

## 2020 FRANCHISE DISCLOSURE DOCUMENT



**New Orleans Brew, L.L.C.**  
**d/b/a PJ's Coffee of New Orleans**  
**180 New Camellia Boulevard, Suite 100**  
**Covington, Louisiana 70433**  
**Telephone: (985) 792-5776**  
**Facsimile: (985) 792-1201**  
**E-mail: [franchise@pjscoffee.com](mailto:franchise@pjscoffee.com)**  
**Website: [www.pjsfranchise.com](http://www.pjsfranchise.com)**

As a franchisee you will operate a retail business under the name PJ's Coffee of New Orleans featuring gourmet coffees and teas, blended coffee and tea beverages, whole bean and ground coffee, gourmet desserts, sandwiches and salads, and other food products and beverages authorized by Franchisor. In certain areas, Franchisor will authorize the café to offer selected specialty wines and other alcoholic beverages approved by Franchisor.

The total investment necessary to begin operation of a PJ's Unit ranges from \$173,275 - \$582,000. This total investment estimate includes the initial franchise fee of \$10,000 - \$35,000, as well as pre-opening costs for PJ's Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or its affiliate.

The total investment necessary to begin operation of a Traditional Model PJ's Unit ranges from \$200,775 - \$582,000. This total investment estimate includes the initial franchise fee of \$35,000, as well as pre-opening costs for PJ's Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or its affiliate. A Traditional Model PJ's Unit generally occupies approximately 1,000 to 1,850 square feet of space and is typically located in a strip mall or free-standing building.

The total investment necessary to begin operation of a Non-traditional Model PJ's Unit ranges from \$190,775 - \$391,000. This total investment estimate includes the initial franchise fee of \$25,000, as well as pre-opening costs for PJ's Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or its affiliate. A Non-traditional Model PJ's Unit generally occupies 250 to 1,000 square feet of space possibly with a common eating area and/or common kitchen (i.e. airports, shopping malls, sports arenas, hotels, university campuses, health care facilities, government & military facilities). The space may be either owned by Franchisee or leased from a third party.

The total investment necessary to begin operation of a Special Contracts Traditional Model PJ's Unit ranges from \$175,775 - \$562,000. This total investment estimate includes the initial franchise fee of \$10,000 - \$15,000, as well as pre-opening costs for PJ's Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or its affiliate. A Special Contracts Traditional Model PJ's Unit generally occupies approximately 1,000 to 1,850 square feet of space and is typically located in a strip mall or free-standing building.

The total investment necessary to begin operation of a Special Contracts Non-traditional Model PJ's Unit ranges from \$173,275 - \$376,000. This total investment estimate includes the initial franchise fee of \$10,000 - \$15,000, as well as pre-opening costs for PJ's Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or its affiliate. A Special Contracts Non-traditional Model PJ's Unit generally occupies 250 to 1,000 square feet of space possibly with a common eating area and/or common kitchen (i.e. airports, shopping malls, sports arenas, hotels, university campuses, health care facilities, government & military facilities). The space may be either owned by Franchisee or leased from a third party.

We also offer multi-unit franchises under a Multiple-Unit Option Agreement (the “MUOA”), where you agree to open a certain number of PJ’s Units according to an agreed upon development schedule. The total investment necessary to begin operation of a PJ’s Unit under a MUOA ranges from \$200,775 - \$582,000 for the first PJ’s Unit. The total investment necessary to begin operation of each PJ’s Unit numbered two or greater is \$175,775 - \$557,000. These total investment estimates include the initial franchise fee of \$35,000, as well as the reduced franchise fee of \$10,000 for each PJ’s Unit numbered two or greater. The total investment estimates also include the pre-opening costs for PJ’s Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or its affiliate.

This Disclosure Document summarizes certain provisions of Franchisee’s franchise agreement and other information in plain English. Read this Disclosure Document and all accompanying agreements carefully. Franchisee must receive this Disclosure Document at least fourteen (14) calendar days before Franchisee signs 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 the Franchise Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact the Franchise Development Director at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433 and (985) 792-5776.

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: April 10, 2020. (The issuance date is not the effective date for registration states.)

## STATE COVER PAGE

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

Call the state franchise administrator listed in Exhibit H to this Disclosure Document for information about the franchisor or about franchising in your state.

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

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

1. THE FRANCHISE AGREEMENT REQUIRES YOU TO RESOLVE DISPUTES WITH FRANCHISOR BY LITIGATION/ARBITRATION ONLY IN LOUISIANA. OUT OF STATE LITIGATION/ARBITRATION MAY FORCE YOU TO ACCEPT A LESS FAVORABLE SETTLEMENT FOR DISPUTES. IT MAY ALSO COST MORE TO SUE/ARBITRATE WITH FRANCHISOR IN LOUISIANA THAN YOUR OWN STATE.
2. THE FRANCHISE AGREEMENT STATES THAT LOUISIANA LAW GOVERNS THE AGREEMENT AND THIS LAW MAY NOT PROVIDE THE SAME PROTECTIONS AND BENEFITS AS LOCAL LAW. YOU MAY WANT TO COMPARE THESE LAWS.
3. 71.3% OF FRANCHISOR'S TOTAL ASSETS ARE INTANGIBLE. THIS MEANS THAT FRANCHISOR LACKS READILY AVAILABLE FINANCIAL RESOURCES TO PROVIDE SERVICES & SUPPORT TO YOU.
4. THERE MAY BE OTHER RISKS CONCERNING THIS FRANCHISE.

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

The effective dates of this Franchise Disclosure Document in the states with franchise registration laws in which Franchisor has sought registration to appear on the following page.

### **STATE EFFECTIVE DATES**

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

This Franchise Disclosure Document is registered, on file or exempt from registration in the following states having franchise regulation and disclosure laws, with the following effective dates:

<b>STATE</b>	<b>EFFECTIVE DATE</b>
California	Renewal Pending
Florida (exemption)	July 28, 2018
Illinois	Renewal Pending
Indiana	Renewal Pending
Maryland	Renewal Pending
Michigan	Renewal Pending
Minnesota	Renewal Pending
New York	Renewal Pending
Texas (exemption)	July 25, 2008
Virginia	Renewal Pending
Wisconsin	April 21, 2020

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- B. Confidentiality and Nondisclosure Agreement
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- E. Agents for Service of Process
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## **ITEM 1**

### **THE FRANCHISOR AND ANY PARENTS, PREDECESSORS, AND AFFILIATES**

#### **The Franchisor.**

To simplify the language in this Disclosure Document, “we”, “us”, “our”, “PJ’s” or “Franchisor” means New Orleans Brew, L.L.C. d/b/a PJ’s Coffee of New Orleans. “You” or “Franchisee” means the person who buys the franchise, including a corporation, partnership, limited liability company or other legal business entity.

New Orleans Brew, L.L.C. is a Louisiana limited liability company organized on January 23, 2008. Our corporate address is 180 New Camellia Boulevard, Suite 100, Covington, LA, and our telephone number is (985) 792-5776. Franchisor does business under the name “PJ’s Coffee of New Orleans”. Our agents for service of process are disclosed on Exhibit E to this Disclosure Document.

PJ’s USA, Inc. began offering franchises in 1989. On June 17, 2008, our company, New Orleans Brew, L.L.C., and our affiliate, New Orleans Roast, L.L.C. (collectively “Purchaser”), completed an asset purchase agreement with PJ’s USA, Inc. and PJ’s Wholesale, Inc. (collectively and interchangeably referred to as “Seller” and/or “Predecessor”), for substantially all of the assets of the PJ’s franchise system and coffee roasting business (the “Transaction”). As of the date of this disclosure document, there are 91 PJ’s franchised units in operation.

New Orleans Brew, LLC began offering unit franchises in July 2008. As of April 10, 2020, Franchisor does not own or operate any PJ’s Coffee franchises. An affiliate of Franchisor owns and operates 10 PJ’s Coffee franchises.

New Orleans Brew, LLC is also an affiliate of WOW Café & Wingery Franchising Account, L.L.C. that offers the WOW American Eats restaurant franchise.

#### **Our Parent, Predecessors and Affiliates.**

Franchisor has no parent.

New Orleans Roast, L.L.C. is an affiliate company that will roast and distribute coffee beans, and coffee related products to all PJ’s Coffee franchises and other retail businesses. New Orleans Roast, L.L.C. sells to PJ’s franchisees some of the “Proprietary Products” that are prepared according to specified recipes, standards and procedures, including our proprietary coffee beans that are branded, trademarked, produced and/or packaged exclusively for franchisees (the “PJ’s Products”). New Orleans Roast, L.L.C. does have the same address as New Orleans Brew, L.L.C. but will not offer or sell any franchises in this or any other line of business.

Franchisor has one affiliate through common ownership that offers the following franchise:

WOW Café & Wingery Franchising Account, L.L.C., is a Louisiana limited liability company, with its principal place of business at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana, 70433 (“WOW”). Paul Ballard, Steven Ballard and John “Scott” Ballard are all co-owners of this company. WOW offers the opportunity to own franchise units or area developer franchises under the name WOW American Eats. WOW American Eats offers franchises whose primary business is a restaurant system that allows its customers to enjoy quality food, such as wings, wraps, sandwiches, salads, burgers, drinks and other general

food products. As of the date of this disclosure document, there are 53 franchised outlets in operation. WOW American Eats has not offered franchises for any other line of business. WOW American Eats has not operated any other type of business.

WOW American Eats offers franchises using its own Franchise Disclosure Document. Franchisee may face competition from the above concept because this concept may be established in close proximity to your Franchisee's PJ's Unit. This affiliate has total discretion where to permit their franchisees to operate.

Except as described above, Franchisor has no parents, predecessors or affiliates required to be included in this Item.

#### The Franchise Offered.

Franchisor offers Franchisee a franchise whose primary business is the sale of gourmet coffees and teas, blended coffee and tea beverages, whole bean and ground coffee, gourmet desserts, and other food products and beverages under the name and service mark "PJ's". The type of business that Franchisee will operate will be referred to in this Franchise Disclosure Document as a "PJ's Unit". Franchisor has developed its unique system ("System") which allows its customers to enjoy gourmet coffees and teas, blended coffee and tea beverages, whole bean and ground coffee, gourmet desserts, other beverages, and a food program to satisfy multiple-day parts which are reasonably priced and served within a short period of time.

Franchisor developed and owns a System which Franchisee will utilize in Franchisee's PJ's Unit. The franchise agreement is attached to this Franchise Disclosure Document as Exhibit A. This System includes specialized training, methods of operation, uniform standards, distinctive décor and design, and advertising and promotional programs to assist Franchisee in operating Franchisee's PJ's Unit. Franchisor will also provide Franchisee with certain confidential recipes and formulas, supplier lists, operations and training manuals, and other confidential information and methods for managing Franchisee's PJ's Unit. The PJ's Unit is identified by certain trade names, service marks, trademarks, logos, emblems, and indicia or origin, such as "PJ's", "PJ's Coffee of New Orleans" and "PJ's Coffee & Tea" ("Proprietary Marks").

Under some circumstances, Franchisor may offer PJ's Units that serve wine, beer and/or alcohol. Franchises interested in serving wine, beer and/or alcohol must be approved by Franchisor. Franchisor has the exclusive right to restrict the type of alcohol served.

There are four types of PJ's Units offered by Franchisor. A Traditional Model or a Special Contracts Traditional Model which generally occupies approximately 1,000 to 1,850 square feet of space. A Non-traditional Model or a Special Contracts Non-traditional Model which generally occupies 250 to 1,000 square feet of space possibly with a common eating area and/or common kitchen (i.e. airports, shopping malls, sports arenas, hotels, university campuses, health care facilities, government & military facilities). The space may be either owned by Franchisee or leased from a third party. All PJ's Units are constructed to our specifications. A PJ's Unit may be located in either a freestanding building or an in-line retail plaza space with ample parking, drive-thru facilities, good visibility, and visible signage. A Traditional Model or Special Contracts Traditional Model will employ approximately 10 to 16 people. A Non-traditional Model or a Special Contracts Non-traditional Model will also employ approximately 10 to 16 people.

We also offer multi-unit franchises under a Multiple-Unit Option Agreement (the "MUOA"), a copy of which is attached as Exhibit N. If you sign a MUOA, you agree to open a certain number of PJ's Units according to an agreed upon development schedule. Failure to meet the deadline imposed may result in the forfeiture of your rights to develop additional PJ's Units. You will sign a separate franchise agreement for each PJ's Unit you develop; future franchise agreements may be different from the franchise agreement in

this offering. The minimum number of PJ's Units for an MUOA is two. Under the MUOA, the initial franchise fee is \$35,000, but subsequent PJ's Units receive a reduced franchise fee. The fee for each PJ's Unit numbered two or greater is \$10,000.

Franchisee will operate a PJ's Unit as an independent business utilizing Franchisor's business format, procedures, designs, trade dress, standards, specifications, and methods of operation. Franchisee must use the PJ's System at Franchisee's PJ's Unit, which includes, without limitation, the common use and promotion of the name "PJ's" and other service marks, trademarks, trade names, logos, emblems, signs, slogans, insignia and other commercial symbols Franchisor may designate from time to time (collectively, the "Marks"). Franchisee must also use Franchisor's distinctive food products, recipes, quality standards, procedures, training manuals, advertising & promotional programs, and ongoing assistance. Franchisor may from time to time add or delete products and/or services and change specifications, standards, procedures, and methods of operation and Franchisee will be expected to follow suit. Franchisee will offer and provide products and services to the general public, at all times comply with the Franchise Agreement and our confidential operations manual (the "Manual") that will be loaned to Franchisee at the time of training. Franchisee may only offer services and products with our prior approval.

#### Market and Competition.

The market for the products sold in a PJ's Unit is to the general public. The market may be affected by general economic conditions. The specialty coffee market is highly competitive. Franchisee will be competing with other businesses, both national and local, offering similar items. National and local specialty coffee businesses may also develop similar menu items; national and local supermarkets and other retailers may carry some of the same or similar products. If Franchisee's PJ's Unit is located in a strip center or local or regional shopping mall, Franchisee will typically have to compete with businesses offering competitive goods or services within the same center or mall.

Franchisee should investigate all general laws in evaluating the franchise. It is Franchisee's sole responsibility to obtain and keep all necessary permits required by public authorities.

#### Government Regulation.

Local, state, and federal laws and regulations will apply to the business operations of Franchisee's PJ's Unit. Food service, health and sanitation laws and regulations will also directly apply to the preparation of Franchisee's food and handling of other food related products. In addition, Franchisee must comply with all local, state, and federal laws that apply to Franchisee's PJ's Unit including health, sanitation, non-smoking, and EEOC, OSHA, discrimination, employment, and sexual harassment laws. The Americans with Disabilities Act of 1990 requires readily accessible accommodations for disabled people, and, therefore, may affect Franchisee's building construction, entrance ramps, doors, seating, bathroom, and parking. Franchisee must obtain building permits, other licenses, and operational permits and certifications. Franchisee should consult with Franchisee's attorney concerning these and other local laws and ordinances that may affect Franchisee's PJ's Unit.

