 Acknowledgements and Agreements Relating to Restrictions on Competition.**

You acknowledge and agree that the length of the post-term restrictions and the geographical restrictions contained in this Article are fair and reasonable and that we have attempted to limit your right to compete only to the extent necessary to protect the reasonable competitive business interests of us and our franchisees and licensees. If the above restrictions or any part of these restrictions are found to be invalid, this Article will be considered as imposing the maximum restrictions allowed under the applicable state law in place of the invalid restriction

or part of the restriction. In addition, we reserve the right to reduce the scope of these provisions without your consent, at any time, effective immediately on notice to you.

If you are not an individual, your owners (stockholders, partners, members, etc.) will be bound by this Article 13 and must, contemporaneously with signing this Agreement, sign the Obligations and Representations of Owners attached as Appendix B to this Agreement. You and your owners must also execute a separate Confidentiality and Nondisclosure Agreement and Covenant Not to Compete in a form provided by us.

## **ARTICLE 14 - TRANSFERS**

### **14.1 General Rule.**

This Agreement is personal to you or to your owners if you are an entity. Accordingly, neither you nor any of your direct or indirect owners, may, without our prior written consent, directly or indirectly or contingently, whether voluntarily or by operation of law, sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any interest in: (a) this Agreement; (b) the Franchise Business or any of the assets of the Franchise Business; (c) the Franchise Location; or (d) any equity or voting interest in you (if you are an entity). Any act or event described above in this Section or any other act defined as a transfer elsewhere in this Agreement is referred to as a “Transfer.” Any permitted Transfer must only be made in accordance with the provisions of this Article 14. You do not have the right to sublicense any of the rights granted by this Agreement. Any attempted Transfer not in accordance with this Agreement will have no effect and will constitute a breach of this Agreement.

### **14.2 Notice of Proposed Transfer; Right of First Refusal.**

You or any of your owners (if you are an entity) or any legal heir or devisee of you or your owners (the “Seller”) who receives and desires to accept a *bona fide* offer from a third party to engage in a Transfer, must notify us in writing of the offer (the “Offer Notice”). The Offer Notice must describe the proposed Transfer in detail, including the name and address of the proposed purchaser, the nature of the Transfer, the consideration to be paid, and all other material terms and conditions of the Transfer. In addition to the Offer Notice, the Seller must also deliver copies of all documents to be executed in conjunction with the Transfer and any financial or other information as we may specify to reasonably inform us of the financial condition of the Franchise Business, including financial statements and tax returns of the Franchise Business.

We will have, for a period of thirty (30) days from the date of delivery of the information specified above, the right and option (“right of first refusal”), exercisable by written notice to the Seller, to purchase the Seller’s interest on the terms specified in the Offer Notice (modified as described below). We may designate a substitute purchaser to complete the Transfer. If the Transfer involves the purchase of stock or other ownership interests, we will have the option to purchase the assets of the Franchise Business instead for equivalent consideration. If the consideration offered by the proposed purchaser is not all cash or cash equivalents (e.g. services), we may pay a reasonable equivalent in cash. If we are not able to agree with the Seller within a reasonable time on equivalent or substitute cash consideration, the determination will be made by appraisal using the method described in Section 20.3.

If we exercise our right of first refusal, the Transfer between Seller and us will be closed by the later of: (a) ninety (90) days after exercise of the right of first refusal; or (b) thirty (30) days after any necessary determinations of equivalent or substitute cash consideration. We will be entitled to customary warranties, closing documents, and post-closing indemnification.

If we do not exercise our right of first refusal and we consent to the proposed Transfer (subject to the conditions listed in Section 14.3), the Seller may complete the proposed Transfer, but only on the same terms as offered to us. However, the proposed Transfer must be completed within sixty (60) days after the expiration of our thirty (30) day right of first refusal period. If the Transfer is not completed within the sixty (60) day period, the Transfer will again become subject to our right of first refusal under this Section.

### **14.3 Conditions of Our Consent to Transfer.**

If we do not exercise our right of first refusal under Section 14.2, the Seller may only engage in the proposed Transfer if we consent to the proposed Transfer. Before we will consent to a proposed Transfer, the conditions listed below, as well as any other reasonable conditions specified by us, must be fulfilled. If these conditions are met, we will not unreasonably withhold our consent to a proposed Transfer of the type permitted by this Agreement.

Before we will consent to a proposed Transfer, the following conditions must be fulfilled:

(a) The proposed transferee must follow the same application procedures as a new franchisee and must meet the same standards of character, business experience, financial strength, credit standing, health, reputation, business ability, experience, etc. as we have set for any new franchisee.

(b) The terms of the proposed Transfer must not place unreasonable burdens on the proposed transferee.

(c) You and the Seller must be in full compliance with all provisions of this Agreement and must pay us and all suppliers of the Franchise Business all monies owing.

(d) You and the Seller must sign at the time of Transfer an agreement terminating this Agreement (unless this Agreement will be assigned to the transferee--see subsection (f) below) and must sign an agreement, in the form specified by us, that releases us and our affiliates, owners, officers, directors, employees, and agents from any and all claims and causes of action.

(e) The proposed transferee must satisfactorily complete our initial training program. We may impose a reasonable charge for this training program.

(f) The proposed transferee must, at our option: (i) sign with us a Franchise Agreement and related agreements on the standard forms in use by us at the time of Transfer, which agreements would have a term equal to the term remaining under this Agreement and may contain terms materially different than the terms of this Agreement, including different royalty and Brand Development Fund contributions; or (ii) sign, with you, an agreement satisfactory to us that includes an assignment by you of your rights under

this Agreement and the assumption by the transferee of all your obligations under this Agreement. The owners of the proposed transferee must agree to be personally bound, jointly and severally, by all of the provisions of the new Franchise Agreement or this Agreement (if this Agreement is assigned).

(g) The proposed transferee must pay us the transfer fee specified in Section 4.6. The transfer fee must be paid at the time that we sign a consent to the proposed Transfer. The transfer fee is not refundable.

(h) The proposed transferee must sign at the time of Transfer a release agreement in the form specified by us that releases us and our representatives, owners, employees, officers, agents, and assigns from any and all claims and causes of action.

(i) You or the proposed transferee must take any action specified by us to make the Franchise Business comply with current appearance, Franchise Trade Dress, equipment, and signage requirements. We may require this action to be taken before the Transfer or within a specified period of time after the Transfer.

(j) The proposed transferee and its owners, shareholders, officers, directors, partners, members, managers, investors, employees, and agents, and their Family Members and affiliates of the proposed transferee must not be an owner, shareholder, officer, director, partner, member, manager, investor, employee, agent, or consultant of or to a business that competes with Qahwah House™ Coffee Shops. On our request, the transferee may be required to sign an acknowledgement of compliance with this prohibition.

(k) If the transfer involves installment payments by the transferee to the Seller, the Seller must sign a subordination agreement under which the Seller subordinates its right to receive any installment from the transferee to our right to receive all amounts due to us through the due date of the installment. The subordination agreement must be in a format and contain terms and conditions specified by us.

(l) Your landlord must allow the lease for the Franchise Location to be transferred to the transferee.

(m) You, the Seller, and the proposed transferee must comply with any other standard procedures specified by us.

You acknowledge that the conditions listed above are necessary for protection of the Franchise Marks and Franchise Systems and do not impose unreasonable restrictions on a Transfer. Our consent to any transfer shall not constitute a waiver of any claims we may have against the transferor or the proposed transferee's compliance with the terms and conditions of this Agreement.

#### **14.4 Transfer on Death or Incapacity.**

If you or your last surviving Designated Owner (if you are an entity) dies or becomes incapacitated, your or the owner's rights under this Agreement will pass to the estate, heirs, devisees or legal representatives of you or the Designated Owner (collectively referred to in this

Agreement as the “estate”). The estate may continue operation of the Franchise Business if: (a) the Franchise Business is not closed for more than seven (7) days and is operated in accordance with applicable law; (b) the estate provides a qualified individual acceptable to us to act as General Manager for the Franchise Business on a full time basis; (c) the General Manager attends and successfully completes our training program at the estate’s expense; and (d) the General Manager assumes full time operation of the Franchise Business within ninety (90) days of the date you or the Designated Owner dies or becomes incapacitated. If the estate fails to designate an acceptable General Manager or the designated General Manager fails to attend and satisfactorily complete the training program and to assume the full-time operation of the Franchise Business within ninety (90) days of the death or incapacity, then the estate must sell the estate’s interest in the Franchise Business or in this Agreement within one hundred eighty (180) days of the date of death or incapacity. Any sale is subject to our right of first refusal under Section 14.2 and subject to our consent under Section 14.3.

#### **14.5 Transfers to Controlled Entities.**

If you are in full compliance with this Agreement, this Agreement may be assigned to an entity in which you own and will continue to own all the issued and outstanding stock, membership interest, partnership interest, or other ownership interests and in which you will act as its principal executive officer or manager (“Controlled Entity”), provided that:

- (a) All owners of the Controlled Entity execute this Agreement and agree to be personally bound, jointly and severally, by all of the provisions of this Agreement;
- (b) The Controlled Entity agrees to be bound by all the provisions of this Agreement and to assume and discharge all of your obligations under this Agreement; and
- (c) The Controlled Entity will have no right to engage in a Transfer except in accordance with the provisions of Article 14.

#### **14.6 Assignment by Us.**

We may assign this Agreement and all of our rights, duties, and obligations under this Agreement to any person that we choose in our sole discretion without notice to you or approval by you or any other franchisee, at any time. If we assign this Agreement, we will be released from all of our obligations under this Agreement, and you will look solely to our assignee for the performance of those obligations.

### **ARTICLE 15 – DEFAULT AND REMEDIES; TERMINATION**

#### **15.1 Default by Us; Termination by You.**

We will be considered in default of this Agreement if we breach any of our material obligations under this Agreement and fail to cure that default within sixty (60) days of written notice from you. As a remedy for a default by us, you may elect to terminate this Agreement, but only if: (a) you are in full compliance with all terms of this Agreement; (b) you provide written notice to us specifying our default and the proposed date of termination; and (c) we committed the default and do not cure the default within sixty (60) days of written notice of the default from you.

Your written notice of the default must specify in writing with particularity the nature of the default and the steps you request that we take to cure the default. Any attempt by you to terminate this Agreement without complying with the provisions of this Section will constitute a default by you.

### **15.2 Default by You.**

You will be considered in default of this Agreement on the occurrence of any of the events listed in Sections 15.3 or 15.4 or otherwise listed as a default in this Agreement or if you breach any of your other obligations under this Agreement.

### **15.3 Events of Default by You; No Right to Cure.**

Any of the following events will constitute a default by you and good cause for termination of this Agreement by us without affording you an opportunity to cure.

(a) You or a Designated Owner make any material misrepresentations or omissions to us or you submit to us any report or statement that you know or should have known is false or misleading.

(b) You commit fraud against us or our affiliates or against any of your customers, suppliers, agents, or employees.

(c) You fail to have employees and agents sign an agreement relating to confidentiality and/or non-competition in a form approved by us.

(d) You or a Designated Owner is convicted of, or pleads guilty or no contest to, or we have reasonable proof that you or a Designated Owner has committed: (i) a crime, offense, or misconduct for which the minimum penalty includes imprisonment for more than one year; or (ii) any crime, offense, or misconduct for which the minimum penalty includes imprisonment for one-year or less that involves fraud or dishonesty or is in any other way relevant to the operation of the Franchise Business or to the Franchise Systems or Franchise Marks or the goodwill associated with the Franchise Marks.

(e) You received two (2) or more prior notices of default and/or to terminate for the same or a similar default during any consecutive twelve (12) month period.

(f) You received three (3) or more prior notices of default and/or to terminate, whether or not for the same or similar default, during any consecutive twelve (12) month period.

(g) You fail to attend two (2) or more mandatory meetings within any consecutive twelve (12) month period.

(h) You abandon the Franchise Business. Your abandonment will be conclusively presumed if you fail to open the Franchise Business for business: (i) for a period of two (2) consecutive business days without our prior written consent; or (ii) for a total of five (5) business days within a calendar year.

(i) You or a Designated Owner engage in excessive alcohol use, illegal drug

use, or other substance abuse that interferes with the operation of the Franchise Business.

(j) You engage in conduct that reflects materially and adversely on the operation or reputation of the Marks or Systems.

(k) Your lease is terminated or mortgage foreclosed by reason of your failure to pay rent or mortgage payments or for any other cause for which you are responsible.

(l) You lose the right to occupy the Franchise Location and fail to:  
(i) begin to immediately look for a substitute site; and (ii) locate a substitute site accepted by us and begin to operate the Franchise Business at that substitute site within ninety (90) days.

(m) You are assessed liquidated damages under Section 15.7 three (3) or more times in a calendar year.

(n) You or any member of your team fails to complete the training program to our satisfaction, in our sole and unfettered judgment.

#### **15.4 Events of Default by You; Right to Cure.**

Any of the following events will constitute a default by you and good cause for termination of this Agreement by us if you fail to cure the default during the applicable cure period specified in Section 15.5.

(a) You fail to enter into a lease for the Franchise Location as required by this Agreement.

(b) We determine that you are unable to complete or you have not completed our pre-opening training programs to our satisfaction, or you fail to demonstrate the qualities and abilities that we determine are necessary for the successful operation of the Franchise Business.

(c) You are unable to obtain, without extraordinary administrative proceedings or litigation, any permit or license necessary to develop and open the Franchise Business.

(d) You or we have received a substantial number of complaints from customers relating to products or services provided by you or based on your acts or omissions.

(e) You operate the Franchise Business in a manner that presents a health or safety hazard to your customers, employees, or the public.

(f) You do not or are unable to pay your debts or obligations as they become due or you file a voluntary petition in bankruptcy or are adjudicated bankrupt or insolvent or make an assignment for the benefit of creditors.

(g) You file any petition or other pleading seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any

statute, law, or regulation, or you permit the continuance for more than thirty (30) days of any proceeding against you seeking any reorganization, arrangement, composition, readjustment, liquidation, dissolution, or similar relief under any statute, law, or regulation.

(h) You seek, consent to, or acquiesce in the appointment of any trustee, receiver, or liquidator of your business, or all or a substantial part of your assets, or fail to vacate the appointment of any trustee, receiver, or liquidator for any purpose within thirty (30) days of appointment.

(i) You fail, within thirty (30) days of the entry of a final judgment against you in any amount exceeding Five Thousand and 00/100 Dollars (\$5,000.00), to discharge, vacate, or reverse the judgment or to stay execution on the judgment pending appeal or to discharge any judgment that is not vacated or reversed within 30 days after the expiration of the stay of execution.

(j) You allow a levy of execution to be made on the Franchise Business.

(k) You fail to promptly pay your obligations to us, our affiliates, or third party suppliers as they become due, or you default under a lease or finance agreement for the real or personal property involved in the Franchise Business.

(l) You fail to operate the Franchise Business in accordance with our uniform standards, you fail to meet current quality control standards according to the provisions of the Brand Standards Manual, or you fail to permit quality control checks and inspections by our representatives.

(m) You fail to purchase products and services for use in the Franchise Business from Designated or Approved Suppliers, as applicable.

(n) If you are an entity, any dispute, disagreement, or controversy between or among your stockholders, members, partners, directors, officers, or managers that materially and adversely affects the ownership, operation, management, or business of the Franchise Business.

(o) You, or your owners, or your affiliates commit any other material breach of any of the terms of this Agreement or any other agreement entered into with us or our affiliates, including breach of covenants of confidentiality, restrictions on competition, or personal guaranties.

(p) Any of your owners cancels any guaranty of the obligations of this Agreement.

### **15.5 Termination by Us.**

We have the right to terminate this Agreement before its expiration only for good cause and only in accordance with the requirements of this Section. Good cause for termination of this Agreement by us includes any default by you as defined in this Article 15 or elsewhere in this Agreement.

(a) On the happening of any of the events specified in Section 15.3, we may, at our option, terminate this Agreement effective on delivery of written notice to you without affording you an opportunity to cure (except as may be required by applicable law).

(b) On the happening of any of the events specified in Section 15.4 or elsewhere in this Agreement or for any other good cause, we may, at our option, terminate this Agreement effective on written notice to you and your failure to cure the defaults during the applicable cure period. Our written notice of termination to you must specify any defaults under this Agreement or other reasons for termination and the date the termination will be effective. The effective date of termination must be: (i) at least ten (10) days from the date of notice for defaults involving the failure to pay amounts owed to us or our affiliates; and (ii) at least thirty (30) days from the date of notice in all other instances. This Agreement will automatically terminate without further action by us on the date specified in the notice as the effective date of termination unless you completely cure all the defaults or other reasons for termination specified by us in the notice before the date specified in the notice as the effective date of termination.

#### **15.6 *Our Right to Withhold Products and Support Services on Certain Defaults by You.***

We will have the right to refuse to sell products to you and to cause Designated or Approved Suppliers to refuse to sell products to you and/or to withhold our support services from you if you commit any of the following defaults: (a) you fail to make a payment to us or our affiliates for more than thirty (30) days after the due date of the payment; (b) you owe us or any Designated or Approved Supplier Five Thousand and 00/100 Dollars (\$5,000.00) or more in past due payments; or (c) you commit any other default under this Agreement and fail to cure the default within the applicable cure period. Our actions as authorized in this Section may continue until you have cured your defaults and will not suspend or release you from any obligation that you owe to us or our affiliates under this Agreement or otherwise. In addition, if you fail to satisfy all the conditions of renewal but continue to operate your Franchise Business after the end of the term of this Agreement, we have the right to refuse to sell products to you and to cause Designated or Approved Suppliers to refuse to sell products to you and/or to withhold our support services from you.

#### **15.7 *Our Right to Charge Liquidated Damages for Certain Violations.***

You agree to pay us liquidated damages as a remedy for your failure to comply with contractual obligations and/or operational standards or procedures specified by us. Under our current policies, the liquidated damages are: (a) Two Hundred Fifty and 00/100 Dollars (\$250.00) for the first violation; (b) Five Hundred and 00/100 Dollars (\$500.00) for the second violation; and (c) One Thousand and 00/100 Dollars (\$1,000.00) for the third or more violation. The liquidated damages amounts and the violations to which they apply may be specified or revised by us in the Brand Standards Manual. The liquidated damages are intended to cover our damages suffered as a result of your violations. Those damages include our additional administrative expenses and damages arising from loss of uniformity, quality, reputation, or good will in the Franchise Systems. You agree that the imposition of the liquidated damages is reasonable. You also acknowledge and agree that the actual damages that would be sustained by us for the designated violations are incapable of calculation at the time of execution of this Agreement and that the liquidated damages amounts specified by us are a reasonable estimation of those damages. You must pay

the liquidated damages in the manner specified in Section 4.10 within ten (10) days of our written notice to you.

#### **15.8 Other Remedies.**

Our exercise of any remedy as described in this Article 15 or elsewhere in this Agreement and/or enforcement of the provisions of Article 16 on termination or expiration of this Agreement will not affect or prejudice any other rights or remedies we may have for breach of this Agreement by you, whether those rights and remedies are contained in this Agreement or otherwise provided by law or equity. Our other rights and remedies may include an action for specific enforcement of this Agreement or other injunctive relief, an action for damages caused by the breach, or termination of this Agreement.

#### **15.9 Security.**

Until all payments are made and any damages, costs, and expenses incurred or suffered by us have been paid, we shall have, and you shall be deemed to have granted, a lien against any and all of the furnishings, fixtures, and equipment, and all other assets of the Franchise Business, and your interest in the Lease and the Franchise Location.

### **ARTICLE 16 - EFFECT OF TERMINATION OR EXPIRATION**

#### **16.1 Your Obligations on Expiration or Termination.**

If this Agreement expires or terminates for any reason (including termination on a transfer), your rights to use the Intellectual Property and the Franchise Systems and all other rights associated with being an authorized Qahwah House™ franchisee will cease and you must do the following:

(a) You must immediately and permanently de-identify and discontinue the use of the Intellectual Property, the Confidential Information, the Franchise Systems, and any trademarks, names, and logos confusingly similar to the Marks or Trade Dress, and any other materials that may, in any way, indicate that you are or were a Qahwah House™ franchisee, or in any way associated with us.

(b) You must immediately discontinue all advertising placed or ordered. You must remove and deliver to us all sign faces, advertising and promotional material, letterhead, forms, and any other items containing the Intellectual Property or the Confidential Information. You are responsible for the cost of sign and other identification removal and the cost of shipping signs and other materials to us. If you remain in possession of the Franchise Location, you must alter the premises to distinguish the premises from the appearance of a Coffee Shop.

(c) You must cease using the Brand Standards Manual, the Confidential Information, and all other proprietary business information provided by us and must return to us all copies of the Brand Standards Manual, the Confidential Information, and other bulletins or other materials received from us containing information about the Intellectual Property and Coffee Shops.

(d) You must immediately and permanently cease to use all telephone and fax numbers, email addresses, website addresses, domain names, social media, and other electronic media that have been used in the Franchise Business (the "Telephone Numbers" and "Electronic Media") and must assign these Telephone Numbers and Electronic Media to us. You acknowledge that as between you and us, we have the sole right to all Telephone Numbers and Electronic Media used in the Franchise Business and all written and online directory listings associated with the Franchise Business. You authorize us, and appoint us and any of our officers as your attorney-in-fact, to direct the applicable service providers and all listing agencies to transfer those items to us or our agent or assignee if you fail or refuse to do so. You authorize the applicable service providers and all listing agencies to accept the direction in this Agreement as conclusive evidence of our exclusive rights in the Telephone Numbers and Electronic Media and directory listings and our authority to direct their transfer.

(e) You must cease using any business name containing any of the Marks and must file an abandonment or discontinuance of the name with the appropriate local, county or state agency.

(f) You must immediately pay all sums and debts owing to us and our affiliates, whether those sums and debts owing to us and our affiliates are evidenced by promissory notes, invoices, bills or other writings, and notwithstanding the fact that those sums and debts may not at that time be fully due and payable, those debts being accelerated automatically without further notice to you.

(g) You must sell to us all or part of your inventory or products on hand as of the date of termination or expiration that are uniquely identified with us, if any, as we may request in writing within thirty (30) days after the date of termination or expiration. You agree that the sales price for those items will be the current published prices then being charged by the manufacturer or supplier to our authorized franchisees, not including any costs of storage or transportation paid by you to bring the goods initially to the Franchise Business, minus all costs incurred or to be incurred by us to restore the goods or the packaging of the goods to a saleable condition and minus a reasonable allowance for physical deterioration, obsolescence, or damage to the extent not restored.

(h) You and each Owner shall, jointly and severally, pay all costs and expenses (including without limitation, reasonable attorney fees and expert fees) incurred by us in connection with the successful enforcement of this Article 16. In the event that you fail to comply with this Article 16, you agree and consent to us entering the Franchise Location, and such entry shall not constitute a trespass, for the purpose of carrying out your obligations under this Article 16 at your expense.

## **16.2 Termination of Lease; Option to Assume Lease.**

On expiration or termination of this Agreement, we may terminate any lease or sublease entered into between you and us for the Franchise Location.

We have the option to require you to assign your lease for the Franchise Location to us if this Agreement terminates or expires for any reason, other than a termination by you for cause. If

we exercise this right: (a) you must cooperate fully and use your best efforts to acquire the landlord's approval of the assignment of the lease to us, if necessary; and (b) if the lease cannot be assigned to us, you must sublease the Franchise Location to us on all the same terms and conditions as are contained in your lease and must cooperate fully and use your best efforts to acquire the landlord's approval of the sublease, if necessary. If you own the Franchise Location and this Agreement terminates or expires for any reason other than a termination by you for cause, we will have the option to require you to lease the Franchise Location to us on substantially the same terms and conditions contained in your lease for the Franchise Location, or, if no lease exists or the terms and conditions of the lease are not commercially reasonable, then on terms and conditions that are commercially reasonable. We must exercise the options granted in this Section within thirty (30) days of the date of expiration or termination of this Agreement or the options will terminate.

### **16.3 Option to Purchase Assets.**

If this Agreement expires or terminates for any reason, we will have the option, but not the obligation, to purchase the assets of the Franchise Business. The purchase price will be the fair value of the assets as agreed by the parties or in the absence of an agreement, as determined by appraisal using the method described in Section 20.3. The purchase price will be reduced by any current and long-term liabilities of the Franchise Business that we agree to assume and any amounts you owe to us. We must exercise the option granted in this Section within forty-five (45) days following the determination of a price for the assets. Closing of the sale must take place within forty-five (45) days after we exercise our option to purchase the assets or a later date, if agreed to by the parties, as necessary to comply with applicable bulk sales or other similar laws. At closing, we and you agree to sign and deliver all documents necessary to vest title in the assets purchased by us free and clear of all liens and encumbrances, except any assumed by us. We reserve the right to assign our option to purchase the Franchise Business or to designate a substitute purchaser of the Franchise Business.

### **16.4 Surviving Obligations.**

Your obligations or liability to us for amounts owed to us under this Agreement or for our damages attributable to the loss of bargain resulting from termination of this Agreement before its expiration (see Section 16.5) will survive the termination or expiration of this Agreement. Also, the following provisions of this Agreement will survive the expiration or termination of this Agreement: Article 11 relating to Intellectual Property; Article 12 relating to confidentiality; Article 13 relating to restrictions on competition; Article 16 relating to your obligations on termination; Article 17 relating to indemnification; Article 18 relating to dispute resolution; and other obligations in this Agreement or any other agreements between the parties that, by their terms or intent, survive expiration or termination of this Agreement.