#### Franchisee Referral Program.

We have a program (the "Franchisee Referral Program") that provides existing PJ's Franchisees the opportunity to earn an incentive for each new qualified candidate they refer to us, who meet our criteria for approval as a PJ's Franchisee, and who sign a Franchise Agreement and pay the applicable Initial Franchise Fee. The incentive for Franchisees is \$5,000. The incentive applies only to the first PJ's Unit of the referred franchisee. All existing PJ's Franchisees, who are in good standing, are eligible to participate in the



Franchisee Referral Program. Only one PJ's Franchisee may receive the \$5,000 referral incentive for each qualified candidate. This program is not intended to supplement or amend the Franchise Agreement or any other agreement and does not create any additional rights for a PJ's Franchisee or any third party.

We can change or eliminate this program at any time without notice. Franchisees are not our sales agents and are not authorized by us to qualify PJ's franchise candidates or to make statements on our behalf relating to the financial performance to prospects for success in operating the PJ's Unit. PJ's Franchisees are merely referring/introducing candidates to us, and we retain sole discretion and responsibility for the new franchise qualification and evaluation process.

#### Veteran Discount Program.

We have a program (the "Veteran Discount Program") that provides United States Veterans with a twenty percent discount off their Initial Franchise Fee. Veterans must provide us with a valid DD214 form to qualify for the discount. We can change or eliminate this program at any time without notice.

## **ITEM 2**

### **BUSINESS EXPERIENCE**

#### Board of Directors/Principal: John "Scott" Ballard

From June 2008 to present, John "Scott" Ballard has been a Principal and Member of the Board of Directors for New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

#### Board of Directors/Principal: Paul Ballard

From June 2008 to present, Paul Ballard has been a Principal and Member of the Board of Directors for New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

#### Board of Directors/Principal: Steven Ballard

From June 2008 to present, Steven Ballard has been a Principal and Member of the Board of Directors for New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

#### President: Peter Boylan, III

In October 2011, Peter Boylan, III joined New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana as the Executive Vice President and Chief Development Officer. In June 2016, Mr. Boylan was promoted to President of New Orleans Brew, LLC, a position that he currently holds.

#### Chief Financial Officer: Jeffery Giavotella

Since April 2010, Jeffery Giavotella has served as Chief Financial Officer of New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

Chief Operating Officer: William J. DiPaola, CFE

From June 2014 to July 2018, William “Bill” DiPaola served as President and Chief Operating Office of Dat Dogs Enterprises at 3336 Magazine Street, New Orleans, Louisiana. In July 2018, Mr. DiPaola became the Chief Operating Officer at New Orleans Brew, LLC, at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana, a position he currently holds.

Executive Vice President & Chief Development Officer: David Mesa, Jr., CFE

From 2003 until June 2016, David Mesa, Jr. was an executive with Planet Beach Franchising Corporation at 5161 Taravella Road, Marrero LA, serving as their President of Franchise Operations. Since June 2016, Mr. Mesa has served as Executive Vice President and Chief Development Officer of New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

Executive Vice President/Chief Marketing Officer: Leslie Monson

From 2010 to 2018, Leslie Monson served as a Marketing Leader for Churchill Downs Incorporated and the Fair Grounds Race Course & Slots, and OTB & Casinos at 1751 Gentilly Boulevard, New Orleans, Louisiana. In 2018, Ms. Monson was hired as the Executive Vice President/Chief Marketing Officer by New Orleans Brew, LLC, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

Chief Roastmaster: Felton M. Jones, III

Since 2003, Felton Jones III has served as Chief Roastmaster and Coffee Buyer for New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

Vice-President of National Account Sales: Marc Hubble

In August 2018, Marc Hubble has served as the Vice-President of National Account Sales for New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana. Prior to joining New Orleans Brew, LLC, from May 2017 to August 2018, Mr. Hubble served as the East Region Sales Manager for Popchips at 5510 Lincoln Boulevard, Playa Vista, California 90094. From 2015 to 2017, Mr. Hubble was employed by Franke Coffee Systems North America at 800 Aviation Parkway, Smyrna, Tennessee 37167 as the National Sales Manager (3/2015-1/2017), Director of Key Account Sales (3/2016-12/2016) and National Sales Director-Roasters & Specialty Partnerships (1/2017-5/2017).

Vice-President of Operations: Patrick Shaheen, CFE

Since 2008, Patrick Shaheen has served as Vice President of Operations for New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana, a position he currently holds.

Vice-President of Franchise Development: Ryan J. Stansbury, CFE

In May 2010, Ryan Stansbury joined New Orleans Brew, LLC as the Franchise Development Director at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana. In April of 2019, Mr. Stansbury was promoted to Vice-President of Franchise Development.

Vice President of Brand Strategy: Reid Nolte

From 2008 to 2018, Reid Nolte has served as the Marketing Director of New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana. In November 2018, Mr. Nolte was promoted to the Vice President of Brand Strategy, a position he currently holds.

Location Development Manager: Mark Verges

From October 2009 to September 2017, Mark Verges served as the Franchise Development Director for CC's Coffee Concepts at 9131 Amber Drive, Baton Rouge, Louisiana. Since October 2017 to present, Mr. Verges has served as the Location Development Manager of New Orleans Brew, LLC at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana.

**ITEM 3**

**LITIGATION**

No litigation is required to be disclosed in this Item.

**ITEM 4**

**BANKRUPTCY**

PJ's Vice President of Operations, Patrick Shaheen, filed a bankruptcy petition under the liquidation provisions of Chapter 7 of the U.S. Bankruptcy Code on February 23, 2011. In re Shaheen, No. 11-10539 (E. D. La. 2011). On April 4, 2011, the bankruptcy court confirmed the trustee's petition of disclaimer and abandonment.

Other than the above, no bankruptcy is required to be disclosed in this Item.

**ITEM 5**

**INITIAL FEES**

Franchise Fee. The initial franchise fee can range from \$10,000 to \$35,000 depending on the type of model chosen. The initial franchise fee is payable when Franchisee signs the Franchise Agreement. The initial franchise fee is fully earned and non-refundable when paid, in consideration of the administrative and other expenses incurred by Franchisor entering into the Franchise Agreement, and for Franchisor's lost or deferred opportunity to enter into the Franchise Agreement with others. The initial franchise fee is based on the type of model chosen. Please review the table below to determine Franchisee's initial franchise fee:

<b>Type of Model</b>	<b>Description</b>	<b>Initial Franchise Fee</b>
Traditional Model	Traditional Units generally range between 1,000 – 1,850 square feet.	\$35,000
Non-traditional Model	Non-traditional Units generally range between 250 – 1,000 square feet and may feature a common eating area and/or possibly a common kitchen—i.e. airports, shopping malls, sports arenas, hotels, university campuses, health care facilities, government & military facilities. Non-traditional	\$25,000

	Units generally feature a condensed food and beverage menu.	
Special Contracts Traditional Model	Traditional Units range between 1,000 – 1,850 square feet.	\$10,000 - \$15,000
Special Contracts Non-traditional Model	Non-traditional Units generally range between 250 – 1,000 square feet and may feature a common eating area and/or possibly a common kitchen— i.e. airports, shopping malls, sports arenas, hotels, university campuses, health care facilities, government & military facilities. Non-traditional Units generally feature a condensed food and beverage menu.	\$10,000 - \$15,000

**Pre-Opening Purchases.** Before opening for business, Franchisee must purchase the necessary PJ's Products and proprietary items from Franchisor and/or Franchisor's affiliate, New Orleans Roast, LLC. Franchisor estimates that Franchisee's pre-opening costs for PJ's Products and proprietary items purchased from us and/or our affiliate will range from \$2,500 to \$5,000 per Unit.

**ITEM 6**

**OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Traditional Model Royalty Fee <sup>N1</sup>	5.0% of gross sales	Automatically withdrawn five business days after prior week's end.	Payable to PJ's; uniformly imposed; non-refundable.
Non-traditional Model Royalty Fee <sup>N1</sup>	5.0% of gross sales	Automatically withdrawn five business days after prior week's end.	Payable to PJ's; uniformly imposed; non-refundable.
Special Contracts Traditional Model Royalty Fee <sup>N1</sup>	3.0% - 6.0% of gross sales (depending on Franchisee experience). Generally, a Franchisee with more experience operating other PJ's Franchise Units or similar types of units within other systems will have a lower rate than Franchisees with less experience either in terms of time or with this particular type of business. The Royalty Fee will be	Automatically withdrawn five business days after prior week's end.	Payable to PJ's; uniformly imposed; non-refundable.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
	determined prior to the franchisee signing the Franchise Agreement.		
Special Contracts Non-traditional Model Royalty Fee <sup>N1</sup>	3.0% - 6.0% of gross sales (depending on Franchisee experience). Generally, a Franchisee with more experience operating other PJ's Franchise Units or similar types of units within other systems will have a lower rate than Franchisees with less experience either in terms of time or with this particular type of business. The Royalty Fee will be determined prior to the franchisee signing the Franchise Agreement.	Automatically withdrawn five business days after prior week's end.	Payable to PJ's; uniformly imposed; non-refundable.
Traditional Model Marketing Fee (System Fund) <sup>N2</sup>	2.0% of gross sales.	Same as royalty fee.	Payable to PJ's; uniformly imposed; non-refundable.
Non-traditional Model Marketing Fee (System Fund) <sup>N2</sup>	2.0% of gross sales.	Same as royalty fee.	Payable to PJ's; uniformly imposed; non-refundable.
Special Contracts Model Marketing Fee (System Fund) <sup>N2</sup>	No fee for this model.	Not applicable.	Not applicable.
Special Contracts Non-traditional Model Marketing Fee (System Fund) <sup>N2</sup>	No fee for this model.	Not applicable.	Not applicable.
Advertising Cooperatives <sup>N3</sup>	1.0% up to 3.0% of gross sales.	Established by cooperative.	As designated by Franchisee's cooperative.
Interest on late payments	Prime plus 2.5% per annum or the maximum rate allowed by the applicable federal and/or state law.	Immediately.	Payable to PJ's; non-refundable.
Training Fees <sup>N4</sup>	No fee charged for initial training programs. After first training program, additional training sessions may either be requested by the franchisee or mandated by PJ's.	Additional training programs- as incurred before commencement of program.	Additional training programs-payable to PJ's.

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks</b>
Initial Advertising Fee <sup>N5</sup>	\$7,500-\$10,000	Prior to opening – See Item 7.	Payable to approved vendor.
Refurbishment Costs <sup>N6</sup>	\$20,000 - \$65,000	After the first five years of opening of the Unit.	Payable to approved contractor/vendor.
Audit Fees <sup>N7</sup>	\$2,500 - \$8,000	After audit and gross sales are determined to be understated by 5% or more.	To designated auditor.
Transfer Fees <sup>N8</sup>	\$15,000	Payable at time of transfer.	Payable to PJ's when, and if, Franchisee transfers Franchisee's franchise; uniformly imposed; non-refundable.
Renovation/Design Construction Plans <sup>N9</sup>	\$1,500 - \$11,500	As incurred.	Payable to PJ's and/or approved/designated architecture firm.
Returned Checks <sup>N10</sup>	\$30 for each occurrence.	As incurred.	Payable to PJ's.
Charge for Inspection and Testing of Proposed Suppliers	\$0 - \$1,000	As incurred – See Item 8.	Payable to proposed supplier.
Point of Sale (POS) System Costs	\$1,000 - 2,000 if paid in full. Alternatively, Franchisee may elect to pay \$40 to \$80 per month for 24 months in lieu of paying in full for the POS System.	As incurred or monthly.	Payable to approved vendor.
Point of Sale (POS) Software License, Loyalty Program & Gift Card Program Fee	\$ 300 monthly fee.	Monthly.	Payable to approved vendor.
Labor Management Program Fee <sup>N11</sup>	\$ 30 monthly fee.	Monthly.	Payable to approved vendor.
Mobile App Fee <sup>N11</sup>	\$175 monthly fee.	Monthly.	Payable to approved vendor.
Inventory Management Program Fee <sup>N11</sup>	\$100 monthly fee.	Monthly.	Payable to approved vendor.
Early Termination Fee	The average monthly Royalty and Marketing Fees during the preceding 12-month period multiplied by the number of months remaining in the term of the franchise agreement.	As incurred- 30 days prior to the early closing of the store.	Franchisee must provide PJ's with 90-days' written notice of the termination of Franchisee's franchise agreement.

Type of Fee	Amount	Due Date	Remarks
Annual Convention	\$ 500 - \$5,000	As incurred- yearly.	This includes the registration fee, cost of travel and lodging. It does not take into account miscellaneous expenses such as food and entertainment. Travel expenses may vary depending on your point of origin.
Annual Convention Penalty	\$500	As incurred.	Payable to PJ's.
Financial Statement Penalty <sup>N12</sup>	\$100	As incurred.	Payable to PJ's.

**NOTES:**

General Comments.

All fees must be payable to Franchisor. Unless otherwise stated, these fees are non-refundable. During the term of the Franchise Agreement, Franchisor and/or its approved vendors may offer additional services not currently contemplated, for which Franchisor and/or its approved vendors may charge a fee. Franchisor will automatically withdraw all fees from Franchisee's bank account on a weekly or monthly basis.

(1) Royalty Fee. Franchisee must pay the appropriate percentage of Franchisee's weekly gross sales to Franchisor beginning the date Franchisee opens for business. This payment or withdrawal will be made within five business days of week's end. The term "gross sales" shall mean the amount of sales of all products and services sold in, on, about, from, or from such other place for Franchisee's PJ's Unit, whether for cash or on a charge, credit or time basis, including the reasonable market value of any goods or services sold or traded in any barter or trade transaction, without reserve or deduction for inability or failure to collect. "Gross Sales" is intended to include income of every kind and nature related to Franchisee's PJ's Unit. Where not prohibited by law, gross sales shall mean and include all net revenue earned as a result of video gaming, including video poker and video bingo. "Gross sales" shall not include the amount of any excise or sales tax levied on retail sales and payable over to the appropriate governmental authority. In computing gross sales, Franchisee may deduct the amounts of over-rings, refunds, allowances, or discounts to customers (including coupon sales) if these amounts have been included in gross sales and if Franchisee complies with the requirements, including time limits, established by Franchisor, in writing, regarding reporting and taking credits against gross sales.

(2) Marketing Fee (System Fund). Franchisee must pay the appropriate percentage of Franchisee's weekly gross sales to Franchisor beginning the date Franchisee opens for business for a System Fee. This payment or withdrawal will be made within five business days of week's end.

(3) Cooperative Fee. Franchisee shall be required to participate in a marketing and promotional cooperative ("Cooperative") with other PJ's franchisees. Upon becoming a member of a Cooperative, Franchisee must pay the appropriate percentage of Franchisee's weekly gross sales to the Cooperative.

- (4) Training Fees. Franchisee must pay all personal expenses incurred by Franchisee or Franchisee's employees in training programs, including costs and expenses of transportation, lodging, meals, wages, and employee benefits. Franchisor will not charge for the attendance up to three persons representing Franchisee at the initial franchise management training program.
- (5) Initial Advertising Fee. Franchisee must pay \$7,500 to \$10,000 to an approved vendor for advertising associated with the Grand Opening. This spend must occur prior to opening. If the PJ's Unit is within a 75-mile radius of an existing PJ's Unit, Franchisee is required to spend \$7,500.00 to promote the grand opening. If the PJ's Unit is more than 75 miles from an existing PJ's Unit ("Pioneer Market"), Franchisee is required to spend \$10,000.00 on the grand opening advertisement. If the PJ's Unit is in a Pioneer Market, Franchisor will spend an additional \$5,000.00 to promote the grand opening. Franchisor's Pioneer Market advertising spend will not be deducted from any national advertising fund.
- (6) Refurbishment Costs. Franchisor may ask Franchisee to refurbish, remodel or modify Franchisee's PJ's Unit at Franchisee's expense after the first five (5) years of opening of the PJ's to conform to the then-current building design, trade dress, equipment specifications and color schemes. The cost of each refurbishment depends upon the extent and amount of work performed. These costs are estimated to range between \$20,000 and \$65,000.
- (7) Audit Fees. Franchisor has the right to review the financial statements submitted by Franchisee. If it is determined by an independent certified public accountant that the amount of gross sales was understated by more than 5%, then Franchisee is responsible to pay all accountant's fees incurred by Franchisor. The cost of this audit is estimated to be \$2,500 - \$8,000 but the cost will vary depending on the amount of work performed by the accountant.
- (8) Transfer Fee. If the transfer of Franchisee's PJ's Unit results in a transfer of control, Franchisee must pay Franchisor \$15,000.
- (9) Renovation/Design Construction Plans. Franchisee must pay the fees and costs associated with obtaining the plans necessary to complete the refurbishment described in Note 5 above. The fees and costs associated with the renovation construction plans will vary. Franchisee must use a licensed and insured general contractor for all construction and remodeling on the interior or exterior of the franchised location. Costs are estimated to be \$1,500 - \$11,500.
- (10) Returned Checks. Franchisee must pay \$30 to Franchisor for each check Franchisee issued to Franchisor that is returned by the bank due to insufficient funds.
- (11) Labor Management and Inventory Management Programs; Mobile Application Platform. Franchisee must utilize the labor management and inventory management program(s) designated by the Franchisor. Franchisee must pay fees associated with the labor management and inventory management programs separately. Franchisee must participate in Franchisor's mobile application designated by the Franchisor. Franchisee must pay fees associated with the mobile application.
- (12) Financial Statement Penalty. Franchisee must pay \$100 to Franchisor for failing to remit financial statements to Franchisor.

## **ITEM 7**

### **ESTIMATED INITIAL INVESTMENT**



The total investment necessary to begin operation of a PJ's Unit ranges from \$173,275 - \$580,500. This total investment estimate includes the initial franchise fee of \$10,000 - \$35,000, as well as pre-opening costs for PJ's Products and proprietary items of \$2,500 - \$5,000, that must be paid to the Franchisor or affiliate.

<b>YOUR INITIAL INVESTMENT TRADITIONAL MODEL</b>					
<b>Type of Expenditure</b>	<b>Low</b>	<b>High</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee	\$35,000	\$35,000	Lump Sum	Upon signing of franchise agreement	Franchisor
Real Estate Lease for Premises <sup>N1</sup>	\$1,875	\$12,500	As arranged	As arranged	Landlord
Furniture, Fixtures, and Equipment <sup>N2</sup>	\$50,000	\$150,000	As arranged	Before Opening	Approved Suppliers
Opening advertising <sup>N3</sup>	\$7,500	\$10,000	As arranged	Within first month of opening	Advertising
Training expenses <sup>N4</sup>	\$0	\$0	As arranged	As arranged	Franchisor
Travel and living expenses while training <sup>N5</sup>	\$3,500	\$7,000	As arranged	Before Opening	Airlines, Hotels and Restaurants
Insurance <sup>N6</sup>	\$2,400	\$5,000	As arranged	Before Opening	Agent/Company of Franchisee's Choice
Other prepaid expenses, such as deposits, licenses and various permits <sup>N7</sup>	\$1,000	\$3,500	As arranged	Before Opening	Suppliers and Government Agencies
Opening inventory <sup>N8</sup>	\$7,000	\$14,000	As arranged	Before Opening	Franchisor and Suppliers
Signage	\$4,000	\$18,000	As arranged	Before Opening	Approved Suppliers
Leasehold improvements <sup>N9</sup>	\$50,000	\$270,000	As arranged	Before Opening	Approved General Contractor
Small wares	\$3,000	\$5,000	As arranged	Before Opening	Approved Suppliers
POS System & Back-office Computer System	\$1,500	\$5,500	As arranged	Before Opening	Approved Suppliers
Legal, accounting & organizational costs	\$2,500	\$5,000	As arranged	As arranged	Government, Attorneys, Accountants

Additional funds <sup>N10</sup>	\$30,000	\$30,000	As arranged	As arranged	Suppliers and Employees
Construction Drawings <sup>N11</sup>	\$1,500	\$11,500	As arranged	As arranged	Franchisor and/or Approved Suppliers
<b>TOTAL</b>	<b>\$200,775</b>	<b>\$582,000</b>			

<b>YOUR INITIAL INVESTMENT NON-TRADITIONAL MODEL</b>					
<b>Type of Expenditure</b>	<b>Low</b>	<b>High</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee	\$25,000	\$25,000	Lump Sum	Upon signing of franchise agreement	Franchisor
Real Estate Lease for Premises <sup>N1</sup>	\$1,875	\$12,500	As arranged	As arranged	Landlord
Furniture, Fixtures, and Equipment <sup>N2</sup>	\$50,000	\$100,000	As arranged	Before Opening	Approved Suppliers
Opening advertising <sup>N3</sup>	\$7,500	\$10,000	As arranged	Within first month of opening	Advertising
Training expenses <sup>N4</sup>	\$0	\$0	As arranged	As arranged	Franchisor
Travel and living expenses while training <sup>N5</sup>	\$3,500	\$7,000	As arranged	Before Opening	Airlines, Hotels and Restaurants
Insurance <sup>N6</sup>	\$2,400	\$5,000	As arranged	Before Opening	Agent/Company of Franchisee's Choice
Other prepaid expenses, such as deposits, licenses and various permits <sup>N7</sup>	\$1,000	\$3,500	As arranged	Before Opening	Suppliers and Government Agencies
Opening inventory <sup>N8</sup>	\$7,000	\$14,000	As arranged	Before Opening	Franchisor and Suppliers
Signage	\$4,000	\$7,000	As arranged	Before Opening	Approved Suppliers
Leasehold improvements <sup>N9</sup>	\$50,000	\$150,000	As arranged	Before Opening	Approved General Contractor
Small wares	\$3,000	\$5,000	As arranged	Before Opening	Approved Suppliers

POS System & Back-office Computer System	\$1,500	\$5,500	As arranged	Before Opening	Approved Suppliers
Legal, accounting & organizational costs	\$2,500	\$5,000	As arranged	As arranged	Government, Attorneys, Accountants
Additional funds <sup>N10</sup>	\$30,000	\$30,000	As arranged	As arranged	Suppliers and Employees
Construction Drawings <sup>N11</sup>	\$1,500	\$11,500	As arranged	As arranged	Franchisor and/or Approved Suppliers
<b>TOTAL</b>	<b>\$190,775</b>	<b>\$391,000</b>			

<b>YOUR INITIAL INVESTMENT TRADITIONAL MODEL SPECIAL CONTRACTS</b>					
<b>Type of Expenditure</b>	<b>Low</b>	<b>High</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee	\$10,000	\$15,000	Lump Sum	Upon signing of franchise agreement	Franchisor
Real Estate Lease for Premises <sup>N1</sup>	\$1,875	\$12,500	As arranged	As arranged	Landlord
Furniture, Fixtures, and Equipment <sup>N2</sup>	\$50,000	\$150,000	As arranged	Before Opening	Approved Suppliers
Opening advertising <sup>N3</sup>	\$7,500	\$10,000	As arranged	Within first month of opening	Advertising
Training expenses <sup>N4</sup>	\$0	\$0	As arranged	As arranged	Franchisor
Travel and living expenses while training <sup>N5</sup>	\$3,500	\$7,000	As arranged	Before Opening	Airlines, Hotels and Restaurants
Insurance <sup>N6</sup>	\$2,400	\$5,000	As arranged	Before Opening	Agent/ Company of Franchisee's Choice
Other prepaid expenses, such as deposits, licenses and various permits <sup>N7</sup>	\$1,000	\$3,500	As arranged	Before Opening	Suppliers and Government Agencies

Opening inventory <sup>N8</sup>	\$7,000	\$14,000	As arranged	Before Opening	Franchisor and Suppliers
Signage	\$4,000	\$18,000	As arranged	Before Opening	Approved Suppliers
Leasehold improvements <sup>N9</sup>	\$50,000	\$270,000	As arranged	Before Opening	Approved General Contractor
Small wares	\$3,000	\$5,000	As arranged	Before Opening	Approved Suppliers
POS System & Back-office Computer System	\$1,500	\$5,500	As arranged	Before Opening	Approved Suppliers
Legal, accounting & organizational costs	\$2,500	\$5,000	As arranged	As arranged	Government, Attorneys, Accountants
Additional funds <sup>N10</sup>	\$30,000	\$30,000	As arranged	As arranged	Suppliers and Employees
Construction Drawings <sup>N11</sup>	\$1,500	\$11,500	As arranged	As arranged	Franchisor and/or Approved Suppliers
<b>TOTAL</b>	<b>\$175,775</b>	<b>\$562,000</b>			

<b>YOUR INITIAL INVESTMENT NON-TRADITIONAL MODEL SPECIAL CONTRACTS</b>					
<b>Type of Expenditure</b>	<b>Low</b>	<b>High</b>	<b>Method of Payment</b>	<b>When Due</b>	<b>To Whom Payment is to be Made</b>
Initial Franchise Fee	\$10,000	\$15,000	Lump Sum	Upon signing of franchise agreement	Franchisor
Real Estate Lease for Premises <sup>N1</sup>	\$1,875	\$12,500	As arranged	As arranged	Landlord
Furniture, Fixtures, and Equipment <sup>N2</sup>	\$50,000	\$100,000	As arranged	Before Opening	Approved Suppliers
Opening advertising	\$5,000	\$5,000	As arranged	Within first month of opening	Advertising
Training expenses <sup>N4</sup>	\$0	\$0	As arranged	As arranged	Franchisor

Travel and living expenses while training <sup>N5</sup>	\$3,500	\$7,000	As arranged	Before Opening	Airlines, Hotels and Restaurants
Insurance <sup>N6</sup>	\$2,400	\$5,000	As arranged	Before Opening	Agent/ Company of Franchisee's Choice
Other prepaid expenses, such as deposits, licenses and various permits <sup>N7</sup>	\$1,000	\$3,500	As arranged	Before Opening	Suppliers and Government Agencies
Opening inventory <sup>N8</sup>	\$7,000	\$14,000	As arranged	Before Opening	Franchisor and Suppliers
Signage	\$4,000	\$7,000	As arranged	Before Opening	Approved Suppliers
Leasehold improvements <sup>N9</sup>	\$50,000	\$150,000	As arranged	Before Opening	Approved General Contractor
Small wares	\$3,000	\$5,000	As arranged	Before Opening	Approved Suppliers
POS System & Back-office Computer System	\$1,500	\$5,500	As arranged	Before Opening	Approved Suppliers
Legal, accounting & organizational costs	\$2,500	\$5,000	As arranged	As arranged	Government, Attorneys, Accountants
Additional funds <sup>N10</sup>	\$30,000	\$30,000	As arranged	As arranged	Suppliers and Employees
Construction Drawings <sup>N11</sup>	\$1,500	\$11,500	As arranged	As arranged	Franchisor and/or Approved Suppliers
<b>TOTAL</b>	<b>\$173,275</b>	<b>\$376,000</b>			

NOTES:

General Comments.

The above figures are estimates of the complete investment in establishing Franchisee's PJ's Unit and it is possible to significantly exceed these costs in any of the areas listed above. Franchisee's actual investment will depend upon many different factors like location, amount of space leased, amount of leasehold improvements, and Franchisee's ability to efficiently manage and coordinate the construction and opening of Franchisee's PJ's Unit. The amounts paid to Franchisor are non-refundable unless otherwise stated. The refund ability of amounts paid to third parties depends upon Franchisee's negotiations with these parties. The following notes are integral to the understanding of the financial commitment required to successfully establish and operate Franchisee's PJ's Unit. Franchisee should review the notes thoroughly.

(1) Real Estate Lease for PJ's Unit. Locations for PJ's Units are typically within shopping strip centers and suburban shopping areas. Typically, Franchisee would lease an existing location in a shopping strip center or other freestanding building and remodel the location to conform to the current design specifications of Franchisor. Franchisee may also lease the land and an existing facility and convert the facility to Franchisee's PJ's Unit or enter into a build-to-suit lease under which lease the landlord agrees to construct a structure which is used as Franchisee's PJ's Unit and lease the land and the building back to Franchisee. Franchisee may also purchase the land and build the facility itself. The cost of land may vary dramatically depending upon a multitude of factors and it varies by city and region. Franchisor has not included costs for land acquisition or construction of a building. Franchisee must perform a thorough investigation in Franchisee's local area concerning land, site, leasehold, and construction costs. These costs may vary significantly from location to location and are dependent upon factors such as the general cost, location, and availability of commercial real estate in Franchisee's market area and the amount of space desired.