### **16.5 Damages for Loss of Bargain.**

In addition to any other remedies available to us, if this Agreement is terminated before its expiration (other than termination by you for cause), we will be entitled to recover from you damages attributable to the loss of bargain resulting from that termination. Our damages for loss of bargain will be the Royalty fees and Brand Development Fund contributions that would have been payable to us for the balance of the term of the Franchise Agreement, but not more than 24 months. The aggregate amount of Royalty fees and Brand Development Fund contributions that

would have been payable will be the greater of 1) One Hundred Fifty Thousand and 00/100 Dollars (\$150,000.00) or 2) the product of multiplying the average monthly Royalty fees and Brand Development Fund contributions of the Franchise Business for the 12 month period (or lesser period if you were not in operation for a full 12 months) immediately preceding the date of termination or the date that you ceased to operate if earlier than the date of termination by 24. You and we acknowledge and agree that our actual loss of bargain damages is incapable of calculation at the time of execution of this Agreement and the damages calculated under this Section are a reasonable estimation of those damages. If the damages for loss of bargain payable under this Section are found to be invalid or unenforceable because they are found to be either a penalty or not a reasonable estimation of actual damages, the amount of the damages will be automatically amended to the extent necessary to be found valid and enforceable. The damages for loss of bargain described in this Section cover only our damages from the loss of revenue as a result of our being unable to operate, or to allow a third-party to operate a Coffee Shop at the Franchise Location. You and each of your owners agree that these damages do not cover any other remedies or damages to which we may be entitled as a result of your actions or inactions (including injunctive relief to enforce trademark violations and restrictions on competition) and do not give us an adequate remedy at law for any default under, or for the enforcement of, any other provision of this Agreement.

## **ARTICLE 17 – INDEMNIFICATION**

### **17.1 *Indemnification Obligation.***

You agree to defend, indemnify, and hold harmless us, our affiliates, and our and their officers, directors, managers, employees, agents, attorneys, shareholders, owners, members, designees, representatives, successors, and assigns (the “Indemnitees”) to the fullest extent permitted by law, from and against all claims, losses, liabilities and costs incurred in connection with any civil, criminal, or governmental action, suit, proceeding, claim, demand, investigation, or formal or informal inquiry (“Proceeding”) (regardless of whether any of the foregoing is reduced to judgment) or any settlement of the foregoing, which actually or allegedly, directly or indirectly, arises out of, is based on, is a result of, or is related in any way to any element of the establishment, construction, opening, and operation of the Franchise Business, including: any personal injury, death, or property damage suffered by any customer, visitor, operator, employee, or guest of the Franchise Business; crimes committed on or near the Franchise Location or vehicles used by the Franchise Business; all acts, errors, neglects, or omissions engaged in by you, your contractors or subcontractors, as well as any third party, arising out of or related to the design, construction, conversion, build-out, outfitting, remodeling, renovation, or upgrading of the Franchise Location, whether or not any of the foregoing was accepted by us; defects in any premises constructed by or operated by you, whether or not discoverable by you or us; all acts, errors, neglects, and omissions of you or the Franchise Business and/or the owners, members, officers, directors, management, employees, agents, servants, contractors, partners, proprietors, affiliates, or representatives of you or the Franchise Business (or any third party acting on your behalf or at your direction), whether in connection with the Franchise Business or otherwise, including any property damage, injury, or death suffered or caused by any person or vehicle serving the Franchise Business; all liabilities arising from or related to the offer, sale, and/or delivery of products and/or services by you or the Franchise Business; and any action by any customer of or visitor to the Franchise Business.

As used above, the phrase “claims, losses, liabilities, and costs” includes: all claims; causes of action; fines; penalties; liabilities; losses; compensatory, exemplary, statutory, or punitive damages or liabilities; costs of investigation; lost profits; court costs and expenses; reasonable attorneys’ and experts’ fees and disbursements; settlement amounts; judgments; compensation for damage to our reputation and goodwill; costs of or resulting from delays; travel, food, lodging, and other living expenses necessitated by the need or desire to appear before (or witness the proceedings of) courts, arbitration, or other tribunals, or government or quasi-governmental entities (including those incurred by Indemnitees’ attorneys and/or experts); all expenses of recall, refunds, compensation, and public notices; and other amounts incurred in connection with the matters described. All claims, losses, liabilities, and costs incurred under this indemnification provision will be chargeable to and must be paid by you, regardless of any actions, activity, or defense undertaken by Indemnitees or the subsequent success or failure of the actions, activity, or defense.

## **17.2 Indemnification Procedure.**

You must give us written notice of any Proceeding that could be the basis for a claim for indemnification by any Indemnatee within three (3) days of your actual or constructive knowledge of the Proceeding. At your expense and risk, any Indemnatee may elect to assume (but under no circumstance will the Indemnatee be obligated to undertake) the defense and/or settlement of the Proceeding. An Indemnity’s undertaking of defense and/or settlement will in no way diminish your obligation to indemnify us and other Indemnitees and to hold harmless us and other Indemnitees. If an Indemnatee does not undertake the defense of the Proceeding, you are responsible for the defense. An Indemnatee will have the right, at any time the Indemnatee considers appropriate, to offer, order, consent, or agree to settlements or take any other remedial or corrective actions the Indemnatee considers expedient with respect to the Proceeding if, in the Indemnatee’s sole judgment, there are reasonable grounds to do so. We and any Indemnatee shall at all times have the absolute right to retain counsel of our own choosing in connection with any Proceeding and the right to investigate any Proceeding.

Your indemnity obligation will continue in full effect even after the expiration, transfer, or termination of this Agreement. An Indemnatee’s right to indemnity under this Agreement will arise and be valid notwithstanding that joint or concurrent liability may be imposed on the Indemnatee by statute, ordinance, regulation or other law. An Indemnatee need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses in order to maintain and recover fully a claim against you for indemnity. You agree that a failure to pursue recovery or mitigate a loss will not reduce or alter the amounts that an Indemnatee may recover from you under this Section.

In the event that the exercise of our rights under this Article 17 actually results in your insurer, with respect to insurance required to be maintained by you pursuant to Section 8.13 (hereinafter, the “Insurer”), refusing to pay on a third-party claim, all claims, losses, liabilities, costs, and legal remedies which you might have against the Insurer shall be automatically assigned to us without the need for any further action on our or your part. For the purposes of Article 17, “actually results” means that, but for the exercise of our rights under Article 17, the Insurer would not have refused to pay on said third-party claim. In the event that the exercise of our rights under Article 17 actually results in the Insurer refusing to pay on a third-party claim, you shall be required to indemnify us for our attorney fees, expenses and costs incurred in connection

with that claim. In the event that you encourage, request, or suggest that the Insurer deny a claim, you shall indemnify us for our attorney fees, expenses and costs in connection with that claim.

In addition to your other indemnity obligations under this Article 17, you and each Owner shall indemnify us for any and all losses, compensatory damages, exemplary or punitive damages, fines, charges, costs, expenses, lost profits, settlement amounts, judgments, compensation for damages to our reputation and goodwill, costs of or resulting from delays, financing, costs of advertising material and media time/space, and costs of changing, substituting or replacing the same, and any and all expenses of refunds, compensation, public notices, and other such amounts incurred in connection with the matters described, which result from any of the items or Proceedings set forth in this Article 17. We do not assume any liability whatsoever for acts, errors, or omissions of those with whom you or any Owner may contract, regardless of the purpose. You and each Owner shall hold harmless and indemnify us for all claims, losses, liabilities and costs which may arise out of any acts, errors or omissions of these third parties. Under no circumstances shall we or the Indemnitees be required or obligated to seek recovery from third parties or otherwise mitigate losses in order to maintain a claim against you or any Owner. You and each Owner agree that the failure to pursue such recovery or mitigate loss will in no way reduce the amounts recoverable by us or the Indemnitees from you or any Owner.

## **ARTICLE 18 – DISPUTE RESOLUTION**

### **18.1 *Negotiation and Arbitration.***

Except for actions described in Section 18.2, the parties will try to resolve all disputes by having a Designated Owner negotiate with one of our executive officers to resolve the dispute, including at least one face-to-face meeting. The parties agree to conduct these negotiations in good faith and to use their best efforts to resolve any disputes. If the parties have not resolved the dispute within ten (10) days after beginning these negotiations, then either party may take action to enforce its rights.

Except insofar as we elect to enforce this Agreement by judicial process and injunction as provided in Section 18.2, all disputes and claims relating to any provision hereof, to any specification, standard, operating procedure or other obligation of us or our agents or the breach thereof (including, without limitation, any claim that this Agreement, any provision thereof, any specification, standard, operating procedure or any other obligation of you or any owner or us is illegal, unenforceable or voidable under any law, ordinance or ruling), or any other aspect of the relationship between you and us shall be settled by binding arbitration in the county of our principal office (including the determination of the arbitrability of any such disputes or claims). Arbitration will be held in accordance with the United States Arbitration Act (9 U.S.C. § 1 et. seq), if applicable, and the JAMS Comprehensive Arbitration Rules and Procedures (or such rules relating to the arbitration of disputes arising under Franchise Agreements). This Agreement evidences a transaction involving commerce and, therefore, the Federal Arbitration Act, Title 9 of the United States Code is applicable to the subject matter contained herein. The proceedings will be held in the county in which our principal place of business is located at the time the action is filed by a single arbitrator agreed upon by the parties or otherwise appointed as provided in Rule 15 of the JAMS Comprehensive Arbitration Rules and Procedures. Any arbitrator appointed must have at least ten (10) years' experience in franchise matters and shall have the right to award or include in any award the specific performance of this Agreement. The decision of the arbitrator

will be final, non-appealable, and binding upon the parties. Judgment upon the award rendered by the arbitrator may be entered in any court having personal and subject matter jurisdiction. During the pendency of any arbitration proceeding, you, each Owner, and we shall fully perform under this Agreement.

You agree that you will not file any arbitration claim as a class action, seek class action status, or permit your claim to be joined or made part of any class action filed by another. You further agree that you will not file or join in any consolidated arbitration.

**You acknowledge that you have read the terms of this binding arbitration provision and affirm that this provision is entered into willingly and voluntarily and without any fraud, duress or undue influence on our part or the part of any of our agents or employees.**

### ***18.2 Disputes Not Subject to Negotiation or Arbitration.***

The following disputes between the parties referred to in Section 18.1 will not be subject to negotiation or arbitration: (a) any dispute involving the Franchise Marks; (b) any dispute involving termination of this Agreement by us under Article 15; (c) any dispute involving enforcement of the restrictions on competition in Article 13; (d) any dispute involving Confidential Information under Article 12; (e) any dispute involving indemnification under Article 17; (f) any dispute involving, or to collect, unpaid Royalties, Brand Development Fund contributions, Technology Fees, and any and all other fees due and owing to us; and (g) any judicial proceeding initiated by us in equity seeking injunctive relief, including without limitation temporary restraining orders, preliminary injunctions, or other interlocutory relief.

### ***18.3 Applicable Law.***

This Agreement takes effect on its acceptance and execution by us in Michigan. Except for the applicability of the U.S. Trademark Law or other applicable federal law, all controversies, disputes or claims arising from or related to: (a) this Agreement or any other agreement between you (or your owners) and us; (b) our relationship with you; (c) the validity of this Agreement or any other agreement between you (or your owners) and us; or (d) any standard under the Franchise Systems and/or Brand Standards Manual; will be interpreted and construed under the laws of the State of Michigan. In the event of any conflict of law, the laws of Michigan will prevail, without regard to the application of Michigan conflict-of-law rules. Notwithstanding the foregoing, this Agreement will not be subject to any franchise or similar law, rule, or regulation of the State of Michigan unless the jurisdictional requirements of that law are met independently without reference to this Section.

### ***18.4 Jurisdiction and Venue.***

You and your owners must file any action against us or our affiliates or our or their owners, officers, directors, managers, agents, or employees, and we may file any action against you and your owners, exclusively in the federal or state courts located in the state in which our principal place of business is located at the time that the litigation is commenced. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Neither party will seek a transfer or change in venue from a venue established or authorized in this Section or elsewhere in this Agreement.

The parties agree they should each be able to settle, mediate, litigate, arbitrate, or compromise disputes in which they are involved with third parties, without having the disposition of such disputes directly affect the contract or relationship between us and you or Owner. We and you, or Owner, therefore each agree that a decision of an arbitrator or court of law in litigation to which one of them is not a party shall not in any manner prevent the party who was a party to such Proceeding from making similar arguments, or taking similar positions, in any Proceeding between us and you or Owner. The parties therefore waive the right to assert that principles of collateral estoppel prevent either of them from raising any claim or defense in a Proceeding between them as a result of such party having lost a similar claim or defense in another Proceeding.

### **18.5 *Injunctive Relief.***

We will have the right, without the posting of any bond or security and without the need to prove irreparable injury, to obtain specific enforcement of the terms of this Agreement from a court of competent jurisdiction, by temporary or permanent injunctions or other equitable relief. We will have the right to obtain injunctive relief to prevent you from engaging in the following acts, which you acknowledge would cause irreparable harm to us: (a) using any of the rights granted by this Agreement in any manner not authorized in this Agreement; (b) engaging in operations in violation of the in-term or post-term restrictions on competition in Article 13; (c) disclosing to any person or using our trade secrets or Confidential Information in violation of the terms of this Agreement; (d) transferring or assigning this Agreement or the assets of the Franchise Business without complying with this Agreement; (e) engaging in acts or practices in violation of applicable laws and regulations or that are fraudulent, dishonest, or create health or other hazards to the public; or (f) significantly impairing our goodwill. Your sole remedy for the entry of an injunction will be the dissolution of the injunction, if warranted, after notice and a hearing (all claims for damages by reason of the wrongful issuance of any injunction are expressly waived by you). Our rights to obtain injunctive relief are in addition to all other remedies available to us under applicable law.

### **18.6 *Costs of Enforcement or Defense.***

You agree to reimburse us for all expenses we reasonably incur (including attorneys' fees): (a) to enforce the terms of this Agreement or any obligation owed to us by you or the Designated Owners or your guarantors (whether or not we initiate a legal proceeding, unless we initiate and fail to substantially prevail in the court or formal legal proceeding); and (b) in defense of any claim you and/or a Designated Owner assert against us on which we substantially prevail in court or other formal legal proceeding. Attorneys' fees will include paralegal fees, administrative costs, investigative costs, costs of expert witnesses, court reporter fees, sales and use taxes, if any, and all other charges billed by the attorney to us.

### **18.7 *No Class Action or Consolidation.***

You and we agree that any litigation involving the parties will only be conducted on an individual, not a class-wide basis, and that a litigation proceeding between us and you may not be consolidated with any other litigation proceeding between the parties and any other person, corporation, limited liability company, partnership or other entity. The parties waive, to the fullest extent allowed by law, any right to pursue or participate as a lead plaintiff or a class representative in any claim on a class or consolidated basis.

**18.8 Jury Waiver; Time Period for Bringing Claims; Limitation of Damages.**

YOU AND WE IRREVOCABLY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM, WHETHER AT LAW OR IN EQUITY, BROUGHT BY YOU OR US, WHETHER OR NOT THERE ARE OTHER PARTIES IN THE ACTION OR PROCEEDING.

EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ALL CLAIMS ARISING UNDER THIS AGREEMENT OR FROM THE RELATIONSHIP BETWEEN THE PARTIES ARE BARRED UNLESS AN ACTION IS FILED AND TIMELY SERVED ON THE OPPOSING PARTY WITHIN ONE YEAR FROM THE DATE THE PARTY KNEW OR SHOULD HAVE KNOWN OF THE FACTS CREATING THE CLAIM, EXCEPT TO THE EXTENT ANY APPLICABLE LAW OR STATUTE PROVIDES FOR A SHORTER PERIOD OF TIME TO BRING A CLAIM OR AS OTHERWISE REQUIRED BY LAW.

YOU AND WE WAIVE IN ANY JUDICIAL ACTION, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT TO OR CLAIM OF ANY SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES AGAINST THE OTHER AND AGREE THAT IN THE EVENT OF A DISPUTE BETWEEN YOU AND US, AND AGREE TO BE LIMITED TO THE RECOVERY OF ANY ACTUAL DAMAGES SUSTAINED.

**ARTICLE 19 – YOUR ACKNOWLEDGMENTS AND REPRESENTATIONS**

**19.1 Risk of Operations.**

You represent that you understand the risks of being involved in a retail Coffee Shop business and are able to bear those risks. You acknowledge that the success of the Franchise Business depends primarily on your efforts. In addition, other factors beyond the control of us and you may affect the success of your business, including competition, economic conditions, business trends, costs, market conditions, and other conditions that may be difficult to anticipate, assess, or even identify. You understand and acknowledge that the Franchise Business may lose money or fail.

**19.2 Our Representations.**

You acknowledge and agree that, except as specifically stated in this Agreement or our Franchise Disclosure Document or the attached "Acknowledgments by Franchisee," no representations or warranties, express or implied, have been made to you, either by us or anyone acting on our behalf or purporting to represent us, including the prospects for successful operations, the level of business or profits that you might reasonably expect, the desirability, profitability, or expected traffic volume, or profit of the Franchise Business. You acknowledge that all those items are dependent on variables beyond our control, including the ability, motivation, and amount and quality of effort you expend. You acknowledge that we and our agents and representatives have not made and are not authorized to make any oral, written, or visual representations or projections of actual or potential sales, earnings, net or gross profits, operational costs or expenses, prospects or chances of success that are not contained in this Agreement or in our Franchise Disclosure Document. You agree that you have not relied on and that we will not be bound by allegations of any representations as to earnings, sales, profits, costs, expenses, prospects, or chances of success that are not contained in this Agreement or our Franchise Disclosure Document.

### **19.3 *Review of Materials and Consultation with Advisors.***

You acknowledge that you are familiar with and have made an independent investigation of the business to be conducted by the Franchise Business and have reviewed our Franchise Disclosure Document. You acknowledge that you have read and understood this Agreement, the attachments to this Agreement, and the documents relating to this Agreement, if any, and have been given ample time and opportunity (and have been encouraged) to consult with an attorney or other professional advisor about the potential benefits and risks of entering into this Agreement. You acknowledge that you have been afforded an opportunity to ask any questions you have and to review any materials of interest to you concerning the Franchise Business, and that you have exhausted those efforts and have made the decision to enter into this Agreement without any influence by us.

### **19.4 *Independent Status of Contract; Non-Uniformity of Agreements.***

You acknowledge and agree that we are entering into this Agreement with you independently and separately from any franchise or license that we have granted or may grant to any other person or entity, and that you are not entering into this Agreement in reliance on or because of any other agreement that we have entered or may enter into with a third party. You acknowledge and agree that the terms of our agreements with third parties, now and in the future, may be materially different with respect to any terms and condition of this Agreement, including royalty fees, Brand Development Fund fees, transfer fees, territorial exclusivity, renewals, and training. These variations may be based on any factors or conditions that we deem to be in the best interest of the Qahwah House™ franchise system or a particular Coffee Shop, including the knowledge, experience, and financial status of a franchisee, peculiarities of a particular location, customer base, density, lease provisions, business potential, population of trade area, existing business practices, or any other condition that we deem to be of importance to the operation of a specific Coffee Shop. Also, these variations may result from us, in our sole discretion, compromising, forgiving, or settling claims or disputes with or against other franchisees. You will not be entitled to require us to disclose or grant to you a like or similar variation.

### **19.5 *Terrorist and Money Laundering Activities.***

You and your owners, officers, directors, members, partners, and agents represent and warrant to us that: (a) you and they are not identified by name or alias, pseudonym, or nickname, on the lists of “Specially Designated Nationals” or “Blocked Persons” maintained by the U.S. Treasury Department’s Office of Foreign Assets Control; (b) you and they are not directly or indirectly owned or controlled by the government of any country that is subject to a United States embargo; (c) you and they will not act directly or indirectly on behalf of the government of any country that is subject to a United States embargo; and (d) you and they are in full compliance with all laws proscribing money laundering and corrupt practices. Further, you and your owners, officers, directors, members, partners, and agents represent and warrant to us that you and they have not violated and agree not to violate any law prohibiting corrupt business practices, money laundering, or the aid or support of persons who conspire to commit acts of terror against any person or government, including acts prohibited by the USA Patriot Act, U.S. Executive Order 13244, or any similar law. The foregoing constitute continuing representations and warranties, and you and your owners, officers, directors, members, partners, and agents must immediately notify us in writing of the occurrence of any event or the development of any circumstance that might render any of the foregoing representations and warranties false, inaccurate, or misleading.

### **19.6 Ownership of Franchisee; Guaranties.**

Your name, type of entity, state of organization, owners, and percentage of ownership are listed on the Obligations and Representations of Owners attached as Appendix B. You represent that the information stated in Appendix B is accurate and complete. You agree that you will immediately notify us (and comply with the provisions of Article 14, if applicable) if there is any change in the information contained in Appendix B. Your failure to comply with this requirement will be a material default under this Agreement. Each of your owners ("Owners") must personally guaranty your obligations to us by signing the Guaranty attached as Appendix D. Also, if you have an affiliate that operates a Coffee Shop, we may require your affiliate to guaranty all of your obligations to us by signing the Guaranty attached as Appendix D.

## **ARTICLE 20 – ADDITIONAL PROVISIONS**

### **20.1 Independent Contractor.**

You acknowledge and agree that you will be an independent contractor under this Agreement. Nothing in this Agreement may be construed to create a partnership, joint venture, agency, joint employer, or employment relationship of any kind. The parties acknowledge that this Agreement does not create a fiduciary relationship between the parties. You will not, without our prior written approval, have any power to obligate us for any expenses, liabilities, or other obligations, other than as specifically provided in this Agreement. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between you and us is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you unless expressly authorized under this Agreement. We will not be obligated for any damages to any person or property that directly or indirectly arises from or relates to your operation of the Franchise Business.

You acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities, and elements of the Franchise Business and that under no circumstance will we do so or be deemed to do so. You further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications, and procedures of the Franchise Systems, which you must comply with under this Agreement, whether contained in the Brand Standards Manual or otherwise, do not directly or indirectly constitute, suggest, infer, or imply that we control any aspect or element of the day-to-day operations of the Franchise Business, which you alone control, but only constitute standards that you must adhere to when exercising control of the day-to-day operations of the Franchise Business. You are an independent contractor, and you are solely responsible for all aspects of the development and operation of the Franchise Business, subject only to the conditions and covenants established by this Agreement. Without limiting the generality of the foregoing, you acknowledge that we have no responsibility to ensure that the Franchise Business is developed and operated in compliance with all applicable laws, ordinances and regulations and that we shall have no liability in the event the development or operation of the Franchise Business violates any law, ordinance or regulation.

None of your employees will be considered our employees. You and your employees whose compensation you may pay in any way, directly or indirectly, expressly or by implication, will not be construed to be our employee for any purpose, including with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any local, state or federal governmental agency. We will not have the power to hire or fire your employees. You agree, and will never contend otherwise, that any authority we have under this Agreement to perform certain functions for the Franchise Business does not directly or indirectly vest in us the power to hire, fire, or control any of your employees or their terms and conditions of employment.

Except as expressly provided in this Agreement, we may not control or have access to your funds or the expenditure of your funds or in any other way exercise dominion or control over the Franchise Business. Except as otherwise expressly authorized by this Agreement, neither party will make any express or implied agreements, warranties, guarantees, or representations or incur any debt in the name of or on behalf of the other party, or represent that the relationship between us is other than that of franchisor and franchisee. We do not assume any liability, and will not be considered liable, for any agreements, representations, or warranties made by you which are not expressly authorized under this Agreement. We will not be obligated for any damages to any person or property which directly or indirectly arise from or relate to your operation of the Franchise Business.

## **20.2 Definition of Affiliate.**

For purposes of this Agreement, an affiliate of a party is any person (including an individual, sole proprietorship, partnership, corporation, limited liability company, or other entity) that, directly or indirectly, controls, is controlled by, or is under common control with the party or any of its shareholders, officers, directors, partners, owners, or investors.

## **20.3 Appraisal Method.**

If a value is to be determined by appraisal as referred to in Sections 14.2 and 16.3, the following method will be used to determine the appraised value. If the parties are able to agree on an independent appraiser, that appraiser will determine the applicable value and his or her determination will be binding on the parties. If the parties are not able to agree on an independent appraiser within 15 days of the event triggering the appraisal, each party will select an independent appraiser qualified or certified to make the appraisal. The independent appraisers chosen will then select a third independent appraiser. The third independent appraiser will determine the applicable value and his or her determination will be binding on the parties. You and we agree to select our respective appraisers within 15 days after the event triggering the appraisal and the two appraisers chosen are obligated to appoint the third appraiser within 15 days after the date on which the last of the two party-appointed appraisers is appointed. You and we will bear the cost of our own appraisers and share equally the reasonable fees and expenses of the third appraiser. The parties will take reasonable actions to cause the appraiser to complete his or her appraisal within 30 days after the third appraiser's appointment.

#### **20.4 No Waivers.**

The failure or delay of any party at any time to require performance by another party of any provision of this Agreement, even if known, will not affect the right of that party to require performance of that provision or to exercise any right under this Agreement. We will not waive any right, power, or option under this Agreement (including our right to demand exact compliance with every term, condition, and covenant or to declare any breach to be a default and to terminate this Agreement before it expires) by reason of any of the following: (a) our failure or delay to require performance by another franchisee of any provision of its franchise agreement; (b) the existence of other franchise agreements which contain provisions different from those contained in this Agreement; (c) our acceptance of any payments due from you after any breach of this Agreement; or (d) any special or restrictive legend of endorsement on any check or similar item you give to us (we are authorized to remove or cancel any legend or endorsement). Any waiver by any party of any breach of any provision of this Agreement is not a waiver of any continuing or later breach of that provision, a waiver of the provision itself, or a waiver of any right under this Agreement. No notice to or demand on any party in any case, of itself, entitles that party to any other notice or demand in similar or other circumstances.

#### **20.5 Consents, Approvals and Satisfaction; Liability.**

Whenever our consent, approval, or acceptance is required under this Agreement, we will not unreasonably withhold or delay the consent unless specifically stated in this Agreement to the contrary. A consent, approval, or acceptance is not binding on us unless the consent, approval, or acceptance is in writing and signed by our CEO, president, manager, or a managing member. We may withhold our consent, approval, or acceptance if you are in default under this Agreement. Where our satisfaction is required under this Agreement, unless the Agreement expressly states otherwise, the satisfaction is determined in our sole discretion. WE MAKE NO REPRESENTATIONS OR WARRANTIES UPON WHICH YOU OR ANY OWNER MAY RELY AND ASSUME NO LIABILITY OR OBLIGATION TO YOU, ANY OWNER OR ANY THIRD PARTY BY PROVIDING ANY WAIVER, ADVICE, CONSENT OR SERVICES TO YOU OR DUE TO ANY DELAY OR DENIAL THEREOF, AND YOU WAIVE ALL CLAIMS AGAINST US FOR THAT TYPE OF LIABILITY.

#### **20.6 Our Reasonable Business Judgment.**

Whenever we have the right in this Agreement to take or to withhold an action, or to grant or decline to grant you a right to take or omit an action, we may, except as otherwise specifically provided in this Agreement, make our decision or exercise our rights based on information readily available to us and our judgment of what is in our and/or the Qahwah House™ franchise system's best interests at the time our decision is made, without regard to either whether we could have made other reasonable or even arguably preferable alternative decisions or whether our decision promotes our financial or other individual interest. Examples of items that will promote or benefit the Qahwah House™ franchise system include enhancing the value of the Intellectual Property, improving customer service and satisfaction, improving product quality, improving uniformity, enhancing or encouraging modernization, and improving the competitive position of the Qahwah House™ franchise system.

### **20.7 Third Parties.**

Except as provided in this Agreement to the contrary for any of our affiliates or franchisees, nothing in this Agreement, whether expressed or implied, is intended to confer any rights under this Agreement on any person (including other Qahwah House™ Coffee Shop franchisees) other than the parties and their respective personal representatives, other legal representatives, heirs, successors, and permitted assigns.

### **20.8 Cumulative Remedies.**

All remedies, either under this Agreement or by law or otherwise afforded, will be cumulative and not alternative.

### **20.9 Notices.**

Unless otherwise specified in this Agreement, notices under this Agreement must be in writing signed by the party serving the same and must be sent by: (a) registered or certified mail, return receipt requested, postage pre-paid, in which case the notice will be complete two days after mailing; or (b) reputable overnight courier service, in which case the notice will be complete one day after delivery to the overnight courier. The notice must be sent to the address referenced below or at another address designated by a party by notice under this Section.

If to us: Qahwah House Franchisor, LLC  
Attn: Ibrahim Alhasbani  
5320 Oakman Boulevard  
Dearborn, MI 48126

With a copy to: Mark J. Burzych  
(does not constitute notice) Fahey Schultz Burzych Rhodes PLC  
4151 Okemos Road  
Okemos, MI 48864  
Facsimile No.: (517) 381-5051

If to you: See Paragraph 5 of Appendix A.

### **20.10 Unavoidable Contingencies.**

Neither party will be responsible for any contingency that is unavoidable or beyond its control, such as strike, flood, war, rebellion, governmental limitation or Act of God; provided however, that any unavoidable contingencies shall not excuse any required payment to us or our affiliate by you.

### **20.11 Entire Agreement; Modifications.**

Except as expressly provided otherwise below, this Agreement and all appendices and other documents attached to this Agreement that are incorporated in this Agreement, constitute the entire agreement between the parties. This Agreement supersedes and replaces any and all previous or contemporaneous written and oral agreements or understandings, promises,

representations, inducements, or dealings between the parties. However, nothing in this Section or otherwise in this Agreement is intended to disclaim or waive your reliance on any statements made in the Franchise Disclosure Document delivered to you or in the exhibits and amendments to the Franchise Disclosure Document. This Agreement may not be amended or modified except in a writing signed by both parties, except that we may unilaterally modify the Franchise Systems and our specifications as provided in this Agreement.

THIS SECTION 20.11 DOES NOT APPLY TO THE SEPARATE CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT AND COVENANT NOT TO COMPETE EXECUTED BY YOU AND YOUR OWNERS, THE GUARANTY, AND THE COLLATERAL ASSIGNMENT OF LEASE, WHICH EACH CONSTITUTE A SEPARATE AGREEMENT AND SHALL NOT BE INTEGRATED OR CONSIDERED A PART OF THIS FRANCHISE AGREEMENT.

#### **20.12 Severability.**

Each Section, part or provision of this Agreement will be considered severable. If any Section, part or provision is found unenforceable by a court of competent jurisdiction, that determination will not impair the operation or affect the validity of the remainder of this Agreement unless the unenforceability, in our opinion, materially alters the protection of the Intellectual Property or our source of revenues. In that event, we may substitute for this Agreement, a new agreement without the unenforceable terms and additional terms as may be appropriate under the circumstances.

#### **20.13 Obligations Joint and Several.**

If there is more than one individual or entity signing this Agreement as franchisee, all those persons are jointly and individually liable for your obligations under this Agreement.

#### **20.14 Signing by Us.**

The submission of this Agreement is not an offer by us and we are not bound in any way until this Agreement is signed by our authorized representative.

#### **20.15 Construction.**

The headings in this Agreement are for convenience of reference and are not a part of this Agreement and will not affect the meaning or construction of any of its provisions. Unless otherwise specified, all references to a number of days shall mean calendar days and not business days. The words “include,” “including,” and words of similar import will be interpreted to mean “including, but not limited to” and the terms following those words will be interpreted as examples of, and not an exhaustive list of, the appropriate subject matter.

#### **20.16 Time of Essence.**

Time is of the essence to this Agreement.

#### **20.17 No Duty to Perform to Your Satisfaction.**

Notwithstanding anything to the contrary contained herein, we are not obligated to perform any services required under this Agreement to your particular level of satisfaction, but as a function of our experience, knowledge, and judgment.

#### **20.18 Masculine/Feminine.**

All references herein to the masculine, neuter, or singular shall be construed to include the masculine, feminine, neuter or plural, unless otherwise suggested by the text.

#### **20.19 Counterparts.**

This Agreement may be executed in any number of counterparts each of which when so executed shall be an original, but all of which together shall constitute one (1) and the same instrument. This Agreement may be executed on signature pages exchanged by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Copies of executed counterparts transmitted by such electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

#### **20.20 Supplemental Agreements.**

You must sign supplemental agreements, which are attached as Appendices to this Agreement, simultaneous with the signing of this Agreement, including the following:

(a) **Appendix A—Specifics.** This document describes your Franchise Location, Protected Area, the Designated Owners, and your address for notice as referenced in this Agreement.

(b) **Appendix B—Obligations and Representation of Owners.** Your Owners must sign this document to agree to be personally bound by the provisions of this Agreement and to provide information about you and your Owners.

(c) **Appendix C—Acknowledgements by Franchisee.** You must complete and sign this document to provide information about representations and disclosures by us so that we may ensure that all applicable franchise rules and laws have been followed in the sale of the franchise to you.

(d) **Appendix D—Guaranty.** Your Owners must sign this document to agree to be personally bound by your financial obligations to us.

(e) **Appendix E—Assignment of Telephone Numbers and Electronic Media.** You must sign this document now and any time in the future as we request in order to acknowledge and agree to our right to assignment of the telephone and fax numbers, email addresses, website addresses, domain names or other electronic media that have been used in the Franchise Business. On the expiration or termination of this Agreement, we may, at our option, accept the assignment and deliver the assignment to

the applicable service providers to complete the assignment.

(f) **Appendix F—Electronic Fund Transfer Authorization.** You must sign this document to authorize us to withdraw funds from your account for payment of amounts owed to us.

(g) **Appendix G—Form of Lease Addendum.** Any lease signed by you for the Franchise Location must be amended by an Addendum.

(h) **Appendix H—Collateral Assignment of Lease.** You must sign this document if the real estate for the Franchise Location is leased by you.

(i) **Appendix I—Addendum to Franchise Agreement for SBA Loans.** If you obtain a loan for the Franchise Business in which funding is provided with the assistance of the U. S. Small Business Administration (“SBA”), you and we will sign this Addendum to the Franchise Agreement to comply with SBA requirements.

(j) **Appendix J—Term of the Franchise Agreement.** This document describes the term of this Agreement, including the Effective Date, the date of opening, and the expiration date.

(k) **Appendix K – Confidentiality and Nondisclosure Agreement and Covenant Not to Compete.** The Franchisee and each of its individual owners must sign this document.

The parties have signed this Agreement on the dates beside their signatures to be effective as of the date at the beginning of this Agreement.

QAHWAH HOUSE FRANCHISOR, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

FRANCHISEE

By: \_\_\_\_\_

Its: \_\_\_\_\_

## APPENDIX A—SPECIFICS

1. The location of the Franchise Business as referred to in Sections 2.1 and 6.1 ("Franchise Location") or the area in which the Franchise Business will be located is:

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2. The Protected Area, as referred to in Section 2.3, shall be defined as that area within the following borders or as depicted in the attached map:

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3. The Designated Owners under Section 8.9 is/are:

|                              |                                                                                                      |
|------------------------------|------------------------------------------------------------------------------------------------------|
| <b>Name</b>                  | ***Designated Owner***                                                                               |
| <b>Address</b>               | ***Designated Owner Street Number*** ***Designated Owner Street Name***                              |
| <b>City, State, Zip code</b> | ***Designated Owner City Name***. ***Designated Owner State Name***. ***Designated Owner Zip Code*** |
| <b>Phone Number</b>          | ***Designated Owner Telephone Number***                                                              |
| <b>Email Address</b>         | ***Designated Owner Email Address***                                                                 |

4. Your address for purposes of notice under Section 20.9 is:

|                                                                                   |
|-----------------------------------------------------------------------------------|
| ***FRANCHISEE***                                                                  |
| Attn: ***Designated Owner***                                                      |
| ***Franchisee Street Number*** ***Franchisee Street Name***                       |
| ***Franchisee City Name***, ***Franchisee State Name*** ***Franchisee Zip Code*** |
| Facsimile No.: ***Franchisee Fax Number***                                        |

This Appendix A—Specifics is current and complete as of \_\_\_\_\_, 20\_\_.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
Franchisee

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

## APPENDIX B—OBLIGATIONS AND REPRESENTATIONS OF OWNERS

This is an Appendix to the Franchise Agreement between QAHWAH HOUSE FRANCHISOR, LLC (“Franchisor”) and the Franchisee named below dated \_\_\_\_\_, 20\_\_\_\_ (“Franchise Agreement”). All capitalized terms not defined in this Appendix will have the same meaning ascribed to them in the Franchise Agreement.

Each of the persons signing below (each an “Owner”) is directly or indirectly beneficially interested in the Franchise Business as a shareholder, officer, director, partner, member, owner, or investor. Each Owner hereby agrees to and will be jointly, severally, and personally bound by all the terms and provisions of the Franchise Agreement, other than those requiring the payment of money by Franchisee, to the same extent and in the same manner as Franchisee is bound, including the confidentiality covenants, the non-competition covenants, and all other restrictive covenants contained in Articles 12 and 13 of the Franchise Agreement, whether or not Owner’s status as a shareholder, officer, director, partner, member, owner, or investor may change or cease during or after the term of the Franchise Agreement. This Appendix will not impair any separate instrument of guaranty or subordination that any Owner signing below has executed or may execute in the future.

Each Owner signing below represents and warrants to Franchisor that the following is correct and true:

**Legal Name of Franchisee:** \_\_\_\_\_

**Type of Entity and State of Organization** (sole proprietorship, corporation, partnership, limited liability company, etc.): \_\_\_\_\_

**d/b/a (if applicable):** \_\_\_\_\_

**Address of Franchisee:** \_\_\_\_\_

**Business Telephone:** \_\_\_\_\_

**Authorized Assumed Name:** \_\_\_\_\_

**Name, Address, Phone No., Email Address, Title and % of Ownership of each Owner:**

|                                |                                             |
|--------------------------------|---------------------------------------------|
| <b>Name</b>                    | ***Owner 1***                               |
| <b>Address</b>                 | ***Owner 1 Address***                       |
| <b>Phone Number</b>            | ***Owner 1 Telephone Number***              |
| <b>Email Address</b>           | ***Owner 1 Email Address***                 |
| <b>Title</b>                   | ***Owner 1 Title***                         |
| <b>Percentage of Ownership</b> | ***Owner 1 Percentage of Ownership Interest |

|                                |                                             |
|--------------------------------|---------------------------------------------|
| <b>Name</b>                    | ***Owner 2***                               |
| <b>Address</b>                 | ***Owner 2 Address***                       |
| <b>Phone Number</b>            | ***Owner 2 Telephone Number***              |
| <b>Email Address</b>           | ***Owner 2 Email Address***                 |
| <b>Title</b>                   | ***Owner 2 Title***                         |
| <b>Percentage of Ownership</b> | ***Owner 2 Percentage of Ownership Interest |

|                                |                                             |
|--------------------------------|---------------------------------------------|
| <b>Name</b>                    | ***Owner 3***                               |
| <b>Address</b>                 | ***Owner 3 Address***                       |
| <b>Phone Number</b>            | ***Owner 3 Telephone Number***              |
| <b>Email Address</b>           | ***Owner 3 Email Address***                 |
| <b>Title</b>                   | ***Owner 3 Title***                         |
| <b>Percentage of Ownership</b> | ***Owner 3 Percentage of Ownership Interest |

(Attach documents and contracts governing the ownership, management, and other significant aspects of the business entity (e.g., articles of incorporation or organization, partnership or shareholder agreements, operating agreements, stock certificates, etc.))

**Acknowledged and Agreed by Each Undersigned Owner:**

/S/ \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Print Name Above)

/S/ \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Print Name Above)

/S/ \_\_\_\_\_

Dated: \_\_\_\_\_

\_\_\_\_\_  
(Print Name Above)

## APPENDIX C—ACKNOWLEDGEMENTS BY FRANCHISEE

You are entering into a Franchise Agreement with us for the operation of a Qahwah House™ Coffee Shop franchise. The purpose of this Appendix is to determine whether any statements or promises were made to you that we have not authorized or that may be untrue, inaccurate or misleading, and to be certain that you understand the limitations on claims that may be made by you by reason of the offer and sale of the franchise and operation of your Franchise Business. Please review each of the following questions carefully and provide honest responses to each question.

### Acknowledgements and Representations\*.

1. Did you receive a copy of our Franchise Disclosure Document (and all exhibits and attachments) at least 14 days before you signed a binding agreement with, or paid any consideration to, us or our affiliates in connection with the proposed franchise sale? Check one: ☐ Yes ☐ No. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 1A. If you are a resident of or your franchise will be located in **Iowa, Maryland, or Rhode Island**, did you receive a copy of our Franchise Disclosure Document at least by the earliest of: (a) at the time of your first personal meeting with us to discuss the franchise; or (b) 10 business days before you signed a binding agreement with, or made a payment to, us or our affiliates in connection with the proposed franchise sale? Check one: ☐ N/A ☐ Yes ☐ No. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 1B. If you are a resident of or your franchise will be located in **Michigan or Oregon**, did you receive a copy of our Franchise Disclosure Document at least 10 business days before you signed a binding agreement with, or made a payment to, us or our affiliates in connection with the proposed franchise sale? Check one: ☐ N/A ☐ Yes ☐ No. If no, please comment: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. Did you understand all of the information contained in the Franchise Disclosure Document? Check one: ☐ Yes ☐ No.  
  
If No, what parts of the Franchise Disclosure Document do you not understand? : \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. Were the terms and conditions of the Franchise Agreement presented to you for signing materially different from the Franchise Agreement contained in the Franchise Disclosure Document delivered to you: Check one: ☐ Yes ☐ No.

If yes, did you receive a copy of the Franchise Agreement in the form presented to you for signing at least seven calendar days before signing the Franchise Agreement? Check one: ☐ Yes ☐ No. If no, please comment: \_\_\_\_\_

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4. Was any oral, written or visual claim or representation made to you that contradicted the disclosures in the Franchise Disclosure Document? Check one: ☐ Yes ☐ No. If yes, please state in detail the oral, written or visual claim or representation: \_\_\_\_\_

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5. Except as may be stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on our behalf make any oral, written or visual claim, statement, promise or representation to you that stated, suggested, predicted or projected sales, revenues, expenses, earnings, income or profit levels at any Qahwah House™ Coffee Shop location or business, or the likelihood of success of your Franchise Business? Check one: ☐ Yes ☐ No. If yes, please state in detail the oral, written or visual claim or representation: \_\_\_\_\_

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6. Except as may be stated in Item 19 of our Franchise Disclosure Document, did any employee or other person speaking on our behalf make any statement or promise regarding the costs involved in operating a franchise that is not contained in the Franchise Disclosure Document or that is contrary to, or different from, the information contained in the Franchise Disclosure Document. Check one: ☐ Yes ☐ No. If yes, please comment: \_\_\_\_\_

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7. Has any employee or other person speaking on our behalf made any statement, promise, or agreement concerning advertising, marketing, training, support service, or assistance that we will furnish to you that is contrary to, or different from, the information contained in the Franchise Disclosure Document? Check one: ☐ Yes ☐ No. If no, please comment: \_\_\_\_\_

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8. Do you understand that the Franchise Agreement contains the entire agreement between you and us concerning the franchise for the Franchise Business and that any prior oral or written statements not set out in the Franchise Agreement will not be binding? Check one: ☐ Yes ☐ No. If no, please comment: \_\_\_\_\_

- 
- 
- 
9. Do you understand that the success or failure of your Franchise Business will depend in large part upon your skills and experience, your business acumen, your location, the local market for services under our trademarks, interest rates, the economy, inflation, the number of employees you hire and their compensation, competition and other economic and business factors? Check one: ☐ Yes ☐ No. If no, please comment:\_\_\_\_\_
- 
- 
- 
10. Have you discussed the benefits and risks of operating the Franchise Business with an attorney, accountant, or other professional advisor and do you understand those risks? Check one: ☐ Yes ☐ No. If no, please comment:\_\_\_\_\_
- 
- 
- 
11. Do you acknowledge that you are an independent contractor and responsible for running your own Franchise Business and that we do not have the authority to hire or fire your employees? Check one: ☐ Yes ☐ No. If no, please comment:\_\_\_\_\_
- 
- 
- 
12. Do you expressly agree and will never contest otherwise, that our authority under this Agreement to certify certain of your employees for qualification to perform certain functions for your Franchise Business does not directly or indirectly vest in us the power to hire, fire, or control any such employee? Check one: ☐ Yes ☐ No.
13. Do you acknowledge and agree, and will never contend otherwise, that you alone will exercise day-to-day control over all operations, activities, and elements of your Franchise Business and that under no circumstance shall we do so or be deemed to do so? Check one: ☐ Yes ☐ No.
14. Do you further acknowledge and agree and will never contend otherwise, that the various requirements, restrictions, prohibitions, specifications and procedures of the Franchise System which you are required to comply with under this Agreement, whether set forth in our Brand Standards Manuals or otherwise, do not directly or indirectly constitute, suggest, infer or imply that we control any aspect or element of the day-to-day operations of your Franchise Business, which you alone control, but only constitute standards you must adhere to when exercising your control of the day-to-day operations of your Franchise Business, but rather are to protect the Qahwah House™ system and brand? Check one: ☐ Yes ☐ No.
15. You understand and agree that it is unlawful and a criminal offense to duplicate or reproduce any copyrighted materials: ☐ Yes ☐ No.

16. You acknowledge that you have conducted an independent investigation of the Coffee Shop concept licensed by this Agreement, that you have had an adequate opportunity to be advised by advisors of your own choosing regarding all pertinent aspects of this Agreement and the franchise relation created by it, that the business venture contemplated by this Agreement involves business risks, and that the success of the business will be largely dependent upon the abilities of the Owners, if the Franchisee is a business entity. Franchisee understands that Franchisor makes no express or implied warranties or representations, guarantees or assurances that Franchisee will achieve any degree of success in operation of the Franchise Business and, while Franchisor will provide Franchisee with training, advice, and consultation as provided in this Agreement, success in operation depends ultimately on Franchisee and on other factors including, but not limited to, location, marketing, regional tastes and preferences, economic conditions, financial considerations and competition: ☐ Yes ☐ No.
17. FRANCHISEE RECOGNIZES THAT FRANCHISOR HAS ENTERED INTO THIS AGREEMENT IN RELIANCE UPON AND IN RECOGNITION OF THE FACT THAT FRANCHISEE AND ITS DESIGNATED OWNER AND GENERAL MANAGER SHALL HAVE FULL RESPONSIBILITY FOR THE MANAGEMENT AND OPERATION OF THE COFFEE SHOP CONCEPT LICENSED BY THIS AGREEMENT, AND THAT THE AMOUNT OF PROFIT OR LOSS RESULTING FROM THE OPERATION OF THE FRANCHISE BUSINESS WILL BE DIRECTLY ATTRIBUTABLE TO THE PERFORMANCE OF FRANCHISEE: ☐ Yes ☐ No.
18. All information provided to Franchisor in connection with the approval of Franchisee as a Franchisee and Coffee Shop is truthful and accurate: ☐ Yes ☐ No.
19. Franchisee acknowledges that this Agreement requires arbitration of disputes in the state and county in which Franchisor has its principal place of business at the time the action is filed; that an exception to this requirement is Franchisor's right to bring a court action for specified matters; that the exclusive venue and jurisdiction for any court action is the state in which Franchisor has its principal place of business at the time the action is filed; and that Franchisor and Franchisee waive the right to a jury, to punitive damages, and to bring multi-plaintiff, consolidated, or class-wide actions; and that one (1) year state of limitations applies to claims between the parties subject to specified exceptions: ☐ Yes ☐ No.

YOU UNDERSTAND THAT YOUR ANSWERS ARE IMPORTANT TO US AND THAT WE WILL RELY ON THEM. BY SIGNING THIS ADDENDUM, YOU ARE REPRESENTING THAT YOU HAVE CONSIDERED EACH QUESTION CAREFULLY AND RESPONDED TRUTHFULLY TO THE ABOVE QUESTIONS. IF MORE SPACE IS NEEDED FOR ANY ANSWER, CONTINUE ON A SEPARATE SHEET AND ATTACH.

**NOTE: IF THE FRANCHISEE IS AN ENTITY, EACH OF ITS OWNERS MUST SIGN THIS ACKNOWLEDGEMENT.**

Signed:\_\_\_\_\_

Signed:\_\_\_\_\_

Print Name:\_\_\_\_\_

Print Name:\_\_\_\_\_

Date:\_\_\_\_\_

Date:\_\_\_\_\_

\*These representations are not intended to nor will they act as a release, estoppel or waiver of any liability incurred under the Illinois Franchise Disclosure Act or under the Maryland Franchise Registration and Disclosure Law.

## APPENDIX D--GUARANTY

Each of the persons signing this Guaranty (each a "Guarantor"), in order to induce QAHWAH HOUSE FRANCHISOR, LLC ("Franchisor") to enter into a Franchise Agreement, dated the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, with \_\_\_\_\_ ("Franchisee"), unconditionally and absolutely guaranties payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness ("Indebtedness") of Franchisee to Franchisor. Indebtedness includes without limit: any and all obligations or liabilities of the Franchisee to Franchisor under the Franchise Agreement or any other agreement between the Franchisor and Franchisee or otherwise arising, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several, known or unknown; any and all indebtedness, obligations or liabilities for which Franchisee would otherwise be liable to Franchisor were it not for the invalidity, irregularity, or unenforceability of them by reason of any bankruptcy, insolvency, or other law or order of any kind, or for any other reason; any and all amendments, modifications, renewals and/or extensions of any of the above; and all costs of collecting Indebtedness, including, without limit, actual attorneys' fees. In addition, Guarantor agrees as follows:

1. This Guaranty is a continuing guaranty of payment and not of collection and remains effective whether the Indebtedness is reduced and later increased or entirely extinguished and later reincurred.

2. Guarantor will pay to Franchisor all costs and expenses, including reasonable attorneys' fees, incurred in enforcing this Guaranty.