Lease payments vary considerably depending upon regional and local factors and the type of lease negotiated by Franchisee. For a typical Traditional Model or Special Contracts Traditional Model PJ's Unit, Franchisee must lease approximately 1,000 to 1,850 square feet of space. For a typical Non-traditional Model or Special Contracts Non-traditional Model PJ's Unit, Franchisee must lease approximately 250 to 1,000 square feet of space. Lease payments for a typical PJ's Unit usually range from \$1,875 to \$6,250 per month depending upon the size, location, and market demand for the property. The rate may be higher for regional mall sites or locations in high demand. Franchisor estimates that the range (\$1,875 to \$12,500) given will cover a deposit and first month's rent. There is a low-end estimate of "\$1,875" for certain franchised models because some landlords do not require a lease deposit; therefore, an initial investment of only first month's rent will be required by the franchisee. Additionally, rent is typically based upon the size of the location; therefore, if the leased property has less square footage, an initial investment of the first month's rent will be lower than if the lease property has more square footage and requires a lease deposit. There is a high-end estimate of "\$12,500" for certain franchised models because some landlords require both a lease deposit and first month's rent. Additionally, as rent is typically based upon the size of the location, if the leased property is larger, the rent will be higher. Therefore, an initial investment of up to \$12,500 may be required by the franchisee.

(2) Furniture, Fixtures and Equipment. Franchisor will provide a complete list of furniture, fixtures and equipment needs and specifications. Franchisor estimates that the range given will also be enough to purchase the initial decor package and other miscellaneous equipment. The decor package and equipment must comply exactly with the designer and/or architectural plans specified by Franchisor.

(3) Opening advertising. The cost of grand opening advertising spend will depend on the geographical location of Franchisee's PJ's Unit. If the PJ's Unit is within a 75-mile radius of an existing PJ's Unit, Franchisee is required to spend \$7,500.00 to promote the grand opening. If the PJ's Unit is more than 75 miles from an existing PJ's Unit ("Pioneer Market"), Franchisee is required to spend \$10,000.00 on the grand opening advertisement. If the PJ's Unit is in a Pioneer Market, Franchisor will spend an additional \$5,000.00 to promote the grand opening. Franchisor's Pioneer Market advertising spend will not be deducted from any national advertising fund.

(4) Training expenses. Franchisor provides instructors and instructional materials for up to three managers at no cost. However, Franchisee must arrange for Franchisee's own transportation, lodging, and meals for Franchisee and for any costs incurred by associates. Franchisee or Franchisee's manager must attend approximately five to seven days of management training in the Greater Metro New Orleans, Louisiana market.

- (5) Travel and living expenses while training. These costs will depend on the distance Franchisee must travel, the type of accommodations, the number of attendees and any wages paid by Franchisee to the associates attending training. The costs listed include estimates for reasonably priced transportation, lodging and meals for three people. The costs do not include wages paid for associates or employees attending training, local restaurants or other attractions in the Greater Metro New Orleans, Louisiana area, which can significantly increase Franchisee's costs and affect the quality of Franchisee's training.
- (6) Insurance. Franchisee must procure comprehensive liability, property and other types of insurance coverage as provided in Franchisee's Franchise Agreement, Franchisee's lease and as may be required by law. The estimate given in the chart is for the first year's premium for a customary comprehensive general liability policy in the amount of One Million Dollars (\$1,000,000.00) per occurrence, business interruption insurance, and One Million Dollars (\$1,000,000.00) aggregate with full replacement value of business contents coverage. Franchisee also must list New Orleans Brew, LLC as an additional named insured.
- (7) Other prepaid expenses. These costs include installation charges and deposits for a business telephone line, utilities, occupational licensing, health, and other permits, and, in some areas, zoning or impact fees.
- (8) Opening inventory. Franchisor estimates that the range given will be sufficient to cover a supply of food and beverages for the opening of Franchisee's PJ's Unit.
- (9) Leasehold improvements. The cost of the leasehold improvements typically ranges from \$50,000 to \$270,000 depending upon the requirements of the city and/or state in which Franchisee is building. The cost of the improvements will vary depending upon the condition and type of building leased and the willingness of the lessor or owner to contribute to the construction or remodeling of Franchisee's PJ's Unit. Costs could exceed the estimates provided if remodeling is extensive and the lessor or owner does not contribute significantly to the costs of remodeling Franchisee's PJ's Unit. Franchisor will provide a complete list of improvements and design and decor criteria for Franchisee's PJ's Unit. Franchisee must use a licensed and insured General Contractor for all construction and remodeling on the interior and exterior of the franchised location.
- (10) Additional funds. This amount reflects the minimum suggested amount of additional funds Franchisee will need for the first three months Franchisee operates Franchisee's PJ's Unit. This amount includes the following items: salaries and wages, payroll taxes, advertising, product purchases, payment of royalties, uniforms, utility bills, ongoing professional fees, freight, and other miscellaneous administrative and operating expenses.
- (11) Construction Drawings. Franchisee must obtain construction drawings and make certain improvements and modifications to the particular building Franchisee leases to conform to the decor and design of other PJ's Units. The cost of the construction drawings typically ranges from \$1,500 to \$11,500, depending upon the project scope, size of the project and requirements of the city and/or state in which Franchisee is building. The construction drawings fees do not include civil or environmental engineering drawings as these are not typically required for a PJ's Unit. Franchisor may offer the service of preparing pre-construction drawings to aid the preparation of the complete construction drawing set. The pre-construction drawings may include existing and proposed floor plan, reflected ceiling plan, equipment, and furniture plan, finishes and details and typical elevations plan. The fee for the pre-construction drawings prepared by Franchisor ranges from \$500 to \$2,500.

(12) Total investment. Franchisor relied on its prior experience in this business to compile these estimates.

(13) Financing. Franchisor does not offer, either directly or indirectly, financing to Franchisee for any items.

## ITEM 8

### **RESTRICTIONS ON SOURCES OF PRODUCTS AND SERVICES**

#### Designated Suppliers and Specifications.

To maintain the reputation, goodwill, high standards, quality and uniformity of our System, Franchisee must purchase services, products and supplies which meet certain specifications. These specifications may include minimum standards for building size, leasehold improvements, zoning, lease provisions, location criteria, qualifications of architects or contractors, signs, equipment, quality, quantity, delivery, performance, design, appearance, durability, style, and other related restrictions. Franchisee must also use only the standard forms approved by Franchisor and use the display sales, marketing and promotional material provided in the manner and for the time periods designated by Franchisor. Franchisee must ensure that all items and printed materials used in Franchisee's PJ's Unit bears the Proprietary Marks in the manner required by Franchisor. Franchisor considers these specifications to be of critical importance to the success of the System. These specifications are listed in the Manuals or are otherwise provided to Franchisee in writing. These specifications may be revised by Franchisor. If a supplier does not meet our specifications stated in the Manuals or as provided to Franchisee in other written materials, Franchisor may require Franchisee to stop using that supplier.

#### Purchases from Designated and/or Approved Suppliers or Distributors.

Franchisee must purchase or lease all equipment, inventory, supplies, products, and materials required for the operation of Franchisee's PJ's Unit in accordance with specifications set by Franchisor and from approved suppliers, except for general office supplies & equipment and other general business items. These items must be purchased from the designated and/or approved suppliers as listed in the Manuals. Franchisee must purchase the designated proprietary items manufactured for Franchisor from New Orleans Roast, L.L.C. ("Roast") or other companies designated by Franchisor. Roast is Franchisor's authorized roasting facility and production company that allows for the distribution of uniform specialty coffee products throughout the System. Roast is an affiliate of Franchisor. Our principals/owners, Paul Ballard, Steven Ballard, and John "Scott" Ballard own an interest in Roast.

Designated suppliers and vendors allow for the ability to obtain discounts on volume purchasing from manufacturer sources. Franchisor considers Franchisee's use of the designated products essential to the success of the System. Franchisor may, at any time, change the source of these designated products. Franchisor estimates that Franchisee's purchases from approved suppliers will be approximately 76% of Franchisee's total investment and 45% of Franchisee's ongoing expenses in the operation of Franchisee's PJ's Unit. For Franchisee's benefit, Franchisor negotiates purchase arrangements, including favorable pricing and/or terms, with designated or approved suppliers. Franchisee does not receive material benefits from Franchisor if Franchisee uses designated or approved suppliers. However, purchasing or leasing from unapproved suppliers or using products that do not meet Franchisor's specifications is a default of Franchisee's Franchise Agreement, and Franchisor may terminate Franchisee's Franchise Agreement and/or pursue its other remedies available to it under the Franchise Agreement. A default under Franchisee's Franchise Agreement may also be cause for Franchisor to not renew Franchisee's Franchise Agreement or disqualify Franchisee from opening additional franchises. Franchisor estimates that Roast's revenue from



sales of required purchases by franchisees under the System will be approximately 25% of Roast's total revenue in 2020. In the 2019 fiscal year, Roast realized gross sales of approximately \$2.9 million for products for use by Franchisees. To determine Roast's revenues from required purchases, Roast has utilized its internal accounting software and year-end financial statements.

Franchisor negotiates purchase arrangement with suppliers, including price terms, for the benefit of Franchisees.

Franchisor does not provide material benefits to a Franchisee based on the Franchisee's purchase of particular products or services or use of designated or approved suppliers.

Franchisee should be aware that there might be price increases in any or all the items Franchisee must purchase from our suppliers or distributors. Costs of goods from designated or approved suppliers may fluctuate from month to month. The volume of purchases, usage, vendor minimums, inventory turns, market demand and other similar factors determines prices charged to Franchisee. Additionally, freight charges may not be uniform for all locations. Freight charges will depend upon the location of Franchisee's PJ's Unit from supplier or distributor's warehouse and the number of other PJ's Units in Franchisee's area. When entering new markets Franchisee should be aware that Franchisee's freight costs may be higher than costs for PJ's Units in other markets and should adjust Franchisee's cost projections accordingly. Franchisor does not know of any pending price increases, but Franchisor cannot guarantee that increases will not occur.

#### Computer Hardware & Software.

Franchisee must purchase the POS system currently approved by PJ's, or other POS system that Franchisor may require in the future. (Franchise Agreement-Article 18.4). The POS system must be purchased from a Franchisor's approved supplier. Various manufacturers provide reasonably equivalent POS systems that perform the same functions; however, the use of any other POS system must be approved in advance by Franchisor. The POS System and network must be secure and PCI compliant to protect customer credit card information. Optional equipment and/or software upgrades are also available for additional fees. Units with a drive-thru must have two POS systems. Franchisor will have unlimited independent access to Franchisee's POS system data, including receipts, reports, and sales information. (Franchise Agreement-Article 11.3). Franchisee will be provided with specifications and initial training in Franchisee's POS system, but Franchisor is under no obligation to assist Franchisee in obtaining the above items. If the POS system must be upgraded or updated, Franchisee agrees to pay all reasonable and necessary expenses, fees, and costs. (Franchise Agreement-Article 18.4). The estimated cost for upgrades or updates to the POS system is \$1,000 - \$2,000. Franchisee must purchase or lease all equipment necessary to accept designated credit or debit cards. The estimated cost for a full-service register system is \$1,000 - \$2,000. This price may decrease or increase depending on the model chosen. POS system training is mandatory and is included in the system price. Franchisee may be required to purchase a back-office computer system including a network switch and laser printer. The estimate for the back-office computer system is \$500 - \$1000. Franchisee may elect to purchase a video monitoring system. The estimated cost of the video monitoring system is \$1,000 - \$2,500.

#### Insurance.

Franchisee must procure comprehensive liability, property and other types of insurance coverage as provided in Franchisee's Franchise Agreement, Franchisee's lease and as may be required by law. The estimate given in the chart is for the first year's premium for a customary comprehensive general liability policy in the amount of One Million Dollars (\$1,000,000.00) per occurrence, business interruption

insurance, and One Million Dollars (\$1,000,000.00) aggregate with full replacement value of business contents coverage. Franchisee also must list New Orleans Brew, LLC as an additional named insured.

#### Approval of Alternative Suppliers/Compliance with Specifications.

If Franchisee desires to purchase any items from an unapproved supplier that Franchisee believes meets the specifications of Franchisor, Franchisee and the supplier must submit to Franchisor a written request for approval. Franchisor must advise Franchisee within 90 days whether these items meet its specifications. The time for approval may vary depending upon the amount of research, testing, cooperation from suppliers and other factors involved in approving the items. Franchisor's approval shall not be unreasonably withheld. Franchisor may require that its representatives be permitted to inspect the supplier's facilities and that samples from the supplier be delivered to Franchisor or its designee for inspection. Franchisor reserves the right to re-inspect the facilities and products of any previously approved supplier and to revoke its approval upon the supplier's failure to continue to meet any of Franchisor's standards and specifications.

If Franchisee obtains services from third-party providers, Franchisor will have the right to review the terms and conditions of Franchisee's arrangements and require additional information about the business background and qualifications of the providers, including personal interviews with individuals providing the services. If any third party obtains access to confidential information, Franchisor may require, as a condition of approval of the provider, the signing of confidentiality and non-competition agreements in a form satisfactory to Franchisor. Franchisor may disapprove any provider, upon written notice to Franchisee, which does not demonstrate an ability to comply with the standards established for the System and to meet our needs promptly and reliably. Franchisor considers the following general criteria in determining whether a supplier will be approved: ability to produce or deliver the products, services, supplies or equipment in accordance with Franchisor's standards and specifications for quality and uniformity; production and delivery capabilities and ability to meet supply commitments; integrity of ownership (to ensure that the supplier's association with Franchisor would not be inconsistent with Franchisor's image or damage Franchisor's goodwill); financial stability; meets minimum standards of licensing, insurance and regulatory requirements; and the negotiation of a mutually satisfactory agreement to protect Franchisor's intellectual property. Franchisor's criteria for specific types of suppliers are either made available to Franchisee in the Manuals or will be made available to Franchisee upon written request.

Franchisor maintains a written list of approved supplies (generally identified by brand name) and suppliers, which is updated and issued to Franchisee on a regular basis. Franchisor does not provide confidential specifications to Franchisee or suppliers, except on a limited basis; however, if a product, equipment, or other item does not meet Franchisor's specifications, Franchisor will provide a written explanation within 90 days, depending upon the testing involved as described above, as to why the product or equipment does not meet Franchisor's specifications. Franchisor formulates and modifies specifications and standards by periodically performing tests on its products and equipment in relation to new products and equipment.

#### Revenues from Franchisee Purchases.

Franchisor expects to receive either directly or indirectly, revenue from suppliers based on purchases by Franchisees to cover Franchisor's expenses, overhead and profit. The revenue may be based on volume or per unit sales for purchases of coffee beans, teas, coffee products, syrups, paper products, or other products ("Rebate Products"). During Franchisor's last fiscal year that ended on December 29, 2019, Franchisor's revenue from suppliers based on purchases of Rebate Products by PJ's Units was approximately \$41,673 or 1.6% of Franchisor's total revenue of approximately \$2,654,578, based on Franchisor's audited financial statements of Franchisor's last fiscal year.