3. If any Indebtedness is guaranteed by two or more guarantors, the obligation of Guarantor will be several and also joint, each with all and also each with any one or more of the others and may be enforced at the option of Franchisor against each severally, any two or more jointly, or some severally and some jointly. Franchisor, in its sole discretion, may release any one or more of the Guarantors for any consideration that it deems adequate, and may fail or elect not to prove a claim against the estate of any bankrupt, insolvent, incompetent, or deceased Guarantor; and after that, without notice to any Guarantor, Franchisor may extend or renew any or all Indebtedness and may permit Franchisee to incur additional Indebtedness, without affecting in any manner the unconditional obligation of the remaining Guarantors. Guarantor acknowledges that the effectiveness of this Guaranty is not conditioned on any or all of the Indebtedness being guaranteed by anyone else.

4. Guarantor, to the extent not expressly prohibited by applicable law, waives any right to require Franchisor to: (a) proceed against any person or property; (b) give notice of the terms, time and place of any public or private sale of personal property security held from Franchisee or any other person, or otherwise comply with the provisions of Sections 9-611 or 9-621 of the Michigan or other applicable Uniform Commercial Code, as the same may be amended, revised or replaced; or (c) pursue any other remedy in Franchisor's power. Guarantor waives notice of acceptance of this Guaranty and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment of any Indebtedness, any and all other notices to which Guarantor might otherwise be entitled, and diligence in collecting any Indebtedness, and agrees that Franchisor may, once or any number of times, modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew, or forbear to enforce payment of any or all Indebtedness, or permit Franchisee to incur additional

Indebtedness, all without notice to Guarantor and without affecting in any manner the unconditional obligation of Guarantor under this Guaranty.

5. Guarantor unconditionally and irrevocably waives each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of Guarantor under this Guaranty, and acknowledges that each waiver is by this reference incorporated into each security agreement, collateral assignment, pledge and/or other document from Guarantor now or later securing this Guaranty and/or the Indebtedness, and acknowledges that as of the date of this Guaranty no defense or setoff exists.

6. This Guaranty is an absolute and continuing guarantee and will remain in effect unless revoked in writing by Franchisor.

7. As long as Franchisee owes any monies to Franchisor (other than payments that are not past due) Franchisee will not pay and Guarantor will not accept payment of any part of any Indebtedness owed by Franchisee to us, or any one of us, either directly or indirectly, without the consent of Franchisor.

8. This Guaranty constitutes the entire agreement of Guarantor and Franchisor with respect to the subject matter of this Guaranty. No waiver, consent, modification or change of the terms of the Guaranty will bind Guarantor or Franchisor unless in writing and signed by the waiving party or an authorized officer of the waiving party, and then this waiver, consent, modification or change will be effective only in the specific instance and for the specific purpose given. This Guaranty will inure to the benefit of Franchisor and its successors and assigns and will be binding on Guarantor and Guarantor's heirs, legal representatives, successors and assigns including, without limit, any debtor in possession or trustee in bankruptcy for any of Guarantor. Guarantor has knowingly and voluntarily entered into this Guaranty in good faith for the purpose of inducing Franchisor to extend credit or make other financial accommodations to Franchisee. If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions will continue to be effective.

9. THIS GUARANTY WILL BE GOVERNED BY AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF MICHIGAN. GUARANTOR IRREVOCABLY SUBMITS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS OF THE STATE AND COUNTY OF WHICH FRANCHISOR'S PRINCIPAL PLACE OF BUSINESS IS LOCATED AT THE TIME THAT THE LITIGATION IS COMMENCED AND WAIVES ALL QUESTIONS OF PERSONAL JURISDICTION OR VENUE FOR THE PURPOSE OF CARRYING OUT THIS PROVISION. VENUE FOR ANY PROCEEDING RELATING TO OR ARISING OUT OF THIS GUARANTY WILL BE THE STATE AND FEDERAL COURTS IN WHICH FRANCHISOR HAS ITS PRINCIPAL PLACE OF BUSINESS AT THE TIME THAT THE LITIGATION IS COMMENCED. PROVIDED, HOWEVER, WITH RESPECT TO ANY ACTION THAT INCLUDES INJUNCTIVE RELIEF OR OTHER EXTRAORDINARY RELIEF, FRANCHISOR MAY BRING SUCH ACTION IN ANY COURT IN ANY STATE THAT HAS JURISDICTION.

10. GUARANTOR ACKNOWLEDGES THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. GUARANTOR, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF ITS CHOICE, KNOWINGLY AND VOLUNTARILY WAIVES ANY RIGHT TO TRIAL BY JURY IN

THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE INDEBTEDNESS.

11. If Franchisor is required to enforce this Guaranty in any judicial or arbitration proceeding or any appeals, each Guarantor, jointly and severally, must reimburse Franchisor for its enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Guaranty.

12. The failure to insist upon performance in any one (1) or more instances upon non-performance of any terms, covenants, and conditions of this Guaranty shall not be construed as a waiver of future performance of any such term, covenant, or condition of this Guaranty, and any obligations with respect hereto shall continue in full force and effect. Except as otherwise expressly provided in this Guaranty, no remedy conferred upon the Parties pursuant to this Guaranty is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Guaranty or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise of any right, power or remedy pursuant to this Guaranty shall preclude any other or further exercise thereof.

13. This Guaranty may be executed in any number of counterparts each of which when so executed shall be an original, but all of which together shall constitute one (1) and the same instrument. This Guaranty may be executed on signature pages exchanged by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Copies of executed counterparts transmitted by such electronic transmission service shall be considered original executed counterparts for purposes of this Guaranty.

Guarantor:

Dated: \_\_\_\_\_

\_\_\_\_\_  
(printed name)

Guarantor:

Dated: \_\_\_\_\_

\_\_\_\_\_  
(printed name)

Guarantor:

Dated: \_\_\_\_\_

\_\_\_\_\_  
(printed name)

Dated: \_\_\_\_\_

Guarantor:

\_\_\_\_\_  
\_\_\_\_\_  
(printed name)

## APPENDIX E—ASSIGNMENT OF TELEPHONE NUMBERS AND ELECTRONIC MEDIA

THIS ASSIGNMENT is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee").

**1. Introduction.** Franchisee has obtained a license from Franchisor for the operation of a business using Franchisor's Qahwah House™ Coffee Shop franchise business systems ("Franchise Systems"), which business Franchisee acquired by signing a Franchise Agreement dated \_\_\_\_\_ (the "Franchise Agreement"). In consideration of Franchisor granting the license to Franchisee, Franchisee has agreed to assign all Telephone Numbers and Electronic Media (as defined below) that are associated with Franchisee's Qahwah House™ Coffee Shop franchise business (the "Franchise Business") and/or the Franchise Systems to Franchisor. For purposes of this Agreement, "Telephone Numbers" includes all telephone numbers and fax numbers used in connection with the Franchise Business, including in connection with advertising and marketing for the Franchise Business as listed in Appendix E-1. For purposes of this Agreement, "Electronic Media" means the Internet, email, websites, social networks, wikis, podcasts, online forums, content sharing communities, blogging, other social media accounts or participations (including Facebook, Twitter, LinkedIn, YouTube, Pinterest, and Instagram), mobile technology, and other digital media, digital coupons, keyword or adword purchasing programs, search engine optimization, search engine marketing, AND marketing using other forms of digital media, used in connection with the operation, advertising, and marketing of the Franchise Business as listed in Appendix E-1.

**2. Assignment of Telephone Numbers/Power of Attorney.** Franchisee assigns all Telephone Numbers to Franchisor or its successor or assign. Franchisee hereby appoints an officer of Franchisor as Franchisee's attorney-in-fact to transfer the Telephone Numbers to Franchisor and to sign, on behalf of Franchisee, all documents necessary to accomplish the transfer.

**3. Assignment of Electronic Media/Power of Attorney.** Franchisee assigns all Electronic Media to Franchisor or its successor or assign. Franchisee also hereby appoints an officer of Franchisor as Franchisee's attorney-in-fact to transfer the Electronic Media to Franchisor and to sign, on behalf of Franchisee, all documents necessary to accomplish the transfer.

**4. Limited License; Responsibility for Costs.** Franchisor grants Franchisee a limited license to use the Telephone Numbers and Electronic Media in connection with the Franchise Business only during the term of the Franchise Agreement and only as long as Franchisee complies with the policies and procedures specified by Franchisor. On the expiration without renewal or termination of the Franchise Agreement, this limited license will terminate and Franchisee must cease all use of the Telephone Numbers and Electronic Media. On the termination of this license, Franchisee must cooperate with Franchisor and provide any authorizations as may be necessary for Franchisor to assert its rights in the Telephone Numbers and Electronic Media. While this limited license is in effect, Franchisee is responsible for all costs associated with the Telephone Numbers and Electronic Media and, unless otherwise specified by Franchisor, must pay those costs directly to the providers of the Telephone Numbers and Electronic Media.

5. **Access to Telephone Numbers and Electronic Media.** Franchisor will have the right to access all accounts relating to the Telephone Numbers and Electronic Media. Franchisee must provide to Franchisor all information necessary to allow Franchisor to access those accounts, including usernames, passwords, security codes, and all changes to any of that information.

6. **Consent.** Franchisee hereby consents and authorizes any and all telephone companies, telephone directory services, Internet companies, social media companies, and other public or private businesses using, authorizing or providing any of the Telephone Numbers and Electronic Media to immediately recognize this Assignment upon receipt of written notice from Franchisor. Franchisee agrees that a copy of this Assignment, certified by an officer of Franchisor, will be as valid and binding as the original.

7. **Notices.** Franchisor may give notice of its acceptance of the Assignment of the Telephone Numbers and Electronic Media by sending written notice by (a) registered or certified mail, return receipt requested, postage pre-paid, in which case the notice will be complete two days after mailing; or (b) overnight courier service, in which case the notice will be complete one day after delivery to the overnight courier. Notices may be sent in accordance with this Section to Franchisee and to all telephone companies, Internet companies and other businesses that are to recognize the Assignment.

8. **Miscellaneous.** If any part of this Agreement is found to be unenforceable, that finding will not invalidate the other parts of this Agreement. This Agreement expresses the entire understanding of the parties with respect to the subject matter herein. This Agreement will be construed in accordance with the laws of the State of Michigan and will be deemed to have been made in the State of Michigan. Franchisor may enforce its rights in this Agreement in the state or federal courts in the state in which Franchisor's principal place of business is located at the time that the litigation is commenced. Franchisee irrevocably submits to the jurisdiction and venue of such courts. This Agreement may not be changed orally, but only by an agreement in writing and signed by the party against whom enforcement of any change is sought.

Signed and effective this \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

QAHWAH HOUSE FRANCHISOR, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

Its: \_\_\_\_\_

***APPENDIX E-1***

| Telephone Numbers |  |
|-------------------|--|
|                   |  |
|                   |  |
|                   |  |

| Electronic Media |  |
|------------------|--|
|                  |  |
|                  |  |
|                  |  |

**APPENDIX F—ELECTRONIC FUND TRANSFER AUTHORIZATION  
AUTHORIZATION TO HONOR CHARGES DRAWN BY AND  
PAYABLE TO QAHWAH HOUSE FRANCHISOR, LLC (“FRANCHISOR”)**

The depositor identified below (“Depositor”) authorizes QAHWAH HOUSE FRANCHISOR, LLC and its designees (“Franchisor”) to initiate credit and debit entries electronically (referred to as an ACH or EFT transaction) or otherwise to Depositor’s checking or savings account indicated below (the “Account”) for charges associated with the Franchise Business including but not limited to Royalty fees, Brand Development Fund contributions, late fees or interest, liquidated damages, fine, penalties, or any other fees that may become due to Franchisor. Depositor further authorizes the depository or bank designated below (the Depository”) to credit and/or debit the same to the Account.

Debts to the Depositor’s Account that are not honored by the Depositor’s bank will incur a returned item charge upon each occurrence in accordance with the fee schedule determined by Franchisor. For any return item, Franchisor may re-initiate the ACH transaction or require the Depositor to replace the returned item with a Cashier’s check in the amount of the returned item plus any returned item fees due.

This authority is to remain in full force and effect until Depository has received joint written notification from Franchisor and Depositor of the Depositor’s termination of the authority in time and in a manner as to afford Depository a reasonable opportunity to act on it.

Depositor acknowledges and agrees that the origination of ACH transactions must comply with the provisions of all U.S. law and banking regulations. This EFT Authorization may be executed in any number of counterparts each of which when so executed shall be an original, but all of which together shall constitute one (1) and the same instrument. This EFT Authorization may be executed on signature pages exchanged by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Copies of executed counterparts transmitted by such electronic transmission service shall be considered original executed counterparts for purposes of this EFT Authorization.

Depository (Bank) Name: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

Depositor: (Please Print): \_\_\_\_\_

Acknowledged and Agreed: (Please Sign): \_\_\_\_\_

Name and Title of Person Signing: \_\_\_\_\_

Date Signed: \_\_\_\_\_

## APPENDIX G—FORM OF LEASE ADDENDUM

Any lease signed by you for the Franchise Location must be amended by an Addendum in the form below or must contain the provisions included in the Addendum below (except to the extent we agree to waive any particular provisions).

### ADDENDUM TO LEASE

This Addendum to Lease is entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_, and modifies a Lease Agreement dated the same date (the “Lease”) entered into by \_\_\_\_\_ (“Franchisee”) and \_\_\_\_\_ (“Landlord”) for premises located at \_\_\_\_\_ (the “Premises”).

**1. Introduction.** Franchisee has entered into a Franchise Agreement with QAHWAH HOUSE FRANCHISOR, LLC (“Franchisor”). The Franchise Agreement requires Franchisee’s lease for the Premises to contain certain provisions. In consideration of the agreement of Franchisor to enter into a Franchise Agreement with Franchisee for a Qahwah House™ Coffee Shop franchise to be located at the Premises, Landlord and Franchisee agree that the provisions contained in this Addendum will be applicable to the Lease notwithstanding anything to the contrary contained in the Lease.

**2. Use.** The Premises must not be used for any purpose other than the operation of a Qahwah House™ Coffee Shop during the term of the Lease, including renewals and extensions.

**3. Franchisor’s Options.** Landlord and Franchisee grant to Franchisor or affiliate of Franchisor the exclusive right, exercisable at the option of Franchisor, to be assigned all right, title and interest of Franchisee in and to the Lease and the Premises:

a. on the expiration or termination of the Franchise Agreement. Franchisor must give written notice of its intent to exercise this option within thirty (30) days of the event triggering the option. On the giving of notice of exercise by Franchisor, the Lease, and all right, title and interest of Franchisee under the lease and to the Premises will be automatically, and without need of further instrument, assigned to Franchisor or affiliate of Franchisor. If Franchisor does not give notice of exercise within the thirty (30) day period, Franchisor will be deemed to have forfeited all its rights under this Section. Landlord and Franchisee agree to execute documents confirming this assignment in the form presented by Franchisor, including a short form of Lease suitable for recording;

b. on the expiration or termination of the Lease or on Franchisee’s loss of its rights of possession to the Premises, whether by Franchisee’s default under the Lease or otherwise. Landlord shall provide Franchisor notice of default as provided under Section 7. Franchisor or an affiliate of Franchisor shall exercise its right to cure the default under Section 7 and/or accept assignment of the Lease within thirty (30) days after the expiration of the applicable default cure period in the Lease.

**4. Franchisor's Rights.** Upon Franchisor's exercise of its option to accept assignment of the Lease, Franchisee shall remain liable for any amounts owing, or any other default occurring, prior to the effective date of the assignment. Franchisor or affiliate of Franchisor shall succeed to all of the Franchisee's rights, options, and obligations under the Lease commencing on the effective date of the assignment and shall have the right to transfer or assign the Lease to another Qahwah House™ franchisee without the need to seek consent from Landlord and shall be effective upon the date of written notice to the Landlord. Franchisor's transfer to another Qahwah House™ franchisee relieves Franchisor from any further liability under the Lease. The terms of this Addendum shall remain in full force and effect as to such franchisee-transferee.

**5. Franchisor Access.** Landlord and Franchisee grant to Franchisor the right to enter the Premises to inspect and audit the Franchisee's business or to make any modifications necessary to protect the Franchisor trademarks.

**6. Exclusivity.** If the Premises are part of a strip mall, shopping center or similar location, Landlord will not lease any other space in the mall or center to any business that sells the same or similar products or menu items as a Qahwah House™ Coffee Shop for carry-out, dine-in, catering, or delivery.

**7. Notice of Default and Right to Cure.** Landlord must give Franchisor written notice of any breach by Franchisee under the Lease and Franchisor will have thirty (30) days from the date of that notice to cure that default on behalf of Franchisee before Landlord exercises any remedy it may have under the Lease.

**8. Other Notices.**

(a) Landlord and Franchisee must give Franchisor 30 days prior written notice of: (i) the cancellation or termination of the Lease prior to the expiration date of the lease; (ii) an assignment or attempted assignment of the Lease by the Landlord or Franchisee; (iii) the sublease or attempted sublease of the Premises by the Franchisee; or (iv) any modification of the Lease.

(b) Landlord and Franchisee must provide written notice to Franchisor within 15 days after: (i) Franchisee exercises any option to extend the Lease; (ii) Landlord and Franchisee renew the lease; or (iii) Landlord institutes any action against Franchisee, including an eviction action.

**9. Method of Providing Notices.** All notices sent to Franchisor pursuant to this Addendum to Lease must be sent by certified or registered mail, return receipt requested, or by overnight courier, to the following address, or to another address as to which Franchisor has notified the Landlord and the Franchisee:

Qahwah House Franchisor, LLC  
Attn: Ibrahim Alhasbani  
5320 Oakman Boulevard  
Dearborn, MI 48126

With a copy to:  
(does not constitute notice)

Mark J. Burzych  
Fahey Schultz Burzych Rhodes PLC  
4151 Okemos Road  
Okemos, MI 48864  
Facsimile No.: (517) 381-5051

**9. Modification of Premises.** Landlord and Franchisee agree that the Premises will not be modified or redecorated in any manner without the prior written acceptance of Franchisor.

**10. Third Party Beneficiary.** Landlord and Franchisee agree that Franchisor is a third party beneficiary of this Addendum and has the right independently of Franchise to enforce the provisions of this Addendum.

LANDLORD:

\_\_\_\_\_

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_

## APPENDIX H—COLLATERAL ASSIGNMENT OF LEASE

**FOR VALUE RECEIVED**, the undersigned, \_\_\_\_\_ a \_\_\_\_\_ corporation, ("Franchisee"), hereby assigns to QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company ("Franchisor") all of Franchisee's right, title and interest as tenant in, to and under a Lease Agreement dated the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, a copy of which is attached hereto as Exhibit A (the "Lease"), relating to premises commonly known as \_\_\_\_\_ (the "Premises"). This Assignment is for collateral purposes only and except as specified herein, Franchisor will have no liability or obligation of any kind whatsoever arising from or in connection with this Assignment or the Lease unless Franchisor takes possession of the Premises pursuant to the terms of this Collateral Assignment and assumes the obligations of Franchisee under the Lease.

NOW THEREFORE, it is hereby agreed as follows:

1. Collateral Assignment. Franchisee hereby assigns to Franchisor all of Franchisee's right, title, and interest in and to the Real Estate Lease, including any and all rights or options of Franchisee to extend, renew, or purchase the leased property through a right of first refusal or otherwise upon the occurrence of any of the following:

A. Termination of Franchise Agreement. Upon termination or expiration without renewal of the Franchise Agreement, Franchisor shall have the option to accept the assignment of the Real Estate Lease pursuant to this Collateral Assignment of Lease by giving the notice prescribed by this Collateral Assignment of Lease, in which case it is agreed the Real Estate Lease shall remain in effect as to Franchisor.

B. Termination of Real Estate Lease. Upon termination of the Real Estate Lease as to Franchisee or termination of Franchisee's possession rights under the Real Estate Lease, whether by Franchisee's default under Real Estate Lease or otherwise, Franchisor shall have the option to accept the assignment of the Real Estate Lease pursuant to this Collateral Assignment of Lease by giving the notice prescribed by this Collateral Assignment of Lease, in which case it is agreed the Real Estate Lease shall remain in effect as to Franchisor.

C. Franchisee's Right to Assign. At Franchisee's discretion, Franchisee may assign Real Estate Lease to Franchisor, and Franchisor may accept such assignment, at any time.

2. Effect of Assignment. Upon Franchisor's exercise of its option to take the above-described assignment:

A. Franchisee shall remain liable under the provisions of the Real Estate Lease, including without limitation, that Franchisee shall remain liable for any amounts owing, or any other default occurring, prior to the effective date of assignment.

B. Franchisor shall succeed to all of Franchisee's rights, options, and obligations under the Real Estate Lease commencing with the effective date of the assignment and shall have the right to transfer or assign the Real Estate Lease to another franchisee of

Franchisor without the need to seek consent from the Landlord. Franchisor's transfer to another franchisee of Franchisor relieves Franchisor from any further liability under the Real Estate Lease.

3. Notice of Franchisee's Default.

A. Landlord's Notice. Landlord shall provide Franchisor with notice of any default under the Real Estate Lease. Franchisor shall have the option (but not obligation) to cure any default should Franchisee fail to cure the default within the period in which Franchisee has to cure the default. At the expiration of Franchisee's period within which Franchisee has to cure any default, Franchisor shall then have 15 days in which to make its decision to cure. Franchisor may cure Franchisee's default without exercising its option to accept assignment of the Real Estate Lease and, in such event, Landlord agrees to accept Franchisor's cure as if made timely by Franchisee. Landlord shall give Franchisor written notice at least 30 days prior to the termination of the Real Estate Lease, termination of Franchisee's right of possession, expiration without renewal, or date of re-entry or repossession. Franchisor shall have 30 days after written notice from Landlord to exercise this option to accept assignment of the Real Estate Lease. Franchisor may exercise its option to accept assignment of the Real Estate Lease by written notice to the Landlord, and the assignment shall be effective on the date of written notice to the Landlord from Franchisor accepting assignment of the Real Estate Lease. It is hereby agreed that Landlord may rely solely upon the written notice received from Franchisor as to Franchisor's acceptance of this assignment of the Real Estate Lease, and Franchisee hereby releases the Landlord from any liability for relying upon such notice and shall hold the Landlord harmless from any and all liability to Lessee for any action Landlord may take in such reliance.

B. Franchisor Notice. Franchisor shall give Landlord copies of any or all notices of termination given to Franchisee pursuant to the Franchise Agreement, and if Franchisor desires to exercise its option to accept the assignment of the Lease in the event of Franchisee's failure to cure the default of the Franchise Agreement, Franchisor shall provide Landlord with a written notice on or before the date of termination of the Franchise Agreement. It is hereby agreed that Landlord may rely solely upon the written notice received from Franchisor as to the termination or expiration without renewal of the Franchise Agreement, and Franchisee hereby releases the Landlord from any liability for relying upon such notice and shall hold the Landlord harmless from any and all liability to Lessee for any action Landlord may take in such reliance.

4. Notice. Notice required by this Agreement shall be sent by overnight, certified or registered mail to Franchisor at the following address:

QAHWAH HOUSE FRANCHISOR, LLC  
Attention: Ibrahim Alhasbani  
5320 Oakman Boulevard  
Dearborn, MI 48126

with a copy to (which shall not be deemed notice):

Mark J. Burzych  
Fahey Schultz Burzych Rhodes, PLC  
4151 Okemos Road  
Okemos, Michigan 48864

Notice required by this Agreement shall be sent to Franchisee at the following address:

\*\*\*Principal Owner 1\*\*\*  
\*\*\*Principal Owner 1 Address\*\*\*

Notice required by this Agreement shall be sent to Landlord at the following address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notice shall be deemed effective on the date received, and regardless of whether the notice is signed for by the recipient, notice shall be deemed received 2 business days after mailing. Parties may change the notice address by providing written notice to the other parties of a change in such notice address.

5. Execution of the Documents. Franchisee hereby agrees to execute any and all documents requested by Franchisor in order to fully exercise any of the rights under the Real Estate Lease or this Collateral Assignment of Lease. If Franchisee shall not have executed any such document within the 3 days after having been so requested by Franchisor, Franchisee hereby appoints any member or officer of Franchisor as its attorney-in-fact with the full right and power to execute any and all such documents. This power, coupled with an interest, is given as security for the rights and privileges given to Franchisee under this Agreement and the Franchise Agreement.

6. Renewal, Extension or Amendment. Any renewal or extension of the Real Estate Lease, or any amendment to this Agreement or the Real Estate Lease of any type, can only be made by a writing executed by all three parties to this Agreement.

7. Indemnification. Franchisee shall indemnify and hold Franchisor harmless from any and all liability that Franchisor may incur after the effective date of the assignment of the Real Estate Lease arising under the terms of that Real Estate Lease from Franchisee's acts or omissions occurring prior to the effective date of the assignment, excluding only any liability prior to the assignment that Franchisor agrees in writing to assume and from which Franchisor agrees to hold Franchisee harmless.

8. Miscellaneous.

A. Use of Real Estate. Landlord hereby agrees to and acknowledges Franchisee's right to use and display Franchisor's Marks as that term is used in the Franchise

Agreement, subject only to any limitations imposed by Franchisor and any local, state or federal law. Landlord agrees that it will not limit Franchisee's right to use Franchisor Trademarks. Landlord further agrees to and acknowledges that the real estate subject to the Real Estate Lease shall be used solely for the operation of a Qahwah House™ Coffee Shop. Landlord agrees to notify Franchisor in the event that Franchisee begins to use real estate in any other manner and Landlord shall consider such use as an event of default.

B. Applicable Law. This Agreement shall be construed according to the laws of the state in which the premises are located. If any provision, or portion of a provision, of this Agreement is or shall become in conflict with any applicable law, then the applicable law shall govern and such provision or portion of a provision shall be automatically deleted and shall not be effective to the extent that it is not in accordance with applicable law. However, the remaining terms and conditions of this Agreement shall remain in full force and effect and no provision shall be deemed dependent upon any other provision unless otherwise expressed in this Agreement.

C. Entire Agreement. This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between the Parties. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the Parties.

D. New Real Estate Lease. It is hereby agreed that if the Real Estate Lease is terminated or expires without renewal, and the Franchisee and Landlord enter into a new lease arrangement, any such new real estate lease shall be deemed to be the Real Estate Lease for purposes of this Collateral Assignment of Lease thereby making it fully applicable to the new lease.

E. Option to Purchase. In the event Franchisee purchases the real estate, Franchisee agrees to execute the Real Estate Option to Purchase in the form then prescribed by Franchisor.

F. Disputes. Any dispute between the parties regarding this Collateral Assignment of Lease, and any claim by either party that cannot be amicably settled, shall be determined solely and exclusively in state or federal court in the county in which Franchisor's principal place of business is located at the time that the litigation is commenced. The existence of any claim or cause of action a Franchisee Party might have against the Company will not constitute a defense to the enforcement by the Company of this Agreement.

G. Enforcement. If Franchisor is required to enforce this Agreement in any judicial or arbitration proceeding or any appeals, each Franchisee Party, jointly and severally, must reimburse Franchisor for its enforcement costs. Enforcement costs include reasonable accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Agreement.

H. Effectiveness. This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of the parties and

shall inure to the benefit of the parties and their respective successors and assigns. Franchisee may not assign this Agreement without the prior written consent of Franchisor. Franchisor may assign this Agreement without the prior consent of the Franchisee.

I. Headings. The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.

J. Severability. In the event any Section or portion of any Section in this Agreement shall be determined to be invalid or unenforceable for any reason(s), such invalidity or unenforceability shall not affect the validity and enforceability of the remaining valid and enforceable Sections hereof, which shall be construed as if such invalid or unenforceable Section or Sections had not been inserted.

K. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed shall be an original, but all of which together shall constitute one (1) and the same instrument. This Agreement may be executed on signature pages exchanged by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Copies of executed counterparts transmitted by such electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

This Collateral Assignment of Lease is executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

Franchisor: Qahwah House Franchisor, LLC

Franchisee \_\_\_\_\_

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## **APPENDIX I—ADDENDUM TO FRANCHISE AGREEMENT FOR SBA LOANS**

This Addendum ("Addendum") is made and entered into on \_\_\_\_\_, 20\_\_\_\_, by and between QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company ("Franchisor"), located at 5320 Oakman Boulevard, Dearborn, MI 48126, and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee"), located at \_\_\_\_\_.

Franchisor and Franchisee entered into a Franchise Agreement on \_\_\_\_\_, 20\_\_\_\_, (such Agreement, together with any amendments, the "Franchise Agreement"). Franchisee is applying for financing(s) from a lender in which funding is provided with the assistance of the U. S. Small Business Administration ("SBA"). SBA requires the execution of this Addendum as a condition for obtaining SBA-assisted financing.

In consideration of the mutual promises below and for good and valuable consideration, the receipt and sufficiency of which the parties acknowledge, the parties agree that notwithstanding any other terms in the Franchise Agreement or any other document Franchisor requires Franchisee to sign:

### **CHANGE OF OWNERSHIP**

- If Franchisee is proposing to transfer a partial interest in Franchisee and Franchisor has an option to purchase or a right of first refusal with respect to that partial interest, Franchisor may exercise such option or right only if the proposed transferee is not a current owner or family member of a current owner of Franchisee. If the Franchisor's consent is required for any transfer (full or partial), Franchisor will not unreasonably withhold such consent. In the event of an approved transfer of the franchise interest or any portion thereof, the transferor will not be liable for the actions of the transferee franchisee.

### **FORCED SALE OF ASSETS**

- If Franchisor has the option to purchase the business personal assets upon default or termination of the Franchise Agreement and the parties are unable to agree on the value of the assets, the value will be determined by an appraiser chosen by both parties. If the Franchisee owns the real estate where the franchise location is operating, Franchisee will not be required to sell the real estate upon default or termination, but Franchisee may be required to lease the real estate for the remainder of the franchise term (excluding additional renewals) for fair market value.

### **COVENANTS**

- If the Franchisee owns the real estate where the franchise location is operating, Franchisor has not and will not during the term of the Franchise Agreement record against the real estate any restrictions on the use of the property, including any restrictive covenants, branding covenants or environmental use restrictions. If any such restrictions are currently recorded against the Franchisee's real estate, they must be removed in order for the Franchisee to obtain SBA-assisted financing.

## EMPLOYMENT

- Franchisor will not directly control (hire, fire or schedule) Franchisee's employees. For temporary personnel franchises, the temporary employees will be employed by the Franchisee not the Franchisor.

As to the referenced Franchise Agreement, this Addendum automatically terminates when SBA no longer has any interest in any SBA-assisted financing provided to the Franchisee.

Except as amended by this Addendum, the Franchise Agreement remains in full force and effect according to its terms.

Franchisor and Franchisee acknowledge that submission of false information to SBA, or the withholding of material information from SBA, can result in criminal prosecution under 18 U.S.C. 1001 and other provisions, including liability for treble damages under the False Claims Act, 31 U.S.C. §§ 3729 -3733.

Authorized Representative of Franchisor:

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

Authorized Representative of Franchisee:

By: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

**Note to Parties:** This Addendum only addresses "affiliation" between the Franchisor and Franchisee. Additionally, the applicant Franchisee and the franchise system must meet all SBA eligibility requirements.

**APPENDIX J— CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT AND  
COVENANT NOT TO COMPETE  
(Franchisee and Principal Owner)**

**QAHWAH HOUSE FRANCHISOR, LLC**

This Confidentiality and Nondisclosure Agreement and Covenant Not to Compete (the “Agreement”) is entered into as of the date or dates set forth below by and between \_\_\_\_\_ located at \_\_\_\_\_ (“Franchisee”) and QAHWAH HOUSE FRANCHISOR, LLC, located at 5320 Oakman Boulevard, Dearborn, MI 48126, (the “Company”), and \_\_\_\_\_ owner of Franchisee (“Owner”). Franchisee and Owner are hereinafter, collectively referred to as the “Franchisee Parties”.

WHEREAS, Franchisee is a party to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (“Franchise Agreement”) by and between Franchisee and the Company;

WHEREAS, the Company is the franchisor of Qahwah House™ specialty coffee shops (“Coffee Shops”) and has the authority to disclose and discuss all information relating to the operations of a Qahwah House™ Coffee Shop;

WHEREAS, Confidential Information and Trade Secrets, which are more particularly described below, will be disclosed to the Franchisee Parties in relation to Franchisee’s operation of its Qahwah House™ Coffee Shop franchise; and

WHEREAS, the Franchisee Parties understand the necessity of not disclosing any such information to any other party or using such information to compete against the Company, any affiliate(s) or other franchisee(s) of the Company, or in any business (i) that is a Competing Business (as defined below) or (ii) in which Trade Secrets and other Confidential Information (as defined below) could be used to the disadvantage of Franchisee, or the Company, any affiliate(s) of the Company, or the Company’s other franchisees.

NOW, THEREFORE, in order to induce the Company to transmit the aforesaid information to the Franchisee Parties, and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, hereby agree as follows:

1) **Franchise System**

- a) The Company franchises a system for the operation of a unique specialty coffee shop concept offering made to order specialty Yemeni coffee, coffee drinks, pastries, desserts, and related products for dine-in or takeout. The specialty coffee hop concept includes technical information and expertise relating to the preparation and serving of food products; the use of recipes, coffee beans, proprietary ingredients, and other food and beverage products, all of which constitute trade secrets and are identified by the public with Qahwah House™; prescribed exterior and interior design, decor, fixtures, and furnishings; standards and specifications for products and supplies; service standards; uniform standards, specifications, and procedures for operations; training and assistance; and advertising and promotional programs (collectively “Systems”); all of which may be changed, improved, and further developed by the Company.

- b) A business operated under the Systems, the Company's trademarks, and the Company's trade dress, whether operated by the Company or its affiliates or other persons authorized by the Company, will be referred to in this Agreement as a "Coffee Shop." The Coffee Shop that Franchisee is licensed to operate under the Franchise Agreement will be referred to in this Agreement as the "Franchise Business."

2) **Definitions.**

- a) The term "Brand Standards Manual" shall mean all manuals or other written materials relating to the Systems or containing the Company's specifications.
- b) The term "Competing Business" shall mean any business that is the same or similar to a Coffee Shop, including any business that competes with Qahwah House™ Coffee Shops and/or that offers the same or similar products, services, menu items, and other food and beverage offerings as Qahwah House™ Coffee Shops, including but not limited to, a retail business in which coffee-based drinks constitute at least five percent (5%) or more of the sales of the business. .
- c) The term "Confidential Information" shall include, but shall not be limited to:
  - (1) Brand Standards Manuals, training methods, operations methods, and other techniques, processes, policies, procedures, systems and data;
  - (2) Knowledge and experience relating to Coffee Shops;
  - (3) Advertising, marketing techniques and strategies, and advertising programs used in developing and operating Coffee Shops;
  - (4) All information regarding the identities and business transactions of customers and suppliers;
  - (5) Computer software and similar technology that has been or may be developed by or for the Company or its agents, which is proprietary to the Company, including, without limitation, digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology;
  - (6) Knowledge of the operating results and financial performance of Coffee Shops;
  - (7) Other aspects of the Systems now or later revealed to the Franchisee Parties and all changes and enhancements in the Systems, even if developed by the Franchisee Parties; and
  - (8) Other property that the Company describes as being Confidential Information or Trade Secrets of the Company or the Systems.
- d) The term "Franchise Location" shall mean the location for the Franchise Business approved in writing by the Company pursuant to the Franchise Agreement.
- e) The term "Geographic Areas" shall mean: (i) the Franchise Location; (ii) the area within twenty-five (25) miles of the Franchise Location; and (iii) the areas within twenty-five (25) miles of any other Qahwah House™ Coffee Shop existing or in development at the time any Franchisee Party begins to operate the Competing Business.

- f) The term “Trade Secret” shall mean information in any form (including, but not limited to, materials and techniques, technical or non-technical data, formulas, patterns, compilations, recipes, programs, devices, methods, techniques, drawings, processes, financial data, financial plans, product plans, passwords, lists of actual or potential customers or suppliers) related to or used in the Franchise Business that is not commonly known by or available to the public and that information: (i) derives economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use; and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

3) **Confidentiality and Nondisclosure.**

- a) The Franchisee Parties, and their Family Members, shareholders, officers, directors, partners, members, managers, owners, investors, employees, and agents, shall not at any time, during the term of the Franchise Agreement, or after the termination, expiration, or any other end of the Franchise Agreement, communicate, disclose, or use any Confidential Information or Trade Secrets (collectively, “Information”) for their own benefit, or the benefit of any third party, nor will the Franchisee Parties directly or indirectly aid any third party to imitate, duplicate, or “reverse engineer” any of the Information. The Franchisee Parties agree to use and permit the use of Information solely in connection with the operation of the Franchise Business. The Franchisee Parties shall not, without the Company’s prior written consent, copy, duplicate, record, or otherwise reproduce any Information. The Franchisee Parties hereby indemnify the Company and its directors, officers, employees, agents, members, successors and assigns, affiliates and subsidiaries, and the respective directors, officers, employees, agents, shareholders, managers, members, affiliates, and successors and assigns of each, from any damages, costs, or expenses resulting from or related to any disclosure or use of Information by the Franchisee Parties or their respective Family Members, shareholders, officers, directors, partners, members, managers, owners, investors, employees, and agents. The Franchisee Parties agree never to copy, duplicate, record or otherwise reproduce any of the Information, in whole or part, share it with any other third-party individual or entity (except as provided herein), store it in a computer or other electronic format, or otherwise make it available to any third party by any other means whatsoever. The Franchisee Parties shall retain all Information in strict confidence and not use the Information except as otherwise provided herein. The Franchisee Parties agree not to claim any right or interest in or to disclose Information to others.
- b) During the term of the Franchise Agreement between Franchisee and the Company or in the event the Franchise Agreement terminates, expires without renewal, or ends for any other reason, the Franchisee Parties, and Family Members, shareholders, officers, directors, partners, members, managers, owners, investors, employees, and agents must not use any of the Information to own, operate, or develop any Competing Business.
- c) The Franchisee Parties acknowledge the Company’s exclusive ownership of the Information and the System and the Company’s exclusive ownership of the Company’s trademarks. No Franchisee Party shall, directly or indirectly, contest or impair the

Company's exclusive ownership of, and/or license with respect to, the Information, the System, or the Company's trademarks.

- d) In the event that the Franchise Agreement between Franchisee and the Company terminates, expires without renewal, or ends for any other reason, or upon the Company's reasonable request, the Franchisee Parties shall return to the Company all Information, and shall not retain any copies in whatever form, including without limitation electronically stored information, or other reproductions, or extracts thereof, provided or prepared by the Company or the Franchisee Parties or any of their respective officers, members, managers, shareholders, directors, agents, employees, representatives, or consultants. The Franchisee Parties shall provide a certificate to the Company, in a form satisfactory to the Company, that all of the foregoing have in fact been returned and/or destroyed.

4) **Non-competition.**

- a) The Franchisee Parties acknowledge that the Information disclosed to the Franchisee Parties and all other aspects of the Company's System are highly valuable assets of the Company, and the Franchisee Parties agree that the Franchisee Parties and their shareholders, officers, directors, partners, members, managers, owners, investors, Family Members and affiliates must not, during the term of the Franchise Agreement, engage in any activity in competition with the Company or its franchisees and licensees, including involvement, whether as an owner (except ownership of no more than one percent (1%) of a publicly traded entity), director, officer, member, manager, employee, consultant, lender, representative or agent, or in any other capacity, or otherwise in any business that is involved, in whole or in part, in a Competing Business (except other Coffee Shops operated under franchise agreements entered into with the Company), or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a Competing Business, unless you have received the Company's prior written approval.
- b) In the event that the Franchise Agreement between Franchisee and the Company terminates, expires without renewal, or ends for any other reason, the Franchisee Parties and their shareholders, officers, directors, members, managers, partners, owners, investors, Family Members, and affiliates, must not, for a period of two (2) years commencing on the later of the effective date of termination, expiration, non-renewal, or any other end of the Franchise Agreement, directly or indirectly, engage in any activity in competition with the Company or its franchisees and licensees, including involvement, whether as an owner (except ownership of no more than one percent (1%) of a publicly traded entity), partner, director, officer, member, manager, employee, consultant, lender, representative, or agent, or in any other capacity in any business that is involved, in whole or in part, in a Competing Business or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a Competing Business; provided that, the restrictions in this Section will only apply within the Geographic Areas.
- c) The Franchisee Parties and their shareholders, officers, directors, members, managers, partners, owners, and investors, Family Members, and affiliates, must not, during the term of the Franchise Agreement and for a period of two (2) years after termination, expiration, non-renewal, or any other end of the Franchise Agreement, for any reason

whatsoever, directly or indirectly: (a) divert or attempt to divert any business or customer of the Franchise Business or any other Coffee Shop to any Competing Business by direct or indirect inducements or otherwise; (b) sponsor, appoint, or encourage or influence or promote friends, relatives, or associates to operate a Competing Business; or (c) employ any person or furnish or permit access to the Information to any person who is engaged or has arranged to become engaged in any activity in competition with Qahwah House™ Coffee Shops, including involvement, either as an owner (except no more than one percent (1%) of the publicly traded securities of an entity), partner, director, officer, member, manager, employee, consultant, lender, representative, or agent, or in any other capacity, of any business that is involved, in whole or in part, in a Competing Business or in any business or entity that franchises, licenses, or otherwise grants to others the right to operate a Competing Business.

- d) The Franchisee Parties acknowledge and agree that if any of the Franchisee Parties should violate the provisions of this Section 4 with respect to the operation of a Competing Business following expiration, termination, or any other end of the Franchise Agreement, then the period for which the prohibition stated therein shall be extended until two (2) years following the date such Franchisee Parties ceases all activities that are in violation of this Section 4.
- 5) **Effect of Agreement.** The Company's sole obligation under this Agreement is to provide the Confidential Information to the Franchisee Parties at the outset of the parties' business relationship so that the Franchisee Parties may open and operate the Franchise Business. The Company shall have no further obligations under this Agreement once the Company has provided the Information to the Franchisee Parties. Nothing in this Agreement shall be construed to create any additional or continuing obligation of the Company after the Company initially provides the Confidential Information to the Franchisee Parties. The Franchisee Parties' obligations under this Agreement shall continue in effect after termination, expiration, or any other end of the Franchise Agreement, regardless of the reason or reasons, whether such was voluntary or involuntary, and the Company is entitled to communicate the Franchisee Parties' obligations under this Agreement to any third party to the extent deemed necessary by the Company for protection of its rights.
- 6) **Reasonableness of Restrictions.** The Franchisee Parties have carefully considered the nature and extent of the restrictions upon the Franchisee Parties set forth in this Agreement (including without limitation, the covenants not to compete, confidentiality restrictions, and the restrictions on assignment) and the rights and remedies conferred upon all of the parties under this Agreement. Such restrictions, rights, and remedies: (a) are reasonable, including, but not limited to, their term and geographic scope; (b) are designed to preclude competition which would be unfair to the Company and the Company's franchise system; (c) are fully required to protect the Company's legitimate business interests; and (d) do not confer benefits upon the Company that are disproportionate to the Franchisee Parties' detriment. The covenants not to compete set forth in this Agreement are fair and reasonable, and will not impose any undue hardship on the Franchisee Parties, since the Franchisee Parties have other considerable skills, experience, and education which afford the Franchisee Parties the opportunity to derive income from other endeavors. The Franchisee Parties acknowledge that each of the terms set forth herein, including the restrictive covenants, are fair and reasonable and are reasonably required for the protection of the Company, the Company's Information, the Company's business system, its network of

franchises, the Company's Goodwill, and the Company's trade and service marks, and the Franchisee Parties waive any right to challenge these restrictions as being overly broad, unreasonable, or otherwise unenforceable. If, however, a court of competent jurisdiction determines that any such restriction is unreasonable or unenforceable, then the Franchisee Parties agree to submit to the reduction of any such activity, time period, or geographic restriction necessary to enable the court to enforce such restrictions to the fullest extent permitted under applicable law. It is the desire and intent of the Parties that the provisions of this Agreement shall be enforced to the fullest extent permissible under the laws and public policies applied in any jurisdiction where enforcement is sought.

- 7) **Relief for Breaches of Confidentiality and Non-Competition.** The Franchisee Parties acknowledge that it will be difficult to measure the damages to the Company from any breach of a Franchisee Party of the covenants and restrictions set forth herein, that the injury to the Company from any such breach would be incalculable and irremediable and the damages are not an alternative or an adequate remedy. The Franchisee Parties therefore agree that in the event any Franchisee Party breaches or attempts to breach any of the terms of this Agreement, the Company shall be entitled as a matter of right to obtain from any court of competent jurisdiction an injunction (i) prohibiting the breaching party from any further breaches of this Agreement; (ii) rescinding any action taken by the breaching party contrary to the terms of this Agreement; and (iii) authorizing the Company to recover from the breaching party any and all salaries, fees, commissions, income, profits or other remuneration or gain which the breaching party may have received or to which it may have become entitled to receive from or by reason of the conducting of any activity in violation of the terms, conditions or covenants of this Agreement. The issuance of such an injunction will not prevent the Company from obtaining such other relief as is appropriate under the circumstances, such as the award of other monetary damages.
- 8) **Independent Contractor and Joint Employer Disclaimer.** The Franchisee Parties understand and agree that nothing in this Agreement may be construed to create a partnership, joint venture, agency or employment relationship of any kind between the Company or any of the Franchisee Parties. No party shall represent that the relationship between the Company and the Franchisee Parties is other than that of franchisor and franchisee. The Company does not assume any liability, and shall not be considered liable, for any agreements, representations, or warranties made by the Franchisee Parties unless expressly authorized under this Agreement. The Company will not be obligated for any damages to any person or property that directly or indirectly arises from or is related to the operation of the Franchise Business by the Franchisee Parties. The Franchisee Parties acknowledge and agree, and will never contend otherwise, that the Franchisee Parties alone will exercise day-to-day control over all operations, activities and elements of the Franchise Business and that under no circumstance will the Company do so or be deemed to do so. The Franchisee Parties further acknowledge and agree, and will never contend otherwise, that the various requirements, restrictions, prohibitions, and covenants the Franchisee Parties are required to comply with under this Agreement do not directly or indirectly constitute, suggest, infer or imply that the Company controls any aspect or element of the day-to-day operations of the Franchise Business. None of Franchisee Parties' employees nor the Franchisee Parties will be considered employees of the Company. Neither the Franchisee Parties nor any of Franchisee Parties' employees whose compensation Franchisee may pay in any way, directly or indirectly, expressly or by implication, will be construed to be an employee of the Company for any purpose, including,

without limitation, with respect to any mandated or other insurance coverage, tax or contributions, or requirements pertaining to withholdings, levied or fixed by any local, state or federal governmental agency.

9) **Miscellaneous.**

- a) The parties agree that this Agreement shall become non-executory after the Company's disclosure of the Information.
- b) This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement supersedes any prior agreements, negotiations and discussions between the parties. This Agreement cannot be altered or amended except by an agreement in writing signed by the duly authorized representatives of the parties.
- c) Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act; 15 U.S.C. § 1050 et. seq), as amended, this Agreement shall be governed by the laws of the state of Michigan. The parties agree, however, that if the Franchise Business is not located in Michigan, and if no Franchisee Party a resident of Michigan, the provisions of the Michigan Franchise Investment Law and the regulations promulgated thereunder shall not apply to this Agreement.
- d) Any action brought by any party to this Agreement shall only be brought in the appropriate state or federal court located in or serving the county in which the Company's principal place of business is located at the time the litigation is commenced. The parties waive all questions of personal jurisdiction or venue for the purposes of carrying out this provision. Claims for injunctive relief may be brought by the Company where any Franchisee Party is located. This exclusive choice of jurisdiction and venue provision shall not restrict the ability of the parties to confirm or enforce judgments in any appropriate jurisdiction.
- e) If the Company is required to enforce this Agreement in any judicial or arbitration proceeding or any appeals, each Franchisee Party, jointly and severally, must reimburse the Company for its enforcement costs. Enforcement costs include actual accountants', attorneys', attorney's assistants', arbitrators' and expert witness fees, costs of investigation and proof of facts, court costs, arbitration filing fees, other litigation expenses and travel and living expenses, whether incurred prior to, in preparation for, or in contemplation of the filing of any written demand, claim, action, hearing or proceeding to enforce this Agreement.
- f) This Agreement shall be effective as of the date this Agreement is executed and shall be binding upon the successors and assigns of the parties and shall inure to the benefit of the parties and their respective successors and assigns. Franchisee Parties may not assign this Agreement without the prior written consent of the Company. The Company may assign this Agreement without the prior consent of the Franchisee Parties.
- g) The failure to insist upon performance in any one (1) or more instances upon non-performance of any terms, covenants, and conditions of this Agreement shall not be construed a waiver of future performance of any such term, covenant, or condition of this

Agreement, and the obligations of each party with respect thereto shall continue in full force and effect.

- h) The paragraph headings in this Agreement are included solely for convenience and shall not affect, or be used in connection with, the interpretation of this Agreement.
- i) The existence of any claim or cause of action a Franchisee Party might have against the Company will not constitute a defense to the enforcement by the Company of this Agreement.
- j) In the event any Section or portion of any Section in this Agreement shall be determined to be invalid or unenforceable for any reason(s), such invalidity or unenforceability shall not affect the validity and enforceability of the remaining valid and enforceable Sections hereof, which shall be construed as if such invalid or unenforceable Section or Sections had not been inserted.
- k) Except as otherwise expressly provided in this Agreement, no remedy conferred upon the parties pursuant to this Agreement is intended to be exclusive of any other remedy, and each and every such remedy shall be cumulative and shall be in addition to every other remedy given pursuant to this Agreement or now or hereafter existing at law or in equity or by statute or otherwise. No single or partial exercise by any party to this Agreement of any right, power or remedy pursuant to this Agreement shall preclude any other or further exercise thereof.
- l) This Agreement may be executed in any number of counterparts each of which when so executed shall be an original, but all of which together shall constitute one (1) and the same instrument. This Agreement may be executed on signature pages exchanged by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Copies of executed counterparts transmitted by such electronic transmission service shall be considered original executed counterparts for purposes of this Agreement.