Cooperatives.

Franchisor does not have any purchasing or distribution cooperatives.

**ITEM 9**

**FRANCHISEE'S OBLIGATIONS**

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

Obligation	Section in Franchise Agreement or Addendum	Disclosure Document Item
a. Site selection and acquisition/lease	Articles 1.2, 1.3 and 1.4	Item 11
b. Pre-opening purchases/leases	Articles 6.4, 8.2, and 8.4	Items 6, 7 and 8
c. Site development and other pre-opening requirements	Articles 2, 3.2, 16.1 and 16.2	Items 6, 7, 8 and 11
d. Initial and ongoing training	Articles 3 and 13.2	Items 6, 7 and 11
e. Opening	Articles 1.2, 2, and 6.4	Items 7, 8 and 11
f. Fees	Articles 6 and 9.1	Items 5, 6, and 7
g. Compliance with standards and policies/Operating Manual	Articles 4 and 5.2	Items 8, 9, 16 and 17
h. Trademarks and proprietary information	Article 7	Items 13 and 14
i. Restrictions on products/services offered	Articles 4.5, 4.6, 5.1 and 5.2	Items 8 and 16
j. Warranty and customer service requirements	Articles 4.5 and 5.2	Not Applicable
k. Territorial development and sales quotas	Article 1	Item 12
l. Ongoing product/service purchases	Article 8	Items 8 and 16
m. Maintenance, appearance and remodeling requirements	Articles 4.4 and 5.4	Items 6, 8 and 11
n. Insurance	Article 16	Items 6 and 7
o. Advertising	Article 6	Items 6 and 11
p. Indemnification	Articles 7.4 and 19.1	Items 6 and 13
q. Owner's participation/management/staffing	Article 3.2	Item 15
r. Records and reports	Article 9.2	Items 8 and 17
s. Inspections and audits	Articles 4.7, 5.6, 9.2 and 18	Items 6 and 11
t. Transfer	Article 13	Item 17
u. Renewal	Article 14	Item 17
v. Post-termination obligations	Article 15	Item 17
w. Non-competition covenants	Articles 1.1 and 10	Item 17

Obligation	Section in Franchise Agreement or Addendum	Disclosure Document Item
x. Dispute resolution	Article 20	Item 17
y. Personal Guaranty of all obligations of agreement	Articles 1.1, 14.1 and Attachment A	Item 15

**ITEM 10**

**FINANCING**

Franchisor does not offer direct or indirect financing. Franchisor does not guarantee Franchisee’s note, lease, or obligation.

**ITEM 11**

**FRANCHISOR’S ASSISTANCE, ADVERTISING, COMPUTER SYSTEMS, AND TRAINING**

**Except as listed below, Franchisor is not required to provide Franchisee with any assistance.**

**Pre-Opening Obligations.**

Before Franchisee opens Franchisee’s PJ’s Unit, Franchisor will provide:

Site Location Assistance and Approval. Franchisor will provide Franchisee with general site selection criteria and guidance in the selection of an acceptable site. Franchisor does not own any of the location premises currently leased and has no present intention to do so.

The franchise is granted for a location to be approved by Franchisor. Franchisee alone must locate a site for Franchisee’s PJ’s Unit which site must be accepted by Franchisor. Franchisor will evaluate and accept the location of Franchisee’s PJ’s Unit if it meets Franchisor’s minimum site and lease requirements. (Franchise Agreement-Article 1.4). Franchisor’s acceptance will not be unreasonably withheld. Franchisor does not warrant or guarantee the success of a particular location. Franchisor will evaluate Franchisee’s proposed locations as soon as reasonably possible in accordance with the procedures in the PJ’s Manual or as may be provided in other writings by Franchisor. Factors considered by Franchisor in reviewing and accepting proposed sites include population density, demographics, size of the premises, rent, available parking, traffic count and patterns, ease of access, economic and population growth trends, PJ’s market penetration and proximity to other businesses, including other PJ’s Units. Franchisor also considers whether the lessor will agree to the Franchisor’s permitted use language and other required lease provisions.

Franchisor must approve or disapprove the proposed site within 30 days after Franchisee submits a written summary of the lease terms and other information available for the proposed site. If Franchisor determines that the location is not acceptable at that time or is too close to another PJ’s Unit, the site will not be accepted, and Franchisee must locate a new site for Franchisee’s PJ’s Unit. Failure to acquire a site acceptable to Franchisor for Franchisee’s PJ’s Unit and open the PJ’s Unit within one year of the Effective Date of Franchisee’s Franchise Agreement will be considered a default of Franchisee’s Franchise Agreement and is grounds for termination. (Franchise Agreement-Articles 1.3, 1.4).

Review of Lease. Franchisor will review the lease for the proposed location of Franchisee's PJ's Unit to ensure that provisions required by Franchisor are included in the lease and that the terms of the lease are generally acceptable to Franchisor. Franchisee alone must negotiate the business and financial terms of Franchisee's lease. (Franchise Agreement-Article 1.4). Franchisor recommends that Franchisee have Franchisee's own legal counsel review Franchisee's lease.

Approved Plans and Specifications. Franchisor will provide Franchisee with the specifications and layouts for the structures, equipment, furnishings, decor, and signs identified with PJ's Units and approved suppliers and specifications for products and supplies. (Franchise Agreement-Articles 8, 18.1). Franchisor may provide or deliver some of these items directly to Franchisee. Franchisee must hire an architect approved by Franchisor for the preparation of Franchisee's construction plans and specifications.

Review of Final Site and Construction Plans. Franchisor will review Franchisee's final site plans and approve the decor and layout for conformity to the construction standards and specifications of the System. (Franchise Agreement-Articles 1.4, 17.1).

Manuals. Franchisor will loan Franchisee one copy of the PJ's Confidential Operations Manual and other manuals that Franchisor makes available to all franchisees. (Franchise Agreement-Article 17.1).

Training. Franchisor will train Franchisee's personnel to operate Franchisee's PJ's Unit. (Franchise Agreement-Articles 3, 18.1). This training is described in detail later in this Item.

### **Post-Opening Obligations.**

During the operation of Franchisee's PJ's Unit, Franchisor will provide:

On-Site Assistance. Franchisor will provide Franchisee with on-site assistance upon the opening of Franchisee's PJ's Unit. During the opening of Franchisee's PJ's Unit Franchisor, at Franchisor's expense, will provide at least one Franchisor representative to Franchisee at Franchisee's PJ's Unit to facilitate the opening of Franchisee's PJ's Unit. The number of days of this on-site visit may vary, but a Franchisor representative will normally be on-site five to ten days. (Franchise Agreement-Article 17.1).

Marketing and Advertising Guidance and Approval. Franchisor will provide Franchisee with materials and advice to support Franchisee's marketing and advertising efforts. (Franchise Agreement-Articles 5.3, 6). Franchisor will also approve or disapprove all advertising and promotional materials Franchisee proposes to use. Franchisor shall respond to any request for approval or disapproval of advertising and promotional materials within 30 days of its receipt. Marketing and advertising are explained in more detail below.

Guidance. Franchisee may contact Franchisor's representatives on a periodic or as-needed basis to receive guidance concerning the operation of Franchisee's PJ's Unit. (Franchise Agreement-Article 18.1). Franchisor will also provide information to Franchisee about changes and modifications to the System and Manuals, advertising & marketing activities and provide Franchisee with forms for required reports Franchisee must submit to Franchisor. (Franchise Agreement-Articles 4.2, 18.1). Franchisor will periodically, as it considers necessary, inspect Franchisee's supplies, merchandise, methods of service and merchandising and speak with Franchisee and Franchisee's employees to ensure Franchisee is complying with Franchisee's agreements, Manuals and the standards established for the System. (Franchise Agreement-Article 4.7). Franchisor will not provide any legal or accounting services or advice at any time.

Additional Training. Franchisor will periodically, as it considers necessary, provide Franchisee with advanced training in operating Franchisee's PJ's Unit. (Franchise Agreement-Article 3).

New Products and Services. Franchisor will evaluate and consider for approval the products or services Franchisee submits for approval for use in Franchisee's PJ's Unit. (Franchise Agreement-Articles 8.2, 8.3).

### **Marketing.**

System Funds. Franchisee must pay 2% percent of Franchisee's weekly gross sales to Franchisor's system fund ("System Fund"). (Franchise Agreement-Article 6.1). If Franchisee becomes part of a Franchisor approved regional marketing cooperative ("Cooperative"), Franchisee must pay additional 1% to 3% percent of Franchisee's weekly gross sales to the Cooperative. (Franchise Agreement-Article 6.2). If Franchisee are not part of a Cooperative, Franchisee must dedicate and spend 1% to 3% of Franchisee's weekly gross sales on local advertising. (Franchise Agreement-Article 6.3). Franchisee must contribute the required amount to the System Fund and the Cooperative. Because of market conditions and location, certain franchise and license agreements with major beverage & food service organizations or atypical locations may or may not require a contribution or the same amount of contribution to the System Fund. Outside vendors and suppliers may contribute to the System Fund or a Cooperative in exchange for promoting their products or using their services. These agreements are negotiated on an individual basis as the opportunity arises by Franchisor or a representative of the System Fund or Cooperative.

(i) The System Fund. The System Fund will be maintained and administered by Franchisor or a third party designated by Franchisor. Franchisor will direct all advertising, promotional and marketing programs with sole discretion over the concepts, materials and media used in the related programs and their placement allocation media purchases. PJ's may create a Franchise Advisory Board ("Board") made up of franchisees elected by the franchisee community. The Board will serve in an advisory capacity role only to provide input on advertising programs and policies and other new and existing programs of Franchisor. Franchisor will have the authority to change or dissolve the Board at any time without reason. The funds collected are intended to maximize general public recognition and acceptance of the Proprietary Marks and the overall PJ's Brand Awareness for the benefit of all Franchisees, and Franchisor is not obligated in administering the funds to make expenditures for Franchisee which is equivalent or proportionate to Franchisee's contribution or to ensure that Franchisee or any particular franchisee or Cooperative benefits directly or is prorated from expenditures by the System Fund. Franchisor does not have to spend any amount on advertising in Franchisee's area.

The System Fund will be used to meet costs of administering and preparing sales, advertising, promotional and marketing activities. These costs may include creating, producing, placing, and conducting television, radio, and print advertising campaigns; creating, producing, and distributing promotional materials for use in the PJ's Unit, like signs and posters, direct mail, promotional brochures, and outdoor billboard advertising; marketing surveys and research; public relations activities; and employing advertising agencies and consultants. The coverage of the media is local, regional, and national in scope. Franchisor will engage outside marketing, advertising, and graphic design companies to perform and coordinate most of the marketing and advertising activities listed above for PJ's. All funds not spent will be kept for use the following year. Franchisor estimates the System Fund will annually spend approximately 75% of its funds on the production of advertisements and other promotional materials, and 25% for general cost, administrative cost, and overhead expenses.

All sums paid by Franchisee into the System Fund shall be kept in accounts separate from the other monies of Franchisor and shall be used to defray reasonable general cost, administrative costs and overhead as

Franchisor may incur in activities reasonably included in the administration and direction of the System Fund and advertising programs for Franchisee and the System. Franchisor or its designees shall maintain separate bookkeeping accounts for the System Fund.

A statement of the operations of the System Fund as shown on its books will be prepared annually and will be made available to Franchisee upon written request. An audited statement will not be prepared.

Although the System Fund is intended to be of perpetual duration, Franchisor maintains the right to terminate the System Fund. The System Fund will not be terminated until all monies in the System Fund have been expended for the purpose described above or returned to contributors on a prorated basis of their contributions. Currently, there are no Franchisor-owned PJ's Units. An affiliate of Franchisor owns 10 PJ's Units. All affiliate-owned PJ's Units contribute to the System Fund on the same basis as other Franchisees. If Franchisor owns PJ's Units in the future, all Franchisor-owned PJ's Units will contribute to the System Fund on the same basis as other Franchisees.

In the 2019 fiscal year, the actual expenditures broke down as follows:

Product Marketing	31%
Mass Media	10%
Menu Boards	8%
Photography	1%
Public Relations	8 %
Social Media	24%
Sponsorships	9%
Website	2%
Misc.	7%

Zero percent (0%) of System Fund expenditures was dedicated to soliciting new franchise sales.

(ii) Local Advertising Cooperatives. Franchisor may, in its sole discretion, establish local marketing cooperatives for the common benefit of all PJ's franchisees. Franchisor has the right, in its sole discretion, to designate any geographical area for purposes of establishing a regional marketing and promotional cooperative ("Cooperative"), and to determine whether Franchisee must participate in a Cooperative. If a Cooperative has been established applicable to Franchisee's PJ's Unit at the time Franchisee begins operating, Franchisee must immediately become a member of that Cooperative. If a Cooperative applicable to Franchisee's PJ's Unit is established at any time during the term of Franchisee's Franchise Agreement, Franchisee must become a member of that Cooperative no later than 30 days after the date on which the Cooperative begins operation. If the PJ's Unit is within 50 miles of more than one Cooperative, Franchisee is required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

- a) Each member of the Cooperative must contribute 1% up to 3% percent of its weekly gross sales for each and every week of its operations to the Cooperative ("Cooperative Fee");
- b) Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;

- c) Each Cooperative will be organized for the exclusive purpose of administering regional marketing and advertising programs and developing, subject to Franchisor's approval, standardized marketing materials for use by the members in local marketing;
- d) All activities and contributions to the Cooperative shall be determined by a majority vote of the members in the Cooperatives; and
- e) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without PJ's prior written approval. All such plans and materials shall be submitted to PJ's Marketing Department, Attention: Chief Marketing Officer, 180 New Camellia Boulevard, Suite 100, Covington, LA 70433.

Franchisor may elect to pay all or a portion of the System Fund to a Cooperative. If Franchisor elects to do so and if one of the following events occurs and is not resolved by the Cooperative, then Franchisor reserves the right to exercise sole decision-making power over the System funds: (i) if a Cooperative ceases functioning; or (ii) an impasse arises because of the inability or failure of the Cooperative members to resolve any issue affecting the establishment or effective functioning of an individual Cooperative; or (iii) a Cooperative fails to function in a productive or harmonious manner; or (iv) a Cooperative is unable to approve any advertising program within a reasonable time not to exceed 30 days.

Affiliates of Franchisor that operate PJ's Units must contribute to the Cooperative on the same basis as other members. Because of market conditions and location, certain franchise and license agreements with franchisees or licensees with major food service organizations or atypical locations may or may not require a contribution or the same amount of contribution to the Cooperative.