**THE FRANCHISEE PARTIES CERTIFY THAT THEY HAVE READ THIS AGREEMENT CAREFULLY AND UNDERSTAND AND ACCEPT THE OBLIGATIONS THAT IT IMPOSES WITHOUT RESERVATION. NO PROMISES OR REPRESENTATIONS HAVE BEEN MADE TO ANY FRANCHISEE PARTY TO INDUCE THE SIGNING OF THIS AGREEMENT.**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year written below.

FRANCHISEE:

\_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

COMPANY:

QAHWAH HOUSE FRANCHISOR, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

OWNER:

\_\_\_\_\_  
\*\*\*Principal Owner 1\*\*\*

Dated: \_\_\_\_\_

## APPENDIX K—TERM OF THE FRANCHISE AGREEMENT

1. The Effective Date of the Franchise Agreement is: \_\_\_\_\_.

2. The date of opening of the Franchise Business is: \_\_\_\_\_.

3. The expiration date of the Franchise Agreement is: \_\_\_\_\_.

This Appendix J—Term of the Franchise Agreement is current and complete as of \_\_\_\_\_, 20\_\_.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
Franchisee

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT C**

**ADDENDUM TO FRANCHISE AGREEMENT-RENEWAL**

## **ADDENDUM TO FRANCHISE AGREEMENT-RENEWAL**

THIS ADDENDUM is made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date (the "Franchise Agreement") entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company, ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

**A. Introduction.** We and you are parties to a franchise agreement dated \_\_\_\_\_, the term of which expired or will expire on \_\_\_\_\_, 20\_\_\_\_ ("Old Agreement"). You expressed your desire to renew your franchise relationship with us and you signed a new franchise agreement to which this Renewal Addendum is attached (the "Franchise Agreement"). We and you desire to amend the Franchise Agreement to reflect your status as an existing franchisee renewing an ongoing relationship. All capitalized terms not otherwise defined in this Renewal Addendum will have the same meaning as in the Franchise Agreement.

**B. Release of Franchisor.** As a condition of renewal, you release and forever discharge us and our representatives, owners, employees, officers, agents and assigns from all liability, right, claim, debt and cause of action whatsoever, known or unknown, suspected or unsuspected, which you ever had, now have or may have at any time based on any agreement entered into between you and us on or before the date of this Addendum, including but not limited to the Old Agreement, or based on any act or omission occurring on or before the date of this Addendum.

**C. Refurbishing of Franchise Location.** You must complete the refurbishing updating, upgrading, construction and/or improvement of the Franchise Location and the equipment, fixtures and signs at the Franchise Location as specified below. These actions must be completed by \_\_\_\_\_, 20\_\_\_\_.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**D. Initial Franchise Fee; Renewal Fee.** You are not required to pay the initial franchise fee specified in Section 4.1 of the Franchise Agreement. In lieu of the initial franchise fee, you must pay a renewal fee in the amount of twenty-five percent (25%) of our current initial franchise fee, which currently equals Twenty Thousand and 00/100 Dollars (\$20,000). The renewal fee is payable on or before the signing of the Franchise Agreement.

**E. Services Provided to You.** Section 5 of the Franchise Agreement is amended as follows:

- (1) The first sentence of Section 5.4 is deleted.
- (2) Section 5.5 is deleted.
- (3) The first sentence of Section 5.8 is deleted.

**F. Location Approval and Development.** Except as provided in Section C of this Addendum, we acknowledge that, for purposes of Sections 6.1 and 6.4 of the Franchise Agreement, the Franchise Location is approved by us and is currently developed in accordance with our specifications.

**G. Date of Opening.** For purposes of Section 6.8 of the Franchise Agreement, you are obligated to keep the Franchise Business open so that there is no interruption in the operation of the franchise.

**H. Initial Training.** Sections 6.6 and the first, second, and last paragraphs of 7.1 of the Franchise Agreement are deleted.

**I. Grand Opening Advertising.** Section 9.1 of the Franchise Agreement is deleted.

**J. Events of Default.** Subsections 15.4(a), (b), and (c) of the Franchise Agreement are deleted.

**K. Legal Effect.** Except as modified by this Addendum, the Franchise Agreement will remain in full force and effect and is incorporated in this Addendum by reference.

QAHWAH HOUSE FRANCHISOR, LLC

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT D-1**

**ADDENDUM TO FRANCHISE AGREEMENT-TRANSFER**

## **ADDENDUM TO FRANCHISE AGREEMENT-TRANSFER**

THIS ADDENDUM is made the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date (the "Franchise Agreement") entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company, ("Franchisor") and \_\_\_\_\_, a \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

**A. Introduction.** You entered into an agreement ("Purchase Agreement") to purchase the Qahwah House™ specialty coffee shop located at \_\_\_\_\_ ("Coffee Shop") from the current owner of the Coffee Shop (the "Seller"). We and you desire to amend the Franchise Agreement to reflect the fact that you are acquiring an open and operating Coffee Shop by transfer from one of our existing franchisees. All capitalized terms not otherwise defined in this Addendum will have the same meaning as in the Franchise Agreement.

**B. Contingency; Date of Effectiveness of Franchise Agreement.** The rights and obligations of the parties under the Franchise Agreement are contingent on: (1) your completion of our initial training program; and (2) the closing of the transaction under the Purchase Agreement and the transfer of possession and ownership of the Coffee Shop to you. If these contingencies are not met by \_\_\_\_\_, 20\_\_\_\_, we may, at our option, terminate the Franchise Agreement. If we terminate the Franchise Agreement as provided in this Section, we will have the right to retain the transfer fee paid by you (or the Seller) and otherwise the parties will have no further rights or obligations to each other under the Franchise Agreement; provided that, the confidentiality and non-competition provisions of the Franchise Agreement will survive the termination. If these contingencies are met by the date specified above in this Section, then the Franchise Agreement will become effective on the date that you receive possession and ownership of the Coffee Shop (the "Effective Date").

**C. Refurbishing of Franchise Location.** You must complete the refurbishing updating, upgrading, construction and/or improvement of the Franchise Location and the equipment, fixtures and signs at the Franchise Location as specified below. These actions must be completed within 90 days of the date of the Effective Date of this Addendum.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**D. Initial Franchise Fee; Transfer Fee.** You are not required to pay the initial franchise fee specified in Section 4.1 of the Franchise Agreement. In lieu of the initial franchise fee, you (or the Seller) must pay a transfer fee in the amount of seventy-five percent (75%) of the current initial franchise fee, which is Sixty Thousand and 00/100 Dollars (\$60,000). The transfer fee is payable on or before the signing of the Franchise Agreement.

**E. Services Provided to You.** Section 5 of the Franchise Agreement is amended as follows:

- (1) Section 5.5 is deleted.
- (2) The first sentence of Section 5.8 is deleted.

**F. Location Approval and Development.** Except as provided in Section C of this Addendum, we acknowledge that, for purposes of Sections 6.1 and 6.4 of the Franchise Agreement, the Franchise Location is approved by us and is currently developed in accordance with our specifications.

**G. Date of Opening.** For purposes of Section 6.8 of the Franchise Agreement, you must begin operation of the Franchise Business on the effective date of the transfer.

**H. Grand Opening Advertising.** Section 9.1 of the Franchise Agreement is deleted.

**I. Legal Effect.** Except as modified by this Addendum, the Franchise Agreement will remain in full force and effect and is incorporated in this Addendum by reference.

QAHWAH HOUSE FRANCHISOR, LLC,

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
Franchisee

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT D-2**

**FRANCHISE TERMINATION AND RELEASE AGREEMENT--TRANSFER**

## **FRANCHISE TERMINATION AND RELEASE AGREEMENT--TRANSFER**

THIS AGREEMENT is effective the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and is made between QAHWAH HOUSE FRANCHISOR, LLC, a Michigan limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Agreement, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

1. **Introduction.** We and you are parties to a Franchise Agreement dated \_\_\_\_\_, \_\_\_\_\_ (the "Franchise Agreement"), for the operation of a Qahwah House™ Restaurant franchise at \_\_\_\_\_ (the "Restaurant"). You entered into an agreement to sell the Restaurant to a buyer acceptable to us (the "Buyer"). We have waived our right of first refusal to purchase the Restaurant and have approved the sale under Section 14.3 of the Franchise Agreement. In accordance with the Franchise Agreement, we and you are terminating the Franchise Agreement so that we may enter into a new franchise agreement with the Buyer. All capitalized terms not otherwise defined in this Agreement will have the same meaning as in the Franchise Agreement.

2. **Termination of Franchise Agreement.** You and we agree that the Franchise Agreement is terminated as of the effective date of this Agreement.

3. **Release.** As a condition to our consent to your transfer to the Buyer, you release and forever discharge us and our representatives, owners, employees, officers, agents and assigns from all liability, right, claim, debt and cause of action whatsoever, known or unknown, suspected or unsuspected, which you ever had, now have or may have at any time based on any agreement entered into between the parties on or before the date of this Agreement or based on any act or omission occurring on or before the date of this Agreement; provided, that nothing contained in this Section will affect your rights and obligations under this Agreement.

4. **Your Duties.** Effective on the date of this Agreement, and except as may be authorized by any other franchise agreement between us and you, your rights to use the Intellectual Property and the Franchise Systems and all other rights associated with being an authorized Qahwah House™ franchisee will cease and, you must do the following:

(a) You must immediately and permanently discontinue the use of the Intellectual Property, the Confidential Information, the Franchise Systems, and any trademarks, names, and logos confusingly similar to the Franchise Marks or Trade Dress, and any other materials that may, in any way, indicate that you are or were a Qahwah House™ franchisee, or in any way associated with us.

(b) Except as assumed by the Buyer, you must immediately discontinue all advertising placed or ordered. Except as transferred to the Buyer, you must remove and deliver to us all sign faces, advertising and promotional material, letterhead, forms, and any other items containing the Intellectual Property or the Confidential Information. You are responsible for the cost of sign and other identification removal and the cost of shipping signs and other materials to us.

(c) You must cease using the Brand Standards Manual, the Confidential Information, and all other proprietary business information provided by us and, except as transferred to the Buyer, must return to us all copies of the Brand Standards Manual, the Confidential Information, and other bulletins or other materials received from us containing information about the Intellectual Property and Restaurants.

(d) Except as transferred to the Buyer, you must immediately and permanently cease to use all telephone and fax numbers, email addresses, website addresses, domain names and other electronic media that have been used in the Franchise Business (the "Telephone Numbers" and "Electronic Media") and if requested by us, must assign some or all of these Telephone Numbers and Electronic Media to us. You acknowledge that as between you and us, we have the sole right to all Telephone Numbers and Electronic Media used in the Franchise Business and all written and online directory listings associated with the Franchise Business. You authorize us and appoint us and any of our officers as your attorney-in-fact, to direct the applicable service providers and all listing agencies to transfer those items to us or our agent or assignee if you fail or refuse to do so. You authorize the applicable service providers and all listing agencies to accept the direction in this Agreement as conclusive evidence of our exclusive rights in the Telephone Numbers and Electronic Media and directory listings and our authority to direct their transfer.

(e) You must cease using any business name containing any of the Marks and must file an abandonment or discontinuance of the name with the appropriate local, county or state agency.

(f) You must immediately pay all sums and debts owing to us and our affiliates, whether those sums and debts owing to us and our affiliates are evidenced by promissory notes, invoices, bills or other writings, and notwithstanding the fact that those sums and debts may not at that time be fully due and payable, those debts being accelerated automatically without further notice to you.

(g) You must sell to us all or part of your inventory or products on hand as of the date of termination or expiration that are uniquely identified with us, if any, as we may request in writing within thirty (30) days after the date of termination or expiration. You agree that the sales price for those items will be the current published prices then being charged by the manufacturer or supplier to our authorized franchisees, not including any costs of storage or transportation paid by you to bring the goods initially to the Franchise Business, minus all costs incurred or to be incurred by us to restore the goods or the packaging of the

goods to a saleable condition and minus a reasonable allowance for physical deterioration, obsolescence, or damage to the extent not restored.

(h) You and each of your owners shall, jointly and severally, pay all costs and expenses (including without limitation, reasonable attorney fees and expert fees) incurred by us in connection with the successful enforcement of Article 16 of the Franchise Agreement. In the event that you fail to comply with this Article 16, you agree and consent to us entering the Franchise Location, and such entry shall not constitute a trespass, for the purpose of carrying out your obligations under this Article 16 at your expense.

**5. Surviving Provisions of Franchise Agreement.** The following provisions of the Franchise Agreement will survive the termination of the Franchise Agreement: Article 11 relating to Intellectual Property; Article 12 relating to confidentiality; Article 13 relating to restrictions on competition; Article 16 relating to your obligations on termination; Article 17 relating to indemnification; Article 18 relating to controlling law, venue and jurisdiction, and dispute resolution; and other obligations in the Franchise Agreement or any other agreements between the parties that, by their terms or intent, survive expiration or termination of the Franchise Agreement.

**6. Legal Effect.** This Agreement contains the entire agreement between the parties as to the matters covered and is binding on the heirs, devisees, successors or assigns of the parties. The laws of the State of Michigan will govern this Agreement and the construction of this Agreement. You and your owners must file any action against us or our affiliates or our or their owners, officers, directors, managers, agents, or employees, and we may file any action against you and your owners, exclusively in the federal or state courts located in the state in which our principal office is located at the time the action is filed. The parties waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Neither party will seek a transfer or change in venue from a venue established or authorized in this Section or elsewhere in this Agreement. You agree to pay all costs incurred by us in enforcing the provisions of this Agreement, including, but not limited to reasonable attorney fees.

The parties have signed this Agreement on the dates beside their signatures, to be effective as of the date at the beginning of this Agreement.

QAHWAH HOUSE FRANCHISOR, LLC

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

\_\_\_\_\_  
(Franchisee)

Dated: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT E**

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# Qahwah House Franchise Operations Manual

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**CONFIDENTIALITY/NON-COMPETITION AGREEMENT**

## **CONFIDENTIALITY/NON-COMPETITION AGREEMENT**

(management employee)

I am an employee or trainee of \_\_\_\_\_  
(the "Company"). The Company operates or is developing a Qahwah House™ Coffee Shop franchise under a Franchise Agreement between the Company and QAHWAH HOUSE FRANCHISOR, LLC (the "Franchisor") or of one of its affiliates or franchisees.

As an employee or trainee of the Company, I acknowledge that in the course of my employment by the Company and my training in the Qahwah House™ Coffee Shop systems of operation, I will have access to certain Confidential Information, as defined below, about the Company and the Franchisor's methods of establishing, developing, operating and maintaining Qahwah House™ Coffee Shop that is confidential and not available to the public in general. I understand that the Company and the Franchisor have spent a great deal of time and money developing this Confidential Information and I acknowledge that the Company and the Franchisor's reasonable competitive business interests would be severely and irreparably damaged if the Confidential Information that has been (or may be) revealed to me were to be disclosed to any third person, become available to the public in general, or used by me to compete with the Company or the Franchisor or any of its affiliates or franchisees. I, therefore, agree that the Company and Franchisor have a need to protect the Company's and the Franchisor's valuable Confidential Information and I agree that in consideration of these factors, and in consideration of my employment or continuing employment with the Company and/or by training in the Qahwah House™ Coffee Shop systems of operation, I promise and agree to be bound by the terms of this Agreement as follows:

1. I agree not to directly or indirectly disclose to any individual, partnership, corporation or any other entity ("Person") or to use myself, any Confidential Information which I learn during my training and/or employment with the Company, except as necessary in the course of my employment with the Company. I agree that these restrictions will apply while I am in training or am employed by the Company and indefinitely after my training is completed or my employment terminates.

I agree to, at all times, keep the Confidential Information strictly confidential and use my best efforts to maintain the secrecy of the Confidential Information. In particular, I will, at all times, keep all tangible forms of the Confidential Information that I have been entrusted with in a secure work area and safely locked away when not in use and will ensure that these items do not fall into the hands of unauthorized persons.

I also agree that if my training ceases without my being employed by the Company or my employment with the Company terminates or ends for any reason, I will immediately return to the Company or the Franchisor, all memoranda, notes and other written, digital, electronic, or printed information that is in my possession or under my control, which contains Confidential Information, including information, which although not confidential, belongs to the Company or the Franchisor or relates to its business or systems of the Company or the Franchisor. This obligation will apply

regardless of whether the information was prepared by me, the Company, the Franchisor, or a third party.

The term "Confidential Information" includes, but is not limited to: (i) "proprietary information," which includes, but is not limited to, knowledge and experience relating to Qahwah House™ Coffee Shop; advertising, marketing techniques and strategies, and advertising programs used in developing and operating Qahwah House™ Coffee Shop; computer software and similar technology and systems that have been or may be developed by or for the Company or the Franchisor, which is proprietary to the Company or the Franchisor, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; the contents of the Brand Standards Manual; financial information, including but not limited to knowledge of the operating results and financial performance of Qahwah House™ Coffee Shop; new ventures, pending projects and proposals, and product development information; other aspects of the Qahwah House™ Coffee Shop systems now or later revealed to you and all changes and enhancements in the Qahwah House™ Coffee Shop systems, even if developed by you; and other property that the Company or the Franchisor describes as being Confidential Information or that is confidential, unique and/or not generally known or available to the public, including but not limited to, information regarding the Company's or the Franchisor's methods, equipment, and materials relating to the development, marketing, and operation of the Company's business as a Qahwah House™ Coffee Shop; (ii) "trade secret" information which includes any knowledge, ideas, concepts, recipes, techniques, computer programs, systems manuals, installation guides, reports, technical manuals, operation manuals, and training programs relating to the establishment, development, operation and maintenance of the Company's business or a Qahwah House™ Coffee Shop; (iii) "customer information" which includes information about current and prospective customers of the Company or the Franchisor, including any list that contains the names, addresses and telephone numbers, and other contact information of the Company's and/or Franchisor's current or prospective customers, and specific information about these customers or prospective customers such as number of employees, general needs, customer contacts or referral sources; and (iv) "supplier information" which includes product source information and information about current and prospective carriers, suppliers, vendors, agencies, or providers of the Company or the Franchisor, including the names, addresses and telephone numbers of any such suppliers and the terms of any contracts or arrangements between the Company or the Franchisor and such suppliers.

2. I will not, while I am in training or while I am employed by the Company, nor within one (1) year of the date that training ceases without my being employed by the Company or the date of termination of my employment, for any reason whatsoever, directly or indirectly:

(a) engage in any business that is in competition with the Company or the Franchisor as principal, agent on behalf of others, jointly with others, or as a stockholder, partner, director, officer, independent contractor, employee or advisor of or to any Person within two (2) miles of any Qahwah House™ Coffee Shop; or

(b) have a financial interest in, or aid or assist, financially or otherwise (as a lender, stockholder, or otherwise), any Person who is engaged in a business that is in

competition with the Company or the Franchisor within twenty-five (25) miles of any Qahwah House™ Coffee Shop;

I also agree that I will not maliciously disparage or otherwise make harmful or unfavorable statements regarding the Company or the Franchisor or a Qahwah House™ Coffee Shop or any of their services, operations, processes or methods to anyone else.

3. Pursuant to the federal Defend Trade Secrets Act of 2016, I have been notified and understand that I will not be held criminally or civilly liable under any federal or state trade secrets law for the disclosure of a trade secret that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

4. I understand that the Franchisor is the exclusive owner of all rights relating to the Qahwah House™ Coffee Shop systems and its Confidential Information, and I agree that as a condition of my training and/or employment by the Company, the Franchisor has the exclusive rights to all ideas, improvements and innovations relating to a Qahwah House™ Coffee Shop, which I conceive, develop or help develop during my training and/or employment.

5. I understand that the Company is an independently owned and operated Qahwah House™ Coffee Shop franchisee and is my sole employer and solely responsible for the terms of my employment and my compensation. I further understand that the Franchisor is not directly or indirectly my employer and that the Franchisor is granted rights under this Agreement solely for the purpose of protecting the Qahwah House™ Confidential Information and the Qahwah House™ Coffee Shop systems and brand.

6. My obligations under this Agreement will be binding on me and my heirs and personal representatives and will inure to the benefit of the Company and the Franchisor and their successors and assigns. My obligations arising out of this Agreement are in addition to and are not in any manner limitations on all obligations not to use or disclose the Company's or the Franchisor's Confidential Information as provided by law, whether expressly or by implication.

7. I acknowledge that my breach of this Agreement will cause the Company and/or Franchisor irreparable harm. I, therefore, agree that the Company will be entitled to an injunction enjoining me and restraining me from performing and continuing to commit any violation or breach of this Agreement, in addition to any other rights and remedies it might have. Also, the Company will be entitled to recover all costs and expenses from me, including actual attorneys' fees and costs incurred in enforcing this Agreement. These remedies are cumulative and not alternative and will be in addition to every remedy given under this Agreement, any other agreement between me and the Company, or now or later existing at law or in equity, by statute or otherwise. The election of one or more remedies will not constitute a waiver of any right to pursue other remedies.

8. I agree that Franchisor is a third-party beneficiary of this Agreement and has the right independently of the Company to enforce the provisions of this Agreement.

9. I acknowledge and agree that the restrictions, rights, and remedies contained in this Agreement are reasonable, valid, and enforceable. However, if a court of competent jurisdiction finds any of the provisions of this Agreement to be too broad to be enforceable, such provision shall be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable, bearing in mind that the purpose of this Agreement is to provide the broadest possible protection against disclosure of the Confidential Information.

10. I agree that this Agreement, for all purposes, will be construed in accordance with the laws of the State of Michigan without regard to conflicts-of-law principles.

11. I have had an opportunity to review all the terms of this Agreement with my attorney and/or advisors and have read, understand and voluntarily accept all the terms of this Agreement.

12. I agree that any litigation will only be conducted on an individual, not a class-wide basis, and that a litigation proceeding between me and the Company or the Franchisor may not be consolidated with any other litigation proceeding between me and the Company or the Franchisor and any other person, corporation, limited liability company, partnership or other entity. I waive, to the fullest extent allowed by law, any right to pursue or participate as a lead plaintiff or a class representative in any claim on a class or consolidated basis.

13. AFTER CONSULTING WITH MY ATTORNEY OR HAVING THE OPPORTUNITY TO DO SO, I KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY (AND WITHOUT DURESS OR COERCION) WAIVE ANY RIGHT I MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED ON OR ARISING OUT OF THIS AGREEMENT OR BASED ON ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTION RELATING TO THIS AGREEMENT. I WILL NOT SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS WILL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ME OR THE COMPANY EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ME AND THE COMPANY.

ACCEPTED:

\_\_\_\_\_  
Signature of Employee/Trainee

\_\_\_\_\_  
The Company

\_\_\_\_\_  
Type or Print Employee/Trainee Name

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

## **CONFIDENTIALITY AGREEMENT**

(rank and file employee)

I am an employee or trainee of \_\_\_\_\_  
(the "Company"). The Company operates or is developing a Qahwah House™ Coffee Shop franchise under a Franchise Agreement between the Company and QAHWAH HOUSE FRANCHISOR, LLC (the "Franchisor") or of one of its affiliates or franchisees.

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1. I agree not to directly or indirectly disclose to any individual, partnership, corporation or any other entity ("Person") or to use myself, any Confidential Information which I learn during my training and/or employment with the Company, except as necessary in the course of my employment with the Company. I agree that these restrictions will apply while I am in training or am employed by the Company and indefinitely after my training is completed or ends or my employment terminates or ends for any reason.

I agree to, at all times, keep the Confidential Information strictly confidential and use my best efforts to maintain the secrecy of the Confidential Information. In particular, I will, at all times, keep all tangible forms of the Confidential Information that I have been entrusted with in a secure work area and safely locked away when not in use and will ensure that these items do not fall into the hands of unauthorized persons.

I also agree that if my training ceases without my being employed by the Company or my employment with the Company terminates or ends for any reason, I will immediately return to the Company or the Franchisor, all memoranda, notes and other written, digital, electronic, or printed information that is in my possession or under my control, which contains Confidential Information, including information, which although not confidential, belongs to the Company or the Franchisor or relates to its business or systems of the Company or the Franchisor. This obligation will apply

regardless of whether the information was prepared by me, the Company, the Franchisor, or a third party.

The term "Confidential Information" as includes, but is not limited to: (i) "proprietary information," which includes knowledge and experience relating to Qahwah House™ Coffee Shop; advertising, marketing techniques and strategies, and advertising programs used in developing and operating Qahwah House™ Coffee Shop; computer software and similar technology and systems that have been or may be developed by or for the Company or the Franchisor, which is proprietary to the Company or the Franchisor, including digital passwords and identifications and any source code of, and data, reports, and other printed materials generated by, the software or similar technology; the contents of the Brand Standards Manual; financial information, including but not limited to knowledge of the operating results and financial performance of Qahwah House™ Coffee Shop; new ventures, pending projects and proposals, and product development information; other aspects of the Qahwah House™ Coffee Shop systems now or later revealed to you and all changes and enhancements in the Qahwah House™ Coffee Shop systems, even if developed by you; and other property that the Company or the Franchisor describes as being Confidential Information or that confidential, unique and/or not generally known or available to the public, including but not limited to, information regarding the Company's or the Franchisor's methods, equipment, and materials relating to the development, marketing, and operation of the Company's business as Qahwah House™ Coffee Shop; (ii) "trade secret" information which includes any knowledge, ideas, concepts, recipes, techniques, computer programs, systems manuals, installation guides, reports, technical manuals, operation manuals, and training programs relating to the establishment, development, operation and maintenance of the Company's business or a Qahwah House™ Coffee Shop; (iii) "customer information" which includes information about current and prospective customers of the Company or the Franchisor, including any list that contains the names, addresses and telephone numbers, and other contact information of the Company's and/or Franchisor's current or prospective customers, and specific information about these customers or prospective customers such as number of employees, general needs, customer contacts or referral sources; and (iv) "supplier information" which includes product source information and information about current and prospective carriers, suppliers, vendors, agencies, or providers of the Company or the Franchisor, including the names, addresses and telephone numbers of any such suppliers and the terms of any contracts or arrangements between the Company or the Franchisor and such suppliers.