It is anticipated that all contributions to and earnings of the System Fund and Cooperatives will be expending during the taxable year in which the contributions and earnings are received. If excess amounts remain in the System Fund or any Cooperative at the end of the taxable year, all expenditures in the following taxable year shall be made first out of accumulated earnings from previous years, next out of earnings in the current year, and finally from contributions. (Franchise Agreement-Article 6.3).

Local Advertising. For the grand opening of Franchisee's PJ's Unit, Franchisee must spend a minimum of \$7,500-10,000 in local advertising, marketing, and brand building depending on the geographical location of the PJ's Unit. (Franchise Agreement-Article 6.5). If the PJ's Unit is within a 75-mile radius of an existing PJ's Unit, Franchisee is required to spend \$7,500.00 to promote the grand opening. If the PJ's Unit is more than 75 miles from an existing PJ's Unit ("Pioneer Market"), Franchisee is required to spend \$10,000.00 on the grand opening advertisement. If the PJ's Unit is in a Pioneer Market, Franchisor will spend an additional \$5,000.00 to promote the grand opening. Franchisor's Pioneer Market advertising spend will not be deducted from any national advertising fund.

All advertising, promotional and marketing activities conducted by Franchisee in Franchisee's local market area will be subject to the prior approval of Franchisor. Franchisee must submit to Franchisor (by personal delivery or certified mail, return receipt requested) all local advertising, promotional and marketing plans and samples of all local advertising materials not prepared or previously approved by Franchisor. If Franchisee does not receive written disapproval within 15 business days after the date of receipt by Franchisor, Franchisee's plans and materials will be deemed approved. If any plans or materials previously approved by Franchisor are later disapproved, Franchisee must discontinue their use promptly upon notice from Franchisor.



### Gift Cards and Promotional Programs.

Franchisee must participate in Franchisor program for gift cards and gift certificates (“Gift Cards”). Franchisee must offer Gift Cards to Franchisee’s customers and honor all Gift Cards presented to Franchisee as payment for products, regardless of whether the Gift Card was issued by Franchisee’s or another PJ’s Unit. Franchisee must sell, issue, and redeem Gift Cards in the manner described in the Manual or otherwise in writing by a third-party service provider.

Unless otherwise provided by state law, upon the expiration of any Gift Card all unused funds shall become the property of Franchisor and at the Franchisors discretion, unused funds may be distributed to participating Franchisees.

Franchisee must pay the monthly fees that may be required by the vendor of the Gift Card system. The current fees are described in Item 6 and may be periodically revised. Franchisee may not sell, issue, or redeem gift certificates other than gift cards approved by Franchisor in writing.

### Customer Loyalty Program(s).

Franchisee must participate in Franchisor customer loyalty program(s) designated by the Franchisor. Franchisee must pay fees associated with the loyalty program(s).

### Labor Management and Inventory Management Program(s).

Franchisee must utilize the labor management and inventory management program(s) designated by the Franchisor. Franchisee must pay fees associated with the labor management and inventory management programs separately.

### Mobile Application Platform.

Franchisee must participate in Franchisor’s mobile application designated by the Franchisor. Franchisee must pay fees associated with the mobile application.

### Computer Systems.

Computer Hardware & Software. Franchisee must purchase the POS system currently approved by PJ’s, or other POS system that Franchisor may require in the future. (Franchise Agreement-Article 18.4). The POS system must be purchased from a Franchisor’s approved supplier. Various manufacturers provide reasonably equivalent POS systems that perform the same functions; however, the use of any other POS system must be approved in advance by Franchisor. The POS System and network must be secure and PCI compliant to protect customer credit card information. Optional equipment and/or software upgrades are also available for additional fees. Units with a drive-thru must have two POS systems. Franchisor will have unlimited independent access to Franchisee’s POS system data, including receipts, reports, and sales information. (Franchise Agreement-Article 11.3). Franchisee will be provided with specifications and initial training in Franchisee’s POS system, but Franchisor is under no obligation to assist Franchisee in obtaining the above items. If the POS system must be upgraded or updated, Franchisee agrees to pay all reasonable and necessary expenses, fees, and costs. (Franchise Agreement-Article 18.4). The estimated cost for upgrades or updates to the POS system is \$1,000 - \$2,000. Franchisee must purchase or lease all equipment necessary to accept designated credit or debit cards. The estimated cost for a full-service register system is \$1,000 - \$2,000. This price may decrease or increase depending on the model chosen. POS system training is mandatory and is included in the system price. Franchisee may be required to purchase a back-

office computer system including a network switch and laser printer. The estimate for the back-office computer system is \$500 - \$1000. Franchisee may elect to purchase a video monitoring system. The estimated cost of the video monitoring system is \$1,000 - \$2,500.

Electronic Funds Transfer. Franchisees are required to pay all fees due under the Franchise Agreement by automated bank draft. Franchisee must sign the Direct Debit Authorization form (Exhibit D) before opening for PJ's Unit. This form allows Franchisor to draft royalty payments, System Fees, training fees or other fees due under Franchisee's Franchise Agreement directly from Franchisee's bank account.

**Manuals.**

Franchisor will loan Franchisee a copy of our Operating Manual and any other publications ("Manuals") that contain mandatory and suggested specifications, standards, and procedures. These Manuals are confidential and remain our property. Franchisor will modify the Manuals, but the modifications will not alter Franchisee's status and rights under the Franchise Agreement. (Franchise Agreement-Article 4.2). The tables of contents of all Franchisor's Manuals are attached to this Disclosure Document as Exhibit G.

**Training Program.**

**TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-the-job Training</b>	<b>Location</b>
Management Training	15 - 30	25 - 50	Greater Metro New Orleans, Louisiana
Field Training	5 - 8	35 - 72	Franchisee's PJ's Unit
Additional Training (Management and Field)	10 - 20	10 - 20	Franchisee's State or Greater Metro New Orleans, Louisiana

Our training programs are under the direction of Mr. Patrick Shaheen. Mr. Shaheen has over 20 years of operations training experience. Mr. Shaheen's employment background is described in Item 2 of this Disclosure Document.

The instructional materials for our training programs include videos, handouts, the Operations Manual, on-line computer training, and test that Franchisor may require Franchisee and Franchisee's managers and employees to take.

Initial Management Training. Franchisee must attend and complete, to Franchisor exclusive satisfaction, PJ's initial management-training program in Greater Metro New Orleans, Louisiana, before Franchisee opens Franchisee's PJ's Unit. (Franchise Agreement-Articles 3.1, 3.2). Franchisor initial management training program is mandatory and conducted monthly or bi-monthly, depending upon the number of attendees, at Franchisor headquarters in Greater Metro New Orleans, Louisiana. Franchisee will be scheduled to attend the program after Franchisee complete site selection and within a reasonable time before Franchisee's scheduled opening date. The initial management training is approximately five to eleven days, depending on the size of the class and rate of material covered, consisting of hands-on training and classes averaging eight hours per day plus additional homework assignments. Instructional materials include

written training modules, the PJ's Confidential Operations Manual and actual products, books, and equipment.

Field Training. Franchisor will send one Franchisor's representative to Franchisee's PJ's Unit, at no cost to Franchisee, for on-site training and assistance when Franchisee opens Franchisee's PJ's Unit. (Franchise Agreement-Articles 3.5, 17.1). The length of time the representative is on-site may vary, but it is expected to be five to ten days. On-site training and assistance include additional food preparation training, consultation and training on hiring of personnel, training of personnel, purchasing, and inventory management, product promotion and merchandising, bookkeeping and report management, analysis of sales and products, and other matters necessary to the opening and operation of Franchisee's PJ's Unit.

Franchisor may require any of Franchisee's principals or employees who become actively involved in the management of Franchisee's PJ's Unit to attend and satisfactorily complete the required training programs. (Franchise Agreement-Article 3.2).

Franchisor also offers additional optional management and field training programs, including both advanced and refresher training, for Franchisee and Franchisee's employees. Franchisor may designate certain additional management and field training courses for Franchisee or Franchisee's employees as mandatory either in franchisee's state or in Greater Metro New Orleans, Louisiana. Franchisor may not mandate more than two additional training sessions in a 12-month period. Additional training sessions shall not extend beyond five days. (Franchise Agreement-Article 3.5).

As discussed in Item 6, Franchisee must pay all personal expenses incurred by Franchisee or Franchisee's employees attending training programs, including costs and expenses of transportation, lodging, meals, wages and employee benefits and any training materials (other than those materials provided by Franchisor). (Franchise Agreement- Article 3). This applies for both mandatory and optional training programs. At the present time, PJ's provides the materials and there is no fee for any mandatory or optional training program, except as described in the Franchise Agreement. However, PJ's reserves the right to charge a reasonable fee in the future for training courses offered after Franchisee's PJ's Unit opens.

## **ITEM 12**

### **TERRITORY**

You will not receive an exclusive territory. You may face competition from other franchisees, from outlets that we own, from other channels of distribution or competitive brands that we control. However, we will not generally establish another Traditional PJ's Unit, neither franchisee nor company owned, within two (2) driving miles of your Traditional PJ's Unit.

Franchisor retains the right, in our sole discretion, and without compensating Franchisee or seeking Franchisee's approval, to: (i) own, acquire, establish and/or operate, and license others to establish and operate, businesses using the Proprietary Marks, the System or any variation of the Proprietary Marks and the System, at any location other than Franchisee's PJ's Unit on any terms and conditions that Franchisor deems appropriate; (ii) sell or distribute, at retail or wholesale, directly or indirectly, or license others to sell or distribute, at any location, any products which bear any proprietary marks, through any distribution channel or venue Franchisor deems appropriate; and (iii) to take any other action that Franchisor is not expressly prohibited from taking under the Franchise Agreement.

Neither Franchisor nor an affiliate either operates or plans to operate or franchise businesses under a different trademark that will sell goods or services that are the same or similar to those the Franchisee will sell.

Franchisee shall operate Franchisee’s PJ’s Unit only from a specified location approved by Franchisor. Franchisor will designate a general geographic area, such as a city or sector of a city (“General Area”) solely for the purpose of limiting the area within which Franchisee may seek a site location for Franchisee’s PJ’s Unit. Under the Franchise Agreement, Franchisee may sell proprietary products and services to retail customers who live anywhere but who choose to use Franchisee’s PJ’s Unit. Without prior approval by Franchisor, Franchisee may not engage in any promotional activities or sell proprietary products or similar products or services, whether directly or indirectly, through or on the Internet, the World Wide Web, or any other similar proprietary or common carrier electronic delivery system; through catalogs or other mail order devices sent or directed to customers or prospective customers located anywhere; or by telecopy or other telephonic or electronic communications, directed to or received from customers or prospective customers located anywhere. Franchisee must obtain the prior approval of Franchisor for all advertising, promotional and marketing activities conducted by Franchisee in Franchisee’s local market area.

Franchisor also reserves the right to negotiate options, rights of first refusal, and other similar rights to acquire additional franchises upon request by a franchisee. If Franchisee desires to obtain expansion rights to an area, Franchisee should consider applying to Franchisor for the rights to that area. Franchisor will consider a Franchisee’s request for the establishment of additional franchised outlets as long as franchisee is not in default of its current Franchise Agreement and Franchisor determines that it is in Franchisor’s best interest to do so.

Relocation of Franchisee’s PJ’s Unit requires the prior written approval of Franchisor. Franchisor will approve the relocation of Franchisee’s PJ’s Unit only if Franchisee lose the right to do business at Franchisee’s PJ’s Unit through no fault of Franchisee’s own or Franchisor determines that it is in its best interest to allow the PJ’s Unit to be relocated. Franchisee must enter into a new franchise agreement to establish additional PJ’s Units.

**ITEM 13**

**TRADEMARKS**

Franchisor identifies its System by means of certain trade names, service marks, trademarks, and logos (“Proprietary Marks”). The Franchise Agreement grants Franchisee the non-exclusive right to use the Proprietary Marks and any other Proprietary Marks that we may use during the term of the Franchise Agreement in operation of the System. Franchisee’s use of the Proprietary Marks is limited solely to the operation of the PJ’s Unit at its approved location and only in accordance with the System. The following principal Marks are registered on the Principal Register of the U.S. Patent and Trademark Office (“USPTO”):

Mark	Registration No. Serial No.	Class of Mark	Date of Registration
PJ’s	3750970 76696503	IC 043; 030. US 100 101 046.	2/23/2010

Santa's Blend	3641635 76693767	IC 030. US 046.	6/23/2009
PJ's Coffee of New Orleans	3335066 78927350	IC 035. US 100 101 102.	11/13/2007
PJ's Coffee of New Orleans	5415856 87420031	IC 043. US 100 101.	3/6/2018
PJ's Coffee and Wine	2925436 78371392	IC 035. US 100 101 102.	2/8/2005
PJ's Coffee	2925437 78371394	IC 035. US 100 101 102.	2/8/2005
PJ's Coffee and Wine Bar	2925438 78371396	IC 035. US 100 101 102.	2/8/2005
The Coffee New Orleans Loves	2726985 76440215	IC 043. US 100 101.	6/17/2003
Southern Wedding Cake	4072294 76707439	IC 030. US 046.	12/20/2011
New Orleans Roast	4092651 76707437	IC 030. US 046.	1/31/2012
PJ's Coffee & Tea of New Orleans	87050955 5127699	IC 30. US 100 101.	1/24/2017
PJ's Velvet Ice	87051015 5127705	IC 30. US 046.	1/24/2017
PJ's Carnival Blend	4608794 86160329	IC 30. US 046.	9/23/2014

All required affidavits have been filed for the Proprietary Marks.

The following Proprietary Marks have been renewed: "PJ's Coffee of New Orleans" (Reg. No. 3335066); "PJ's Coffee and Wine" (Reg. No. 29254360); "PJ's Coffee and Wine Bar" (Reg. No. 2925438); "PJ's Coffee" (Reg. No. 2925437); and "The Coffee New Orleans Loves" (Reg. No. 2726985).

Franchisor also claims common law rights to all of its Proprietary Marks on the basis that these marks have been used in interstate commerce.

There are currently no effective material determinations of the United States Patent and Trademark Office, Trademark Trial and Appeal Board, or the Trademark Administrator of any state or any court. There is no pending cancellation proceeding at the Trademark Trial and Appeal Board (. However, there is no pending material litigation involving the Proprietary Marks listed in this Item which are relevant to their use in Franchisee's PJ's Unit.

There are currently no agreements in effect, which significantly limit the rights of Franchisor to use or license the use of its Proprietary Marks in any manner material to Franchisee's PJ's Unit.