2. Pursuant to the federal Defend Trade Secrets Act of 2016, I have been notified and understand that I will not be held criminally or civilly liable under any federal or state trade secrets law for the disclosure of a trade secret that: (i) is made in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

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6. I acknowledge that my breach of this Agreement will cause the Company and/or the Franchisor irreparable harm. I, therefore, agree that the Company and/or the Franchisor will be entitled to an injunction enjoining me and restraining me from performing and continuing to commit any violation or breach of this Agreement, in addition to any other rights and remedies it might have. Also, the Company will be entitled to recover all costs and expenses from me, including actual attorneys' fees and costs incurred in enforcing this Agreement. These remedies are cumulative and not alternative and will be in addition to every remedy given under this Agreement, any other agreement between me and the Company, or now or later existing at law or in equity, by statute or otherwise. The election of one or more remedies will not constitute a waiver of the right to pursue other remedies.

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8. I acknowledge and agree that the restrictions, rights, and remedies contained in this Agreement are reasonable, valid, and enforceable. However, if a court of competent jurisdiction finds any of the provisions of this Agreement to be too broad to be enforceable, such provision shall be reduced in scope by the court only to the extent deemed necessary by that court to render the provision reasonable and enforceable, bearing in mind that the purpose of this Agreement is to provide the broadest possible protection against disclosure of the Confidential Information.

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10. I have had an opportunity to review all the terms of this Agreement with my attorney and/or advisors and have read, understand and voluntarily accept all the terms of this Agreement.

11. I agree that any litigation will only be conducted on an individual, not a class-wide basis, and that a litigation proceeding between me and the Company or the Franchisor may not be consolidated with any other litigation proceeding between me and the Company or the Franchisor and any other person, corporation, limited liability company, partnership or other

entity. I waive, to the fullest extent allowed by law, any right to pursue or participate as a lead plaintiff or a class representative in any claim on a class or consolidated basis.

12. AFTER CONSULTING WITH MY ATTORNEY OR HAVING THE OPPORTUNITY TO DO SO, I KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY (AND WITHOUT DURESS OR COERCION) WAIVE ANY RIGHT I MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION BASED ON OR ARISING OUT OF THIS AGREEMENT OR BASED ON ANY COURSE OF CONDUCT, DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN) OR ACTION RELATING TO THIS AGREEMENT. I WILL NOT SEEK TO CONSOLIDATE, BY COUNTERCLAIM OR OTHERWISE, ANY SUCH ACTION IN WHICH A JURY TRIAL HAS BEEN WAIVED WITH ANY OTHER ACTION IN WHICH A JURY TRIAL CANNOT BE OR HAS NOT BEEN WAIVED. THESE PROVISIONS WILL NOT BE DEEMED TO HAVE BEEN MODIFIED IN ANY RESPECT OR RELINQUISHED BY ME OR THE COMPANY EXCEPT BY A WRITTEN INSTRUMENT EXECUTED BY ME AND THE COMPANY.

ACCEPTED:

\_\_\_\_\_  
Signature of Employee/Trainee

\_\_\_\_\_  
The Company

\_\_\_\_\_  
Type or Print Employee/Trainee Name

By: \_\_\_\_\_

Its: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

**EXHIBIT G**

**LIST OF QAHWAH HOUSE FRANCHISOR, LLC'S FRANCHISED COFFEE SHOPS**

As of December 31, 2023

| Owner                                    | Address               | City             | State | Zip   | Phone        | Not Open |
|------------------------------------------|-----------------------|------------------|-------|-------|--------------|----------|
| AL-BURAQ NORTH LLC                       | 5238 Touhy Avenue     | Skokie           | IL    | 60077 | 847-305-1108 |          |
| AL-BURAQ LLC                             | 406 E Roosevelt Road  | Lombard          | IL    | 60148 | 630-519-3632 |          |
| SHEEBA COFFEE COMPANY-CANTON LLC         | 42051 Ford Road       | Canton           | MI    | 48187 | 734-667-2113 |          |
| SHEEBA COFFEE COMPANY - WESTLAND LLC     | 36415 Warren Road     | Westland         | MI    | 48237 | 313-202-9929 |          |
| SHEEBA COFFEE COMPANY - DEARBORN HEIGHTS | 26731 Ford Road       | Dearborn Heights | MI    | 48127 | 313-633-1829 |          |
| QH WEST DEARBORN, LLC                    | 22000 Michigan Avenue | Dearborn         | MI    | 48124 | 313-427-8928 |          |
| MOCHA YEMEN CORP                         | 441 Crooks Avenue     | Clifton          | NJ    | 07011 | 732-714-4038 |          |
| MOCHA YEMEN II CORP                      | 13 Carmine Street     | New York         | NY    | 10014 | 212-933-0754 |          |
| MOCHA YEMEN CORP                         | 162 Bedford Avenue    | Brooklyn         | NY    | 11211 | 212-933-0754 |          |
| H & Y ASSETS LLC                         | 232 Highway 6         | Sugarland        | TX    | 77478 | 346-788-3447 |          |

\* These franchised Coffee Shops refer to the licensees of our affiliate, Qawah Trading, LLC. Although these are not franchises, they are included because they are outlets of a type substantially similar to that offered to prospective franchisees.

**LIST OF FRANCHISEES THAT RECENTLY LEFT THE SYSTEM**

### **LIST OF FRANCHISEES THAT RECENTLY LEFT THE SYSTEM**

The following are the name, city and state and business telephone number, or if unknown the last home telephone number of each Franchisee who has had a franchise terminated, canceled, not renewed or otherwise voluntarily or involuntarily ceased to do business under a Franchise Agreement during the calendar year 2023 or who have not communicated with us within 10 weeks of our application date (or the date of this Offering Circular, if this Offering Circular is not for use in a state requiring registration of franchises).

NONE

**EXHIBIT H**  
**FINANCIAL STATEMENTS**

# **QAHWAH HOUSE FRANCHISOR, LLC**

## **FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT**

**FOR THE PERIOD FROM OCTOBER 4, 2024 (DATE OF INCEPTION),  
TO OCTOBER 24, 2024**

***Cenko, Vendittelli, Haynes and Tokarz, P.L.C.***  
*Certified Public Accountants*  
*Troy, Michigan*

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# *Cenko, Vendittelli, Haynes & Tokarz, P.L.L.C.*

Certified Public Accountants

5700 Crooks Rd, Suite 207  
Troy, Michigan 48098

Phone (248)649-7628  
Fax (248) 480-0802

## INDEPENDENT AUDITOR'S REPORT

To the Member  
Qahwah House Franchisor, LLC  
Dearborn, Michigan

We have audited the accompanying financial statements of Qahwah House Franchisor, LLC (a Delaware Limited Liability Corporation) which comprise the balance sheet as of October 24, 2024, and the related statements of operations, changes in Members' equity, and cash flows for the period from October 4, 2024, to October 24, 2024, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Qahwah House Franchisor, LLC as of October 24, 2024, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

October 30, 2024  
Troy, Michigan

Cento, Vend. Helli, Haynes & Tokar & PLC

**Qahwah House Franchisor, LLC**  
**BALANCE SHEET**  
October 24, 2024  
(SEE INDEPENDENT AUDITOR'S REPORT)

**ASSETS**

**CURRENT ASSETS**

|                           |                  |
|---------------------------|------------------|
| Cash and cash equivalents | <u>\$ 97,600</u> |
|---------------------------|------------------|

|                      |               |
|----------------------|---------------|
| Total current assets | <u>97,600</u> |
|----------------------|---------------|

|                     |                                |
|---------------------|--------------------------------|
| <b>TOTAL ASSETS</b> | <b><u><u>\$ 97,600</u></u></b> |
|---------------------|--------------------------------|

**LIABILITIES AND MEMBERS' EQUITY**

|                 |                  |
|-----------------|------------------|
| MEMBERS' EQUITY | <u>\$ 97,600</u> |
|-----------------|------------------|

|                              |                                |
|------------------------------|--------------------------------|
| <b>TOTAL MEMBERS' EQUITY</b> | <b><u><u>\$ 97,600</u></u></b> |
|------------------------------|--------------------------------|

**Qahwah House Franchisor, LLC**

**STATEMENT OF OPERATIONS**

For the period from October 4, 2024 (Date of Inception) to October 24, 2024

(SEE INDEPENDENT AUDITOR'S REPORT)

|                                             |                   |
|---------------------------------------------|-------------------|
| SELLING, GENERAL AND ADMINISTRATIVE EXPENSE | <u>\$ (2,400)</u> |
| NET (LOSS)                                  | <u>\$ (2,400)</u> |

**Qahwah House Franchisor, LLC**  
**STATEMENT OF CHANGES IN MEMBERS' EQUITY**  
For the period from October 4, 2024 (Date of Inception) to October 24, 2024  
(SEE INDEPENDENT AUDITOR'S REPORT)

|                                | <u>Total</u>            |
|--------------------------------|-------------------------|
| BALANCE AS OF OCTOBER 1, 2024  | -                       |
| CONTRIBUTION                   | 100,000                 |
| NET (LOSS)                     | <u>(2,400)</u>          |
| BALANCE AS OF OCTOBER 24, 2024 | <u><u>\$ 97,600</u></u> |

**Qahwah House Franchisor, LLC**  
**STATEMENT OF CASH FLOWS**  
For the Period From October 4, 2024 (Date of Inception) to October 24, 2024  
(SEE INDEPENDENT AUDITOR'S REPORT)

**CASH FLOWS PROVIDED BY (USED IN):**

|            |            |
|------------|------------|
| Net (loss) | \$ (2,400) |
|------------|------------|

|                                         |         |
|-----------------------------------------|---------|
| Net cash (used in) Operating Activities | (2,400) |
|-----------------------------------------|---------|

**CASH FLOWS PROVIDED BY FINANCING ACTIVITIES**

|              |         |
|--------------|---------|
| Contribution | 100,000 |
|--------------|---------|

|                                           |         |
|-------------------------------------------|---------|
| Net cash provided by Financing Activities | 100,000 |
|-------------------------------------------|---------|

|                                   |        |
|-----------------------------------|--------|
| Net Increase Cash and Equivalents | 97,600 |
|-----------------------------------|--------|

|                                           |   |
|-------------------------------------------|---|
| Cash and equivalents, beginning of period | - |
|-------------------------------------------|---|

|                                     |           |
|-------------------------------------|-----------|
| Cash and equivalents, end of period | \$ 97,600 |
|-------------------------------------|-----------|

# QAHWAH HOUSE FRANCHISOR, LLC

## NOTES TO FINANCIAL STATEMENTS

October 24, 2024

### NOTE A – NATURE OF OPERATIONS

#### Nature of Operations

Qahwah House franchised stores provides unique specialty coffee (Yemeni), pastries, deserts and related products made to order for dine-in and dine-out. Qahwah House is offering the ability to purchase franchises (approved by the Franchisor) to operate under the Trademark and Trade Name of the Qahwah House. Franchisee will be required to purchase certain inventory, equipment, and supplies from the Franchisor affiliates Qahwah Trading LLC and Qahwah Enterprises, LLC.

### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows –*

#### Use of Estimates

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

#### Cash and Cash Equivalents

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

#### Income Taxes

The stockholder has elected under the applicable provisions of the Internal Revenue Code to be taxed as a Limited Liability Company. Under such provisions the Company does not incur a federal income tax liability; rather, the net income or loss is included in the taxable income of the shareholders.

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 740-10, became effective for nonpublic companies for fiscal years beginning after December 15, 2008. This FASB provides detailed guidance for the financial statement recognition, measurement and disclosure of uncertain tax positions recognized in an enterprise's financial statements. The effects of tax positions are generally recognized as

# **QAHWAH HOUSE FRANCHISOR, LLC**

## **NOTES TO FINANCIAL STATEMENTS**

**OCTOBER 24, 2024**

### Income Taxes-Continued

filed or expected to be filed with taxing authorities. For tax positions that the Company considers to be uncertain, current and deferred tax liabilities are recognized, or assets derecognized when it is probable that an income tax liability has been incurred and the amount of the liability is reasonably estimable, or when it is probable that a tax benefit such as a tax credit or loss carry forward will be disallowed by a taxing authority. The Company has determined that the recording of an additional liability is not necessary.

The Company's policy for penalties and interest assessed by income taxing authorities is to include them in general and administrative expenses. The income tax returns for 2023 are subject to examination by income taxing authorities, generally for three years after they are filed.

### Fair Value

The carrying values of cash and cash equivalents included in the accompanying balance sheet approximated fair value at October 24, 2024.

### Subsequent Events

The Company's management has evaluated events and transactions for recognition or disclosure through October 30, 2024, which is the same date the financial statements were available to be issued.

**EXHIBIT I**

**STATE SPECIFIC DISCLOSURES AND ADDENDA**

**ADDITIONAL STATE-SPECIFIC DISCLOSURES FOR THE  
MULTI-STATE FRANCHISE DISCLOSURE DOCUMENT OF  
QAHWAH HOUSE FRANCHISOR, LLC**

**The following are additional disclosures for the Franchise Disclosure Document of QAHWAH HOUSE FRANCHISOR, LLC required by various state franchise laws. Each provision of these additional disclosures will not apply unless, with respect to that provision, the jurisdictional requirements of the applicable state franchise registration and disclosure law are met independently without reference to these additional disclosures.**

**CALIFORNIA**

1. 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.

2. IN ADDITION TO THE INFORMATION SET FORTH IN ITEM 3 OF THE DISCLOSURE DOCUMENT, NEITHER THE FRANCHISOR NOR ANY PERSON LISTED IN ITEM 2 OF THE DISCLOSURE DOCUMENT IS SUBJECT TO ANY CURRENTLY EFFECTIVE ORDER OF ANY NATIONAL SECURITIES ASSOCIATION OR NATIONAL SECURITIES EXCHANGE, AS DEFINED IN THE SECURITIES EXCHANGE ACT OF 1934, 15 USCA 78(a), ET SEQ., SUSPENDING OR EXPELLING SUCH PERSONS FROM MEMBERSHIP IN SUCH ASSOCIATION OR EXCHANGE.

3. THE FOLLOWING PARAGRAPHS ARE AN ADDITION TO THE DISCLOSURE CONTAINED IN ITEM 17 OF THE DISCLOSURE DOCUMENT.

(a) California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination or non-renewal of a franchise. If the franchise agreement contains a provision that is inconsistent with the law, the law will control.

(b) The Franchise Agreement contains a covenant not to compete that extends beyond termination of the franchise. That provision may not be enforceable under California law.

(c) The Franchise Agreement provides for termination upon bankruptcy. This provision may not be enforceable under Federal Bankruptcy Law (11 USCA Sec. 101, et seq.).

(d) The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

(e) You must sign a general release if you renew or transfer your franchise. California Corporation 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).

(f) Section 31125 of the California Corporations Code requires the Franchisor to give the Franchisee a disclosure document, in a form and containing such information as the Commissioner may by rule or order require, prior to solicitation of a proposed material modification of an existing franchise.

The URL address for the QAHWAH HOUSE FRANCHISOR, LLC Website is <http://www.varajuice.com>. OUR WEBSITE HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT. ANY COMPLAINTS CONCERNING THE CONTENT OF THIS WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF BUSINESS OVERSIGHT AT [www.dbo.ca.gov](http://www.dbo.ca.gov).

## **HAWAII**

1. The following is in addition to the disclosure in Item 8 of the Franchise Disclosure Document:

The requirement for you to purchase products from us or some other entity as we designate in writing, may be unlawful under Hawaii Law. If, and to the extent, that requirement is found to be unlawful, that requirement will be void (to the extent unlawful) and you must purchase those products from approved suppliers.

2. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

Any release signed by you as a condition of renewal or transfer will not exclude claims you may have under the Hawaii Investment Law.

## **ILLINOIS**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

The Franchise Agreement, as amended for the State of Illinois, provides that:

(a) Illinois law governs the Agreement.

(b) In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision of the Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, the Agreement may provide for arbitration to take place outside of Illinois.

(c) Your rights upon Termination and Non-Renewal of the Agreement are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

(d) In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation, or provision purporting to bind any person acquiring any franchise to waive compliance with the Illinois Franchise Disclosure Act or any other law of Illinois is void.

2. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of; (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. Franchisee's payment of initial franchise fees will be deferred until Franchisor has met all of its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's financial condition.

4. On January 7, 2025, our affiliate, Qahwah Trading, LLC, and the Illinois Attorney General's Office entered into an Assurance of Voluntary Compliance (Docket No. 25-AVC-F001) pursuant to Section 705/31(j) of the Illinois Franchise Disclosure Act of 1987, 815 ILCS 705/31(j).

## **INDIANA**

1. **REGISTRATION OF THIS FRANCHISE IN THE STATE OF INDIANA DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE COMMISSIONER.**

2. The following is in addition to the disclosure in Item 8 of the Franchise Disclosure Document:

The requirement for you to purchase products from us or some other entity as we designate in writing, may be unlawful under Indiana Law. Under the Franchise Agreement amended for use in Indiana, if, and to the extent, that requirement is found to be unlawful, that requirement will be void (to the extent unlawful) and you must purchase those products from approved suppliers.

3. The following is in addition to the disclosure in Item 12 of the Franchise Disclosure Document:

(a) Under the Franchise Agreement amended for use in Indiana, we are prohibited from establishing a Franchisor owned outlet engaged in a substantially identical business to that of the Franchise Business within your Protected Area, whether or not the business is operated under the Franchise Marks.

4. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

(a) Under the Franchise Agreement amended for use in Indiana, the post-termination non-competition covenant only applies to your Protected Area and does not include the areas within a radius of any other Qahwah House<sup>TM</sup> Coffee Shop location.

(b) The Franchise Agreement amended for use in the State of Indiana specifies that the Agreement and the construction of the Agreement will be governed by the laws of the State of Michigan except that the Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable.

## **MARYLAND**

1. The following language is deleted from Item 7 of the Franchise Disclosure Document:

"Your costs during this initial phase will depend on factors including: how much you follow our procedures; your management skill, experience, and business abilities; local economic conditions; the local market for the franchise's product; competition; and the sales level reached during this initial phase."

2. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

**ANY RELEASE CONTAINED IN THE FRANCHISE AGREEMENT OR ANY OTHER AGREEMENT REQUIRED AS A CONDITION OF THE SALE, RENEWAL OR TRANSFER OF THE FRANCHISE WILL NOT APPLY TO ANY LIABILITY UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW.**

**THE FRANCHISE AGREEMENT SPECIFIES THE APPLICATION OF MICHIGAN LAWS AND MICHIGAN VENUE FOR LITIGATION, HOWEVER, YOU MAY BRING AN ACTION UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW IN ANY COURT OF COMPETENT JURISDICTION IN MARYLAND.**

**ANY CLAIM ARISING UNDER THE MARYLAND FRANCHISE REGISTRATION AND DISCLOSURE LAW MUST BE BROUGHT WITHIN THREE YEARS AFTER THE GRANT OF THE FRANCHISE.**

3. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

4. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **MINNESOTA**

1. The following is in addition to the disclosures in Items 13 and 17 of the Franchise Disclosure Document:

(a) MINN. STAT. SECTION 80C.21 and MINNESOTA RULES 2860.4400(J) prohibit the franchisor from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Franchise Disclosure Document or agreements can abrogate or reduce: (1) any of the franchisee's rights as provided for in MINN. STAT. CHAPTER 80C; or (2) franchisee's rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction.

(b) With respect to franchises governed by Minnesota law, the franchisor will comply with MINN. STAT. SECTION 80C.14 SUBD. 3-5, which require (except in certain specified cases):

(i) that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice for non-renewal of the franchise agreement; and

(ii) that consent to the transfer of the franchise will not be unreasonably withheld.

(c) MINNESOTA RULES 2860.4400(D) prohibits a franchisor from requiring a franchisee to assent to a general release, other than with respect to the voluntary settlement of disputes between us.

(d) The franchisee cannot consent to the franchisor obtaining injunctive relief. The franchisor may seek injunctive relief. See MINNESOTA RULES 2860.4400(J) also, a court will determine if a bond is required.

(e) The Limitations of Claims section of the Franchise Agreement must comply with MINN. STAT. SECTION 80C.17 SUBD. 5.

(f) Service charges on NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

(g) No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchise.

(h) Franchisee's payment of the initial franchise fees shall be deferred until franchisee's franchise business opens.

## **NEW YORK**

1. The following is Special Risks About *This* Franchise are in addition to those listed Special Risk listed on Page 5 of the Franchise Disclosure Document:

**Financial Condition.** The franchisor's financial condition, as reflected in its financial statements (see Item 21), calls into question the franchisor's financial ability to provide services and support to you.

**2. THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR RESOURCES OR INFORMATION. REGISTRATION OF THIS FRANCHISE BY NEW YORK STATE DOES NOT MEAN THAT NEW YORK STATE RECOMMENDS IT OR HAS VERIFIED THE INFORMATION IN THIS FRANCHISE DISCLOSURE DOCUMENT. IF YOU LEARN ANYTHING IN THIS FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND THE APPROPRIATE STATE OR PROVINCIAL AUTHORITY. THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE FRANCHISE DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS THAT ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

3. The following is added at the end of Item 3 of the Franchise Disclosure Document:

Except as provided above, the following applies to the franchisor, its predecessor, a person identified in Item 2, or an affiliate offering franchises under the franchisor's principal trademark:

A. No such party has an administrative, criminal, or civil action pending against that person alleging: a felony, a violation of a franchise, antitrust, or securities law, fraud, embezzlement, fraudulent conversion, misappropriation of property, unfair or deceptive practices, or comparable civil or misdemeanor allegations.

B. No such party has pending actions other than routine litigation incidental to the business that is significant in the context of the number of franchisees and the size, nature, or financial condition of the franchise system or its business operations.

C. No such party has been convicted of a felony or pleaded nolo contendere to a felony charge or, within the ten years immediately preceding the application for registration, has been convicted of or pleaded nolo contendere to a misdemeanor charge or has been the subject of a civil action alleging: violation of a franchise, antifraud, or securities law; fraud; embezzlement; fraudulent conversion or misappropriation of property; or unfair or deceptive practices or comparable allegations.

D. No such party is subject to a currently effective injunctive or restrictive order or decree relating to the franchise or under a Federal, State, or Canadian franchise, securities, antitrust, trade regulation, or trade practice law resulting from a concluded or pending action or proceeding brought by a public agency; or is subject to any currently effective order of any national securities association or national securities exchange, as defined in the Securities and Exchange Act of 1934, suspending or expelling such person from membership in such association or exchange; or is subject to a currently effective injunctive or restrictive order relating to any other business activity as a result of an action brought by a public agency or department, including, without limitation, actions affecting a license as a real estate broker or sales agent.

4. The following is added to the end of the "Summary" sections of Item 17(c), titled "Requirements for a franchisee to renew or extend" and Item 17(m), entitled "Conditions for franchisor approval of transfer":

However, to the extent required by applicable law, all rights you enjoy and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued thereunder shall remain in force; this proviso intends that the non-waiver provisions of General Business Law Sections 687(4) and 687(5) be satisfied.

5. The following language replaces the "Summary" section of Item 17(d), titled "Termination by a franchisee": "You may terminate the agreement on any grounds available by law."

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

6. The following is added to the end of the "Summary" sections of Item 17(v), titled "Choice of forum," and Item 17(w), titled "Choice of law":

The foregoing choice of law should not be considered a waiver of any right conferred upon the franchisor or the franchisee by Article 33 of the General Business Law of the State of New York.

7. Franchise Questionnaires and Acknowledgements--No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Receipts--Any sale made must be in compliance with § 683(8) of the Franchise Sale Act (N.Y. Gen. Bus. L. § 680 et seq.), which describes the time period a Franchise Disclosure Document (offering prospectus) must be provided to a prospective franchisee before a sale may be made. New York law requires a franchisor to provide the Franchise Disclosure Document at the earliest of the first personal meeting, ten (10) business days before the execution of the franchise or other agreement, or the payment of any consideration that relates to the franchise relationship.

## **NORTH DAKOTA**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

### **THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N.D.C.C.):**

(a) Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.

(b) Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

(c) Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

(d) Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

(e) Applicable Laws: Franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota.

(f) Waiver of Trial by Jury: Requiring North Dakota franchises to consent to a waiver of a trial by jury.

(g) Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

(h) General Release: Franchise Agreements that require the franchisee to sign a general release on renewal of the franchise agreement.