Franchisor will defend and hold Franchisee harmless from any claims of trademark infringement for the use of the Proprietary Marks if Franchisee promptly gives written notice to Franchisor and tenders the full defense of the claims against Franchisee to Franchisor. Franchisor shall have complete control of the legal action and may settle the claims at any time without providing notice to Franchisee. Franchisor has taken and will take all steps reasonably necessary to preserve and protect the ownership and validity of the Proprietary Marks. Franchisee must sign any documents deemed necessary by Franchisor or its counsel to obtain protection for the Proprietary Marks or to maintain their continued validity and enforceability. Franchisee may not contest the validity or ownership of the Proprietary Marks. If litigation involving the Proprietary Marks is instituted or threatened against Franchisee, Franchisee must promptly notify Franchisor and must cooperate fully with Franchisor in defending or settling the litigation.

Franchisor does not warrant or guarantee that it has the exclusive right to use the mark Franchisor or any other of its Proprietary Marks. If for any reason it becomes necessary or desirable for Franchisor to quit using the Proprietary Marks, Franchisor may substitute different proprietary marks. Franchisor and Franchisee may then operate under these other Proprietary Marks. Franchisor is not obligated to provide Franchisee with any other remedy.

Franchisor does not actually know of any superior prior rights or of any infringing uses that could materially affect Franchisee's use of the Proprietary Marks.

#### **ITEM 14**

#### **PATENTS, COPYRIGHTS, AND PROPRIETARY INFORMATION**

No patents or copyrights are material to the franchise.

Franchisee does not receive the right to use an item covered by a patent or copyright, but Franchisee can use the proprietary information in PJ's Manuals. The table of contents of all PJ's Manuals are attached to this Disclosure Document as Exhibit G. Although Franchisor has not filed an application for a copyright registration for the Manuals, Franchisor claims a copyright and the information is proprietary.

Franchisee must not, during or after the term of the Franchise Agreement, communicate, divulge, or use for the benefit of anyone else any confidential information, knowledge or know-how concerning our method of operation of a PJ's Unit or the System that may be communicated to Franchisee or of which Franchisee may have knowledge through performance of the System. All confidential information, information, matters, knowledge, know-how and techniques which Franchisor designates as confidential will be deemed confidential for the purposes of the franchise, unless and until Franchisee demonstrates that the information has become public knowledge.

Franchisee and any employee having access to confidential information must sign a confidentiality agreement, that will maintain the confidentiality of information received during the term of the Franchise Agreement and/or the term of employment. A copy of the Confidentiality Agreement is attached to this Franchise Disclosure Document as Exhibit B.

## **ITEM 15**

### **OBLIGATION TO PARTICIPATE IN THE ACTUAL OPERATION OF THE FRANCHISE BUSINESS**

**Participation in Business.** As an owner of Franchisee's PJ's Unit, Franchisee does not have to conduct on-premises supervision or to personally participate in the direct operation of Franchisee's PJ's Unit. However, Franchisor strongly recommends that Franchisee is actively involved in the operation of Franchisee's PJ's Unit. Franchisee or Franchisee's designated manager must devote full-time to the development of Franchisee's PJ's Unit, unless otherwise approved in writing by Franchisor. Franchisee's PJ's Unit must at all times be under the direct, full-time, on-location supervision of Franchisee or a trained and competent employee acting as a full-time manager who has satisfactorily completed Franchisor initial management training program. Franchisee's manager must sign a confidentiality agreement to maintain the confidentiality of the information described in Item 14 and may have to sign an agreement that conforms to the covenants not to compete described in Item 17.

**Other Written Agreement.** If Franchisee is a business entity, each individual holding in excess of 15% of the total voting power of Franchisee's ownership interests (including each individual holding in excess of 20% of the total voting power of any business entity having a controlling interest in Franchisee) must personally guarantee Franchisee's obligations under Franchisee's Franchise Agreement. If Franchisee has personally signed the Franchise Agreement and wishes to transfer Franchisee's Franchise Agreement to a business entity, Franchisee must enter into a personal guaranty agreement regardless of Franchisee's ownership interest in the business entity. The Guaranty Agreement is attached to this disclosure document as **Exhibit C**. Any person holding an ownership interest in Franchisee's business entity will have to sign a confidentiality agreement and non-compete as described in Items 14 and 17. The Confidentiality Agreement is attached to this disclosure document as **Exhibit B**.

## **ITEM 16**

### **RESTRICTIONS ON WHAT THE FRANCHISEE MAY SELL**

Franchisee must offer and sell only those products and services that Franchisor has approved.

Franchisee must offer all product and services at retail that Franchisor designates as required for all PJ's Units, including new products or services that Franchisor develops in the future. There are no limits on Franchisor's right to change the types of products and services or add new products and services. Franchisee may not offer or sell any other products or services without the prior written consent of Franchisor. Franchisee must discontinue offering any products or services, whether or not previously authorized by Franchisor, promptly upon written notice from Franchisor. Franchisee must provide for equipment or other items reasonably necessary to support new products or services introduced to enhance the value of the System. Franchisees are not restricted as to customers to whom Franchisee may offer goods and services; however, Franchisee must abide by all local, state, and federal laws governing the consumption of alcohol.

All PJ's Units must offer Franchisor-approved products and services as designated in the Manuals or in other writings.

## **ITEM 17**

### **RENEWAL, TERMINATION, TRANSFER, AND DISPUTE RESOLUTION**

## THE FRANCHISE RELATIONSHIP

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

Provision	Section in Franchise or Other Agreement	Summary
a. Length of the term of the Franchise	Article 14.1	Ten years from date the PJ's Unit opens.
b. Renewal or extension of the term	Article 14.1	Franchisee's renewal rights permit Franchisee to remain as a franchise after the initial term of Franchisee's Franchise Agreement expires. If Franchisee wishes to renew and Franchisee satisfies the required pre-conditions to renew, Franchisor will offer Franchisee the option to renew the Franchise Agreement for two additional terms of ten years each. Franchisee must sign our then-current Franchise Agreement for the renewal term and this new agreement may have different terms and conditions (including higher royalty and/or advertising fees) from the agreement that covered Franchisee's original term.
c. Requirements for Franchisee to renew or extend	Article 14.1	Franchisee must have a good record of compliance with the Manuals and be in compliance with the Franchise Agreement; satisfy all monetary obligations to Franchisor; give written notice; remodel PJ's Unit; attend training; sign release; and sign new Franchise Agreement. Franchisee will be required to sign a new Franchise Agreement that may have materially different terms and conditions from the original contract.
d. Termination by Franchisee	None	Not Applicable.
e. Termination by Franchisor without cause	None	Not Applicable.
f. Termination by Franchisor with cause	Article 14	Franchisor can terminate for cause only if Franchisee defaults.



Provision	Section in Franchise or Other Agreement	Summary
g. "Cause" defined- curable defaults	Article 14.3	<p>Curable defaults: failure, refusal or neglect to promptly pay any monies owed to Franchisor; failure to submit financial or other information as required to Franchisor; failure to maintain standards specified by Franchisor or manuals; failure, refusal or neglect to obtain required prior written approval or consent; misuse or unauthorized use of Proprietary Marks or other impairment of the goodwill associated therewith, or Franchisor's rights therein; commencement or conducting of any business operation, or marketing of any product, under a name or mark which, in Franchisor's reasonable opinion, is confusingly similar to Franchisor's Marks; default, without cure after the applicable grace period, under any lease, sublease, sub-sublease, mortgage or deed of trust covering the location; failure to procure or maintain insurance required under the Franchise Agreement; default in the performance of any term, condition or obligation in payment of indebtedness to landlord or sublandlord, distributors or suppliers, or others, arising out of the purchase of inventory, supplies or purchase of lease of equipment, and if any default is not cured within 30 days after written notice from Franchisor.</p>
h. "Cause" defined- non-curable defaults	Article 14.2	<p>Non-curable defaults: Franchisee knowingly or intentionally maintains false books or records, or submits any false report or payment to Franchisor; Franchisee's conduct is so contrary to the agreement and the Manuals as to constitute an imminent danger to the public health; selling unauthorized products to the public after notice of default and continuing to sell these products, whether or not Franchisee has cured the default after one or more notices; the conviction of a felony, or a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole reasonable opinion of Franchisor, to have an adverse effect on the System, Proprietary Marks, or the goodwill associated with Franchisor's interest in each of them by Franchisee, or Franchisee's controlling</p>

Provision	Section in Franchise or Other Agreement	Summary
		<p>or operating shareholders or members, if Franchisee is a limited liability company; intentional disclosure or use of the contents of the Manuals, trade secrets or confidential or proprietary information, excluding acts of independent employees or others not under Franchisee's control; repeatedly committing defaults under any provisions of this Agreement three or more occasions in any 12-month period, or six or more occasions in any consecutive 24-month period, even if Franchisee cured each prior default, and even if Franchisee would otherwise be given an opportunity to cure the current default; ceasing to operate or otherwise abandoning Franchisee's PJ's Unit without consent or, upon destruction of Franchisee's PJ's Unit, failure to rebuild and resume operation within a reasonable time, unless excused in Agreement.</p>
i. Franchisee's obligations on termination/non-renewal	Article 15	<p>Obligations include: immediately ceasing to operate as a Franchisee's PJ's Unit; discontinue use of Proprietary Marks; return Manuals, other materials, and confidential information; assign telephone numbers, if requested; payment of amounts due Franchisor; assign lease if requested; de-identify PJ's Unit; maintain confidentiality of information.</p>
j. Assignment of contract by Franchisor	Article 13.1	<p>No restriction on Franchisor's right to assign.</p>
k. "Transfer" by Franchisee-defined	Article 13.1	<p>Includes transfer of contract, assets, or ownership interest.</p>
l. Franchisor approval of transfer by Franchisee	Article 13.1	<p>Franchisor has the right to approve all transfers, except a transfer to an heir or beneficiary after Franchisee's death or mental incapacity, but will not unreasonably withhold approval, as long as certain conditions are satisfied.</p>
m. Conditions for Franchisor approval of transfer	Articles 13.1 and 13.2	<p>Franchisee may transfer Franchisee's interest to a corporation or other legal entity as long as Franchisee retains ownership of a majority of the total voting power. Franchisee may transfer to a third party if: Franchisor does not exercise its</p>

Provision	Section in Franchise or Other Agreement	Summary
		<p>right of first refusal fifteen days before each direct or indirect transfer of an interest in this Agreement; or if Franchisee, upon Franchisor's request, furnishes Franchisor with an estoppel agreement indicating all causes of action, if any, that Franchisee may have against Franchisor, or if none exist, a list of all shareholders or partners having an interest in this Agreement or in Franchisee's PJ's Unit, the percentage interest of each shareholder or partner, and a list of all officers and directors; Franchisee is not in default; all of Franchisee's then-due monetary obligations have been paid in full and other obligations met; Franchisee and Franchisee's shareholders or members have executed a general release under seal of all claims against Franchisor; Franchisee satisfies all of Franchisor's then-current requirements for new Franchisees or holders of an interest in a Franchise; Franchisee has assumed the Agreement in a written assumption agreement approved by Franchisor, or has agreed to at closing; Franchisee, Franchisee's manager or other employees responsible for the operation of the Franchise have satisfactorily completed Franchisor's training program; Franchisee executes other documents as Franchisor may require, including Franchise Agreement.</p>
<p>n. Franchisor's right of first refusal to acquire Franchisee's PJ's Unit</p>	<p>Article 13.2</p>	<p>Franchisor can match any offer for Franchisee's PJ's Unit.</p>
<p>o. Franchisor's option to purchase Franchisee's PJ's Unit</p>	<p>Not Applicable.</p>	<p>Not Applicable.</p>
<p>p. Death or disability of Franchisee</p>	<p>Article 10</p>	<p>Franchisee's estate may transfer Franchisee's interest to Franchisee's heirs or beneficiaries, or a third party approved by Franchisor.</p>
<p>q. Non-competition</p>	<p>Articles 10 and 11</p>	<p>No involvement in similar business anywhere; cannot divert business to a competitor;</p>

Provision	Section in Franchise or Other Agreement	Summary
covenants during the term of the Franchise		Franchisee shall not employ or seek to employ, directly or indirectly, any person serving in an executive, managerial or operational position who is at the time or was at any time during the prior six months employed by Franchisor, without Franchisor's prior written consent.
r. Non-competition covenants after the Franchise is terminated or expires	Article 10	No involvement in similar business for 24 months at a site within a radius of 50 miles of any of Franchisee's former PJ's Units or within 20 miles of any other PJ's Units or Distribution Points then existing, unless Franchisor gives its prior written consent; no competing with or soliciting customers of PJ's or other PJ's Units.
s. Modification of the agreement	Article 22	No modifications generally but standards, specifications, Manuals, products and services, Proprietary Marks and other items specified in the Franchise Agreement are subject to change.
t. Integration/merger clause	Article 22	Only the terms of Franchisee's Franchise Agreement are binding (subject to state law). Any representations or promises outside of the disclosure document and Franchise Agreement may not be enforceable.
u. Dispute resolution by arbitration or mediation	Article 20	Franchisee and Franchisor resolve disputes or disagreements in a non-judicial alternative dispute resolution format through arbitration.
v. Choice of forum	Article 20	Arbitration must be in Louisiana, unless individual state law directs otherwise.
w. Choice of law	Article 20	Louisiana law applies, unless individual state law directs otherwise.

### **ITEM 18**

#### **PUBLIC FIGURES**

Franchisor does not use any public figures to promote our franchise.

### **ITEM 19**

#### **FINANCIAL PERFORMANCE REPRESENTATIONS**

The FTC's Franchise Rule permits a franchisor to provide information about the actual or potential financial performance of its franchised and/or franchisor-owned outlets, if there is a reasonable basis for the

information, and if the information is included in the disclosure document. Financial performance information that differs from that included in Item 19 may be given only if: (1) a franchisor provides the actual records of an existing outlet Franchisee is 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.

New Orleans Brew, LLC does not have any company-owned Units as of January 1, 2020. An affiliate of New Orleans Brew, LLC owns ten (10) PJ's Units as of January 1, 2020.

### **Historical Financial Performance Representation about PJ's Existing Units.**

#### **PJ's Unit Criteria – Average Gross Revenue.**

The PJ's Unit must have: (1) opened on or before January 1, 2019; and must have (2) reported gross revenue for the entire one-year period ending December 31, 2019. The Financial Performance Representation includes domestic locations only.

“Annual Gross Revenues” is defined as the amount of sales of all products and services sold in, on, about, from, or from such other place for PJ's Unit, whether for cash or on a charge, credit or time basis, including the reasonable market value of any goods or services sold or traded in any barter or trade transaction, without reserve or deduction for inability or failure to collect. “Annual Gross Revenues” is intended to include income of every kind and nature related to the Franchisees PJ's Unit. “Annual Gross Revenues” shall not include the amount of any excise or sales tax levied on retail sales and payable over to the appropriate governmental authority, nor shall “Annual Gross Revenues” include amounts deducted for over-rings, refunds, allowances, or discounts to customers (including coupon sales).