(i) Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

(j) Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

## **RHODE ISLAND**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

## **VIRGINIA**

1. The following statements are added to Item 17 of the Franchise Disclosure Document:

(a) Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Franchise Agreement do not constitute "reasonable cause," as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

(b) Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to use undue influence to induce a franchisee to surrender any right given to him under the franchise. If any provision of the Franchise Agreement involves the use of undue influence by the franchisor to induce a franchisee to surrender any rights given to him under the franchise, that provision may not be enforceable.

2. Estimated Initial Investment. The franchisee will be required to make an estimated initial investment ranging from \$\$676,200 to \$1,007,200. This amount exceeds the franchisor's stockholder's equity as of October 24, 2024, which is \$97,600."

3. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This

provision supersedes any other term of any document executed in connection with the franchise.

## **WASHINGTON**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

- (a) The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of Franchisee's franchise. There may also be court decisions that may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of Franchisee's franchise.
- (b) In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.
- (c) In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.
- (d) A release or waiver of rights executed by Franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.
- (e) Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.
- (f) Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of Franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of Franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.
- (g) RCW 49.62.060 prohibits Franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of Franchisor or (ii) soliciting or hiring any employee of Franchisor. As a result, any such provisions

contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

- (h) No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

## **WISCONSIN**

1. The following is in addition to the disclosure in Item 17 of the Franchise Disclosure Document:

Chapter 135, Stats., Wisconsin Fair Dealership Law, supersedes any provision of the Franchise Agreement or any other agreement inconsistent with that law.

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE SPECIFIC ADDENDA TO THE  
FRANCHISE AGREEMENT**

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF CALIFORNIA**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

In recognition of the requirements of the California Franchise Investment Law, Cal Corp Code 31000-31516 and the California Franchise Relations Act, Cal Bus Prof Cod 20000-20043, the parties agree as follows:

1. The California Franchise Relations Act provides you rights concerning termination or non-renewal of the Franchise Agreement, which may supersede provisions in the Franchise Agreement, specifically Article 16.

2. Section 15.4(f), which terminates the Franchise Agreement upon your bankruptcy, may not be enforceable under federal bankruptcy law (11 USC Section 101, *et. seq*).

3. Section 13.2 contains a covenant not to compete that extends beyond the expiration or termination of the Agreement; this covenant may not be enforceable under California Law.

4. The Franchise Agreement requires litigation to be conducted in a court located outside of the State of California. This provision might not be enforceable for any cause of Action arising under California Law.

5. The Franchise Agreement requires application of the laws of a state other than California. This provision might not be enforceable under California Law.

6. Article 18 requires binding arbitration. The arbitration will occur at the forum indicated in Article 18, with the costs being borne by you if Franchisor is the prevailing party. Prospective Franchisees are encouraged to consult with legal counsel to determine the applicability of California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement restricting venue to a forum outside of the State of California.

7. To the extent this Amendment shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

8. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the California Franchise Investment Law or the California Franchise Relations Act are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF HAWAII**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

In recognition of the requirements of the Hawaii Franchise Investment Law, Haw. Rev. Stat. § 482E-1, et seq., the parties agree as follows:

1. Release on Renewal. Section 3.2(h) of the Franchise Agreement, is amended to read as follows:

(h) You have signed a general release, in a form specified by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents, members and employees, excluding only such claims as you may have under the Hawaii Investment Law.

2. Supplier Requirements. Section 8.5 of the Franchise Agreement is amended by adding the following:

If, and to the extent, the requirement for you to purchase products from a Designated Supplier is unlawful under Hawaii Law, that requirement will be void (to the extent unlawful) and you must purchase those products in accordance with our specifications and only from Approved Suppliers.

3. Release on Transfer. Section 14.3(d) of the Franchise Agreement, is amended to read as follows:

(d) You and the Seller must sign at the time of Transfer an agreement terminating this Agreement (unless this Agreement will be assigned to the transferee--see subsection (f) below) and must sign an agreement, in the form specified by us, that releases us and our affiliates, owners, officers, directors, employees, and agents from any and all claims and causes of action, excluding only such claims as you may have under the Hawaii Franchise Investment law.

4. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Hawaii Franchise Investment Law are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF ILLINOIS**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Illinois Franchise Disclosure Act, Ill. Comp. State. §§ 705/1 to 705/44 (the "Act"), the parties agree as follows:

1. Renewal. Section 3.2 of the Franchise Agreement is amended by adding the following paragraph:

Section 20 of the Act will control over any inconsistent provisions in this Agreement relating to renewal of the Agreement.

2. Termination. Article 15 of the Franchise Agreement is amended by the addition of the following Section 15.9:

15.9. Section 19 of the Act will control over any inconsistent provisions in this Agreement relating to termination of the Agreement.

3. Applicable Law. Section 18.3 of the Franchise Agreement is amended by adding the following:

Illinois law governs this Agreement.

4. Venue. Section 18.4 of the Franchise Agreement is amended by adding the following:

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in this Agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, this Agreement may provide for arbitration to take place outside of Illinois.

5. Illinois Franchise Disclosure Act. The Franchise Agreement is amended by the addition of the following paragraph as Section 20.17:

20.17 In conformance with Section 41 of the Illinois Franchise Disclosure Act, any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with Illinois Franchise Disclosure Act or any other law of Illinois is void.

6. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

7. Deferral of Initial Franchise Fee. Franchisee's payment of initial franchise fees will be deferred until Franchisor has met all of its initial obligations to Franchisee, and Franchisee has commenced doing business. This financial assurance requirement was imposed by the Illinois Attorney General's Office due to Franchisor's financial condition.

8. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Act are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF INDIANA**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

In recognition of the requirements of the Indiana Deceptive Franchise Practices Act, Indiana Code 23-2-2.7, the parties agree as follows:

1. Limited Exclusivity. Section 2.3 of the Franchise Agreement is amended by adding the following:

We will not operate or authorize any other person to operate a substantially identical business to that of the Franchise Business within the Protected Area, whether or not the business is operated under the Franchise Marks.

2. Release on Renewal. Section 3.2(h) of the Franchise Agreement, is amended to read as follows:

(h) You have signed a general release, in a form specified by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents, members and employees, except those claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7.

3. Supplier Requirements. Section 8.6 of the Franchise Agreement is amended by adding the following:

If, and to the extent, the requirement for you to purchase products from a Designated Supplier is unlawful under Indiana Law, that requirement will be void (to the extent unlawful) and you must purchase those products in accordance with our specifications and only from Approved Suppliers.

4. Restrictions on Competition. Section 13.4(b) of the Franchise Agreement is amended to read as follows:

(b) "Geographic Areas" means the Protected Area.

5. Release on Transfer. Section 14.3(d) of the Franchise Agreement, is amended to read as follows:

(d) You and the Seller must sign at the time of Transfer an agreement terminating this Agreement (unless this Agreement will be assigned to the transferee--see subsection (f) below) and must sign an agreement, in the form specified by us, that releases us and our affiliates, owners, officers, directors, employees, and agents from any and all claims and causes of action, except those claims arising under the Indiana Deceptive Franchise Practices Law, Indiana Code 23-2-2.7.

6. Applicable Law. Section 18.3 of the Franchise Agreement is amended by adding the following at the end of that Section:

Notwithstanding the foregoing, the Indiana Franchise Law (Indiana Code 23-2-2.5 and 23-2-2.7) will control where applicable.

7. Effectiveness of Addendum. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Indiana Deceptive Franchise Practices Law are met independently without reference to this Addendum.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF MARYLAND**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

In recognition of the requirements of the Maryland Franchise Registration and Disclosure Law, Annotated Code of Maryland, Article-Business Regulation, Title 14, §§ 14-201 to 14-233, the parties agree as follows:

1. Release on Renewal. Section 3.2(h) of the Franchise Agreement is amended to read as follows:

You have signed a general release, in a form specified by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents, members and employees, except claims arising under the Maryland Franchise and Disclosure Law.

2. Release on Transfer. Section 14.3(d) of the Franchise Agreement is amended to read as follows:

(d) You and the Seller must sign at the time of Transfer an agreement terminating this Agreement (unless this Agreement will be assigned to the transferee--see subsection (f) below) and must sign an agreement, in the form specified by us, that releases us and our affiliates, owners, officers, directors, employees, and agents from any and all claims and causes of action, except claims arising under the Maryland Franchise Registration and Disclosure Law.

3. Limitations of Claims. Section 18.8 of the Franchise Agreement is amended by adding the following sentence at the end of the Section:

Notwithstanding the foregoing, you may bring a legal claim against us under the Maryland Franchise Registration and Disclosure Law within three years after the grant of the franchise.

4. Choice of Law; Jurisdiction and Venue. Article 18 of the Franchise Agreement is amended by adding the following as Section 18.9:

18.9 Notwithstanding anything to the contrary in this Article 18, you may bring a claim against us under the Maryland Franchise Registration and Disclosure Law in any Court of competent jurisdiction in the State of Maryland.

5. Acknowledgements of Franchisee. Article 19 of the Franchise Agreement is amended by adding the following Section 19.7 at the end of the Article:

19.7 The representations in this Article 19 are not intended to and will not act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. You acknowledge that any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three years after the grant of the franchise.

6. Fee Deferral. Based upon the franchisor's financial condition, the Maryland Securities Commissioner has required a financial assurance. Therefore, all initial fees and payments owed by franchisees shall be deferred until the franchisor completes its pre-opening obligations under the franchise agreement.

7. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

8. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Maryland Franchise Registration and Disclosure Law are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF MINNESOTA**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

In recognition of the requirements of the Minnesota Franchise Act, Minn. Stat., § 80C.01, et seq., and the Rules and Regulations promulgated under the Act by the Commissioner of Commerce, Minnesota Rule § 2860.4400, et seq., the parties agree as follows:

1. Release on Renewal. Section 3.2(h) of the Franchise Agreement is amended to read as follows:

You have signed a general release, in a form specified by us, of any and all claims against us and our affiliates, and their respective officers, directors, agents, members and employees, excluding only such claims as you may have under the Minnesota Franchises Law and the Rules and Regulations promulgated by the Commissioner of Commerce.

2. Release on Transfer. Section 14.3(d) of the Franchise Agreement is amended to read as follows:

You and the Seller must sign at the time of Transfer an agreement terminating this Agreement (unless this Agreement will be assigned to the transferee--see subsection (f) below) and must sign an agreement, in the form specified by us, that releases us and our affiliates, owners, officers, directors, employees, and agents from any and all claims and causes of action, excluding only such claims as the transferor may have under the Minnesota Franchises Law and the Rules and Regulations promulgated by the Commissioner of Commerce.

3. Renewal, Transfer and Termination. Article 15 of the Franchise Agreement is amended by adding the following paragraph:

Minnesota law provides franchisees with certain termination, non-renewal, and transfer rights. Minn. Stat. § 80.C.14, Subd. 3, 4, and 5 require, except in specified cases, that a franchisee be given 90 days notice of termination (with 60 days to cure) and 180 days notice of non-renewal of the Franchise Agreement, and that consent to the transfer of the franchise not be unreasonably withheld.

4. Applicable Law; Jurisdiction and Venue. Article 18 of the Franchise Agreement is amended by adding the following paragraph:

Minn. Stat. § 80.C.21, and Minn. Rule Part 2860.4400J prohibit franchisors from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial, or requiring the franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in this Agreement can abrogate or reduce: (1) any of your rights as provided for in Minnesota Statutes, Chapter 80C, or (2) your rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction. Minn. Rule Part 2860.4400J prohibits you from waiving your rights to a jury trial or waiving

rights to any procedure, forum, or remedies provided for by the laws of the jurisdiction, or consenting to liquidated damages, termination penalties or judgment notes. To the extent this Agreement requires you to waive these rights, this Agreement will be considered amended to the extent necessary to comply with the Minnesota Rule.

5. Injunctive Relief. Section 18.5 of the Franchise Agreement is modified to read as follows:

We will have the right to request specific enforcement of the terms of this Agreement from a court of competent jurisdiction, by temporary or permanent injunctions or other equitable relief. We will have the right to request injunctive relief to prevent you from engaging in the following acts, which you acknowledge would cause irreparable harm to us: (a) using any of the rights granted by this Agreement in any manner not authorized in this Agreement; (b) engaging in operations in violation of the in-term or post-term restrictions on competition in Article 13; (c) disclosing to any person or using our trade secrets or confidential information in violation of the terms of this Agreement; (d) transferring or assigning this Agreement or the assets of the Franchise Business without complying with this Agreement; (e) engaging in acts or practices in violation of applicable laws and regulations or that are fraudulent, dishonest or create health or other hazards to the public; or (f) significantly impairing our goodwill. Our rights to obtain injunctive relief are in addition to all other remedies available to us under applicable law.

6. Limitation of Claims. Section 18.8 of the Franchise Agreement is deleted.

7. NSF Checks. NSF checks are governed by Minnesota Statute 604.113, which puts a cap of \$30 on service charges.

8. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgement signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including, fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed with the franchisee.

9. Deferral of Initial Franchise Fee. Franchisee's payment of the initial franchise fees shall be deferred until franchisee's franchise business opens.

10. Effectiveness of Amendment. Each provision of this Addendum is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Minnesota Franchise Act, Minn. Stat., §§ 80C.01 through 80C.22, and the Rules and Regulations promulgated under the Act by the Minnesota Commissioner of Commerce, Minn. Rule §§ 2860.0100 through 2860.9930, are met independently without reference to this Addendum. To the extent this Addendum shall be deemed to be inconsistent with any terms or conditions of the Franchise Agreement or exhibits or attachments thereto, the terms of this Addendum shall govern.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF NEW YORK**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee"). In this Addendum, "we," "us," and "our" refers to Franchisor and "you" and "your" refers to Franchisee.

In recognition of the requirements of the New York Franchise Law, Article 33 of the General Business Law of the State of New York, the parties agree as follows:

1. Release on Renewal and Transfer. Sections 3.2(h) and 14.3(d) of the Franchise Agreement are amended by adding the following proviso at the end of each Section:

Provided, however, that all rights enjoyed by you and any causes of action arising in your favor from the provisions of Article 33 of the General Business Law of the State of New York and the regulations issued under that law will remain in force; it being the intent of this proviso that the non-waiver provisions of GBL 687.4 and 687.5 be satisfied.

2. Applicable Law. Section 18.3 of the Franchise Agreement is amended by adding the following sentence:

This choice of law provision will not be considered a waiver of your rights under the provisions of Article 33 of the General Business Law of the State of New York.

3. Effectiveness of Amendment. This Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the New York Franchise Law, Article 33 of the General Business Law of the State of New York, are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC**  
**FRANCHISE AGREEMENT FOR USE IN THE STATE OF NORTH DAKOTA**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the North Dakota Franchise Investment Law, Chapter 51-19 of the North Dakota Century Code, the parties agree as follows:

1. Covenants Not to Compete. Article 13 of the Franchise Agreement is amended by adding the following paragraph:

The covenants not to compete stated in this Article are subject to Section 9-08-06 of the North Dakota Century Code.

2. **THE SECURITIES COMMISSIONER HAS HELD THE FOLLOWING TO BE UNFAIR, UNJUST OR INEQUITABLE TO NORTH DAKOTA FRANCHISEES (SECTION 51-19-09, N.D.C.C.):**

(a) Restrictive Covenants: Franchise disclosure documents which disclose the existence of covenants restricting competition contrary to Section 9-08-06, N.D.C.C., without further disclosing that such covenants will be subject to the statute.

(b) Situs of Arbitration Proceedings: Franchise agreements providing that the parties must agree to the arbitration of disputes at a location that is remote from the site of the franchisee's business.

(c) Restrictions on Forum: Requiring North Dakota franchisees to consent to the jurisdiction of courts outside of North Dakota.

(d) Liquidated Damages and Termination Penalties: Requiring North Dakota franchisees to consent to liquidated damages or termination penalties.

(e) Applicable Laws: Franchise agreements, which specify that they are to be governed by the laws of a state other than North Dakota.

(f) Waiver of Trial by Jury: Requiring North Dakota franchises to consent to a waiver of a trial by jury.

(g) Waiver of Exemplary and Punitive Damages: Requiring North Dakota franchisees to consent to a waiver of exemplary and punitive damages.

(h) General Release: Franchise agreements that require the franchisee to sign a general release on renewal of the franchise agreement.

(i) Limitation of Claims: Franchise Agreements that require the franchisee to consent to a limitation of claims. The statute of limitations under North Dakota law applies.

(j) Enforcement of Agreement: Franchise Agreements that require the franchisee to pay all costs and expenses incurred by the franchisor in enforcing the agreement. The

prevailing party in any enforcement action is entitled to recover all costs and expenses including attorneys' fees.

3. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the North Dakota Franchise Investment Law, N.D. Cent. Code §§ 51-19-17, are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF RHODE ISLAND**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, the parties agree as follows:

1. Applicable Law. Article 18 of the Franchise Agreement is amended by adding the following:

§ 19-28.1-14 of the Rhode Island Franchise Investment Act provides that "A provision in a franchise agreement restricting jurisdiction or venue to a forum outside this state or requiring the application of the laws of another state is void with respect to a claim otherwise enforceable under this Act."

2. Effectiveness of Amendment. This Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Rhode Island Franchise Investment Act, §§ 19-28.1-1 through 19-28.1-34, are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISING, LLC  
FRANCHISE AGREEMENT OR USE IN THE COMMONWEALTH OF VIRGINIA**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Virginia Retail Franchising Act, the parties agree as follows:

1. A provision of the Franchise Agreement that terminates the Franchise Agreement upon the bankruptcy of Franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101, *et seq*).
2. Questionnaires and Acknowledgments. No statement, questionnaire, or acknowledgement signed or agreed to by you in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by us, any franchise seller, or any other person acting on our behalf. This provision supersedes any other term of any document executed in connection with the franchise.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

## **WASHINGTON ADDENDUM TO THE FRANCHISE AGREEMENT AND RELATED AGREEMENTS**

THIS ADDENDUM is made this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Washington Franchise Investment Protection Act, the parties agree as follows:

1. Washington Law. The Franchise Agreement is amended by adding the following paragraphs:

The State of Washington has a statute, RCW 19.100.180, which may supersede the Franchise Agreement in Franchisee's relationship with Franchisor, including the areas of termination and renewal of Franchisee's franchise. There may also be court decisions that may supersede the Franchise Agreement in Franchisee's relationship with Franchisor including the areas of termination and renewal of Franchisee's franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the Franchise Agreement, a Franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

A release or waiver of rights executed by Franchisee will not include rights under the Washington Franchise Investment Protection Act except when executed pursuant to a negotiated settlement after the agreement is in effect and where the parties are represented by independent counsel. Provisions such as those that unreasonably restrict or limit the statute of limitations period for claims under the Act, rights or remedies under the Act such as a right to a jury trial may not be enforceable.

Transfer fees are collectable to the extent that they reflect Franchisor's reasonable estimated or actual costs in effecting a transfer.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of Franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of Franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the Franchise Agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits Franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of Franchisor or (ii) soliciting or hiring any employee of Franchisor. As a result, any such provisions contained in the Franchise Agreement or elsewhere are void and unenforceable in Washington.

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. Section 3.2(h) of the Franchise Agreement is revised to include the following:

Any release signed by a renewing franchisee does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

3. Section 14.3(d) of the Franchise Agreement is amended to include the following:

Any release signed by a transferring franchisee does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

4. Section 14.3(h) of the Franchise Agreement is amended to include the following:

Any release signed by a transferee franchisee does not apply with respect to claims arising under the Washington Franchise Investment Protection Act, RCW 19.100, or the rules adopted thereunder.

5. Section 20.6 of the Franchise Agreement does not modify the franchisor's duty to deal with franchisees in good faith under RCW 19.100.180(1).

6. Effectiveness of Amendment. Each provision of this Amendment is effective only to the extent, with respect to such provision, that the jurisdictional requirements of the Washington Franchise Investment Protection Act are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**ADDENDUM TO THE QAHWAH HOUSE FRANCHISOR, LLC  
FRANCHISE AGREEMENT FOR USE IN THE STATE OF WISCONSIN**

THIS ADDENDUM is made this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, and modifies a Franchise Agreement of the same date entered into by QAHWAH HOUSE FRANCHISOR, LLC, a Delaware limited liability company ("Franchisor") and \_\_\_\_\_ ("Franchisee").

In recognition of the requirements of the Wisconsin Fair Dealership Law, Ch. 135, Stats., the parties agree as follows:

1. Applicable Law. Section 18.3 of the Franchise Agreement is amended by adding the following sentence:

Chapter 135, Stats., Wisconsin Fair Dealership Law, supersedes any provision of the Franchise Agreement or any other agreement inconsistent with that law.

2. Effectiveness of Amendment. Each provision of this Addendum is effective only to the extent that the jurisdictional requirements of the Wisconsin Fair Dealership Law are met independently without reference to this Amendment.

QAHWAH HOUSE FRANCHISOR, LLC

\_\_\_\_\_  
FRANCHISEE

By: \_\_\_\_\_

By: \_\_\_\_\_

Its: \_\_\_\_\_

Its: \_\_\_\_\_

**EXHIBIT J**

**STATE EFFECTIVE DATES**

## **STATE EFFECTIVE DATES**

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

This document is effective and may be used in the following states, where the document is filed, registered, or exempt from registration, as of the Effective Date stated below:

| <b><u>State</u></b> | <b><u>Effective Date or Status</u></b> |
|---------------------|----------------------------------------|
| California          |                                        |
| Hawaii              |                                        |
| Illinois            |                                        |
| Indiana             |                                        |
| Maryland            |                                        |
| Michigan            |                                        |
| Minnesota           |                                        |
| New York            |                                        |
| North Dakota        |                                        |
| Rhode Island        |                                        |
| South Dakota        |                                        |
| Virginia            |                                        |
| Washington          |                                        |
| Wisconsin           |                                        |

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

**EXHIBIT K**

**RECEIPTS**

## 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 QAHWAH HOUSE FRANCHISOR, LLC offers you a franchise, it must provide this disclosure document to you 14 calendar days before you sign a binding agreement with, or make a payment to, QAHWAH HOUSE FRANCHISOR, LLC or an affiliate in connection with the proposed franchise sale. **Iowa, New York, and Rhode Island** require that QAHWAH HOUSE FRANCHISOR, LLC gives you this disclosure document at the earlier of the first personal meeting or 10 business days you sign a binding agreement or pay any consideration that relates to the franchise relationship. **Michigan and Oregon** require that QAHWAH HOUSE FRANCHISOR, LLC gives you this disclosure document at least 10 business days before you sign a binding agreement or pay any consideration, whichever occurs first.

If QAHWAH HOUSE FRANCHISOR, LLC does not deliver this disclosure document on time or if it contains a false or misleading statement, or a material omission, a violation of federal law and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C, 20580 and the applicable state agency.

The name, principal business address and telephone number of each franchise seller offering the franchise:

|                                                                                          |  |  |
|------------------------------------------------------------------------------------------|--|--|
| Ibrahim Alhasbani<br>5320 Oakman Boulevard<br>Dearborn, Michigan 48126<br>(313) 467-0438 |  |  |
|------------------------------------------------------------------------------------------|--|--|

I received a Franchise Disclosure Document with an issuance date of October 31, 2024, which included the following Exhibits:

|    |                                                                           |   |                                                                                       |
|----|---------------------------------------------------------------------------|---|---------------------------------------------------------------------------------------|
|    | State Cover Page<br>Notice under Michigan Franchise Inv. Law              | F | Confidentiality/Non-Competition Agreement                                             |
| A  | List of State Administrators and List of<br>Agents for Service of Process | G | List of Qahwah House™ Franchised Coffee<br>Shops and Franchisees that Left the System |
| B  | Franchise Agreement                                                       | H | Financial Statements                                                                  |
| C  | Renewal Addendum                                                          | I | State Specific Disclosures and Addenda                                                |
| D1 | Transfer Addendum                                                         | J | State Effective Dates                                                                 |
| D2 | Franchise Termination and Release<br>Agreement                            | K | Receipts (2 Copies)                                                                   |
| E  | Table of Contents of Operations Manual                                    |   |                                                                                       |

This Receipt may be executed on signature pages exchanged by electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, e.g., [www.docusign.com](http://www.docusign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes. Copies of executed counterparts transmitted by such electronic transmission service shall be considered original executed counterparts for purposes of this Receipt.

Please complete any applicable franchise seller information above and then sign and date this Receipt and mail it or email it to Ibrahim Alhasbani at 5320 Oakman Boulevard, Dearborn, Michigan 48126; (313) 467-0438, email address: coffee@qahwahhouse.com.

Dated: \_\_\_\_\_

\_\_\_\_\_  
[sign]

\_\_\_\_\_  
[print name]

## 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.

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The name, principal business address and telephone number of each franchise seller offering the franchise:

|                                                                                          |  |  |
|------------------------------------------------------------------------------------------|--|--|
| Ibrahim Alhasbani<br>5320 Oakman Boulevard<br>Dearborn, Michigan 48126<br>(313) 467-0438 |  |  |
|------------------------------------------------------------------------------------------|--|--|

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| D1 | Transfer Addendum                                                         | J | State Effective Dates                                                                 |
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Dated: \_\_\_\_\_

\_\_\_\_\_  
[sign]

\_\_\_\_\_  
[print name]