#### **PJ's Unit Results.**

As of January 1, 2020, PJ's Coffee had a total of 95 PJ's Units in the United States, three (3) PJ's Units in Vietnam, and one (1) PJ's Unit in Kuwait. Of the total 95 domestic PJ's Units, 76 were open for a full 12 months or greater and reported gross revenue for the entire 12-month period. The remaining PJ's Units consist of 19 PJ's Units that were either not open for 12 months or did not report gross revenue for the entire 12-month period. Specifically, four (4) PJ's Units closed in 2019; eight (8) PJ's Units were not open for a full 12-month period in 2019; and seven (7) PJ's Units did not report revenue in 2019.

We compiled the annual gross revenues for the top 10% representing 8 of the 76 PJ's Units, the top 25% representing 19 of the 76 locations, the top 50% representing 38 of the 76 PJ's Units, the bottom 50% representing 38 of the 76 PJ's Units, the bottom 25% representing 19 of the 76 PJ's Units and the bottom 10% representing 8 of the 76 PJ's Units. All 76 were franchised PJ's Units for the calendar year 2019. The 66 franchised PJ's Units reflect three of the four types of franchised units (e.g., Traditional Models, Non-traditional Models, Special Contracts Traditional Models, and Special Contracts Non-traditional Models). The 76 PJ's Units represented does not include a Special Contracts Traditional Model as there are none operating. The three other types of franchised units are represented in each of the three tiers (top, middle, and bottom) set forth below, as historical sales data evidences that sales volume is impacted by the location of the PJ's Unit and volume of consumer traffic, rather than square footage and menu offering.

Category	Average Gross Sales	Number and Percentage that Attained or Exceed the Average	Median Gross Sales	Lowest and Highest in Category
Top 10%	\$885,868	3 / 38%	\$801,835	\$720,088 / \$1,399,677
Top 25%	\$747,341	7 / 37%	\$706,933	\$559,871 / \$1,399,677
Top 50%	\$619,770	17 / 45%	\$558,846	\$431,564 / \$1,399,677
Bottom 50%	\$245,776	19 / 50%	\$250,070	\$55,253 / \$415,362
Bottom 25%	\$153,233	10 / 53%	\$162,139	\$55,253 / \$244,187
Bottom 10%	\$94,047	3 / 38%	\$93,565	\$55,253 / \$141,758

Category	Total PJ's Units Per Category	Number of Non-traditional PJ's Units	Number of Traditional PJ's Units	Number of Traditional PJ's Units with a Drive-thru
Top 10%	8	3 / 38%	5 / 62%	5 / 100%
Top 25%	19	6 / 32%	13 / 68%	10 / 77%
Top 50%	38	9 / 24%	29 / 76%	19 / 66%
Bottom 50%	38	18 / 47%	20 / 53%	8 / 40%
Bottom 25%	19	14 / 74%	5 / 26%	1 / 20%
Bottom 10%	8	8 / 100%	0 / 0%	0 / 0%

The average gross revenue for all 76 franchised PJ's Units was \$434,273 for the calendar year 2019. The median for all 76 franchised PJ's Units was \$423,463 for the calendar year 2019.

#### PJ's Unit Criteria – Historic Same Store Sales Growth.

For each Period of Analysis below, the PJ's Unit must have reported gross revenue for the entire two-year period ending December 31, 2015, December 31, 2016, December 31, 2017, December 31, 2018 and December 31, 2019 respectively. The Financial Performance Representation includes domestic locations only.

The same store sales growth figures below compare the gross revenue generated by PJ's Units over the course of a calendar year with the gross revenue generated by the same PJ's Units during the prior calendar year. The figures below were calculated using the information from sales reports submitted by the Franchisee and/or information obtained from PJ's franchisees' point of sale software, which gathers PJ's Units gross revenues and other data.

Period of Analysis	Same Store Sales Growth over Prior Year	Total Number of Units Measured in SSS Analysis	Number of Units that Attained or Exceed Average SSS Increase
2014 - 2015	9.4%	54	19 / 35%
2015 - 2016	8.8%	55	9 / 16%
2016 - 2017	6.6%	60	28 / 47%
2017 - 2018	4.9%	63	27 / 43%
2018 - 2019	8.4%	60	29 / 48%

All the PJ's Units whose data were used in the table above were open for at least 24 months during the measured period.

General Comments.

The PJ's Units represented herein operate in the following states: Arkansas, Louisiana, Mississippi, South Carolina, and Texas.

Franchisor urges Franchisee to contact our existing Franchisees to make Franchisee's own evaluation of Franchisee's potential PJ's Unit's success. Exhibit J to this franchise disclosure document contains the names of all of our Franchisees and the address and telephone numbers of all Franchisees.

**Some franchises sold these amounts. Your individual results may differ. There is no assurance that you will sell as much.**

Written substantiation for the financial performance representation will be made available to the prospective franchisee upon reasonable request.

Other than the preceding financial representation, New Orleans Brew, LLC does not make any financial performance representations. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with 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 David Mesa, Jr., Chief Development Officer, 180 New Camellia Boulevard, Suite 100, Covington, LA 70433, (985) 792-5776, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**

**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**

**SYSTEMWIDE OUTLET SUMMARY  
FOR YEARS 2017 TO 2019**

<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>
<b>Franchised</b>	2017	67	68	+1
	2018	68	81	+13
	2019	81	89	+8
<b>Affiliate Owned</b>	2017	10	10	10
	2018	10	10	10

	2019	10	10	10
<b>Total Outlets</b>	2017	77	78	+1
	2018	78	91	+13
	2019	91	99	+8

Explanatory Notes.

Note 1. The numbers in this table are as of December 31, 2019.

**TABLE NO. 2**  
**TRANSFER OF OUTLETS FROM FRANCHISEES TO NEW OWNERS**  
**(OTHER THAN THE FRANCHISOR)**  
**FOR YEARS 2017 TO 2019**

<b>State</b>	<b>Year</b>	<b>Number of Transfers</b>
<b>Louisiana</b>	2017	1
	2018	4
	2019	4
<b>Totals</b>	2017	1
	2018	4
	2019	4

Explanatory Notes.

Note 1. The numbers in this table are as of December 31, 2019.

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2017 TO 2019**

**DOMESTIC PJ's UNITS**



State	Year	Outlets at Start Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations Other Reasons	Outlets at End of the Year
Arkansas	2017	1	0	0	0	0	0	1
	2018	1	0	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Colorado	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Louisiana	2017	56	4	0	2	0	0	58
	2018	58	9	0	0	0	1	66
	2019	66	9	0	0	0	4	71
Maryland	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
Mississippi	2017	5	0	0	0	0	0	5
	2018	5	1	0	1	0	0	5
	2019	5	2	0	0	0	0	7
Tennessee	2017	0	0	0	0	0	0	0
	2018	0	0	0	0	0	0	0
	2019	0	1	0	0	0	0	1

<b>Texas</b>	2017	3	0	0	0	0	1	2
	2018	2	2	0	0	0	1	3
	2019	3	0	0	0	0	0	3
<b>Totals</b>	2017	65	4	0	2	0	1	66
	2018	66	14	0	1	0	2	77
	2019	77	12	0	0	0	4	85

**INTERNATIONAL PJ's UNITS**

<b>Kuwait</b>	2017	0	0	0	0	0	0	0
	2018	0	1	0	0	0	0	1
	2019	1	0	0	0	0	0	1
<b>Vietnam</b>	2017	2	0	0	0	0	0	2
	2018	2	1	0	0	0	0	3
	2019	3	0	0	0	0	0	3
<b>Totals</b>	2017	2	0	0	0	0	0	2
	2018	2	2	0	0	0	0	4
	2019	4	0	0	0	0	0	4

Explanatory Notes.

Note 1. The numbers in this table are as of December 31, 2019.

Note 2. The name, business address, and business telephone number of each current Franchisee as of December 31, 2019, and the name, last known address, and telephone number of every Franchisee who had a PJ's Unit terminated, cancelled, not renewed, or otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recent completed fiscal year or has not communicated with Franchisor within ten weeks of December 31, 2019 is attached is Exhibit J.

If Franchisee buys this Franchise, Franchisee’s contact information may be disclosed to other buyers when Franchisee leaves the franchise system.

Note 3. In some instances, current and former Franchisees sign provisions restricting their ability to speak openly about their experience with Franchisor. Franchisee may wish to speak with current and former Franchisees but beware that not all Franchisees will be able to communicate with Franchisee.

**TABLE NO. 4**  
**STATUS OF COMPANY OWNED OUTLETS**  
**FOR YEARS 2017 TO 2019**

State	Year	Outlets at Start of the Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of the Year
<b>LA</b>	2017	10	0	0	0	0	10
	2018	10	0	0	0	0	10
	2019	10	0	0	0	0	10

Explanatory Notes.

Note 1. The numbers in this table are as of December 31, 2019. The company-owned outlets are located in Louisiana.

Our fiscal year end is December 29, 2019.

**TABLE NO. 5**  
**PROJECTED OPENINGS**  
**AS OF DECEMBER 31, 2019**

<b>DOMESTIC PJ's UNITS</b>			
State	Franchise Agreements Signed but Outlet Not Opened	Projected New Franchised Outlets in the Next Fiscal Year	Projected New Company-Owned Outlets in the Next Fiscal Year
<b>Alabama</b>	5	4	0
<b>Arizona</b>	0	0	0

<b>Arizona</b>	0	0	0
<b>Arkansas</b>	1	1	0
<b>California</b>	1	1	0
<b>Colorado</b>	0	0	0
<b>Florida</b>	1	1	0
<b>Georgia</b>	2	3	0
<b>Louisiana</b>	10	10	0
<b>Maryland</b>	1	1	0
<b>Mississippi</b>	4	4	0
<b>North Carolina</b>	1	1	0
<b>New Jersey</b>	2	2	0
<b>South Carolina</b>	2	2	0
<b>Tennessee</b>	1	1	0
<b>Texas</b>	10	7	0
<b>Virginia</b>	1	1	0
<b>TOTALS</b>	42	39	0

<b>INTERNATIONAL PJ's UNITS</b>			
<b>Country</b>	<b>Franchise Agreements Signed but Outlet Not Opened</b>	<b>Projected New Franchised Outlets in the Next Fiscal Year</b>	<b>Projected New Company-Owned Outlets in the Next Fiscal Year</b>
<b>Kuwait</b>	1	1	0
<b>Vietnam</b>	0	0	0
<b>TOTALS</b>	1	1	0

**NAMES OF CURRENT FRANCHISEES & LOCATIONS  
AS OF MARCH 31, 2020**

STATE	FRANCHISEE	ADDRESS	TELEPHONE	TRADITIONAL / NON-TRADITIONAL	DRIVE-THRU / NO DRIVE-THRU
<b>ARKANSAS</b>					
AR	EAB Coffee, LLC Attn: Peter Dunn	106 East Main St., Ste. 103 Eldorado, AR 71730	870-875-1409	Traditional	No Drive-thru
<b>COLORADO</b>					
CO	R & J Coffee, LLC Attn: Renee Prutch	922 E. Hailey Lane Pueblo West, CO 81007	719-647-2848	Traditional	Drive-thru
<b>GEORGIA</b>					
GA	T & C Coffee, LLC <sup>2</sup> Attn: Charlie Sampey	1010 Market Street Greensboro, GA 30642	762-555-1187	Traditional	Drive-thru
<b>LOUISIANA</b>					
LA	21 Brew LLC <sup>2</sup> Attn: Paul Ballard	70456 HWY 21, Ste. 1 Covington, LA 70433	985-875-7894	Traditional	Drive-thru
LA	B.E.D. Café, LLC Attn: Thomas Boudreaux	5300 Tchoupitoulas St. New Orleans, LA 70115	504-895-2007	Traditional	No Drive-thru
LA	Ballard Pearson, LLC <sup>2</sup> Paul Ballard	73015 Hwy 25, Ste. F Covington, LA 70435	985-892-1202	Traditional	Drive-thru
LA	Bean Town, LLC <sup>2</sup> Attn: Donna Miller	14282 W. University Ave., Ste. A Hammond, LA 70401	985-542-5515	Traditional	Drive-thru
LA	Bean Town, LLC <sup>2</sup> Attn: Donna Miller	224 W. Thomas Hammond, LA 70401	985-345-1533	Traditional	No Drive-thru
LA	Brew Boys LLC <sup>2</sup> Attn: Paul Ballard	1665 Dove Park Rd. Mandeville, LA 70471	985-898-5282	Traditional	Drive-thru
LA	Campus Brew LLC <sup>2</sup> Attn: Paul Ballard	Tulane University 6501 Willow St., New Orleans, LA 70117	504-862-8063	Non-Traditional	No Drive-thru
LA	Campus Brew LLC <sup>2</sup> Attn: Paul Ballard	Tulane University 6823 St. Charles Ave., New Orleans, LA 70117	504-865-5705	Non-Traditional	No Drive-thru
LA	Bellinaloo Coffee, LLC Attn: Cherie White	1545 Lapalco Blvd, Bldg. E-1A Harvey, LA 70058	504-368-6600	Traditional	No Drive-thru
LA	TAM Coffee, LLC <sup>2</sup> Attn: Andrew Jones	3070 Holiday Drive New Orleans, LA 70131	504-392-4280	Traditional	Drive-thru
LA	GRM LLC Attn: Richard Robbins	6600 Franklin Ave., Ste. B-1 New Orleans, LA 70122	504-282-0898	Traditional	No Drive-thru
LA	Irish Brew, LLC	Clearview Mall	504-883-5516	Non-Traditional	

	Attn: Brett Pearson	4436 Veterans Blvd., Ste. 8, Metairie, LA 70006			No Drive-thru
LA	East Gause Coffee, LLC <sup>2</sup> Attn: Barry Prendergast	2040 E Gause Blvd, Ste. 1 Slidell, LA 70461	985-649-6270	Traditional	Drive-thru
LA	Clearview Royal Lessee, LLC Attn: John Kline	Royal St. Charles Hotel 135 St. Charles Ave., New Orleans, LA 70130	504-207-8909	Non-Traditional	No Drive-thru
LA	MA Partnership, LLC Attn: Michael Pierce	5359 Mounes St. Harahan, LA 70123	504-731-2905	Traditional	Drive-thru
LA	Maple Brew LLC <sup>2</sup> Attn: Paul Ballard	7624 Maple St. New Orleans, LA 70118	504-861-5335	Traditional	No Drive-thru
LA	Marketplace Brew LLC <sup>2</sup> Attn: Paul Ballard	70325 Hwy 1077 Ste. A-1 Covington, LA 70433	985-845-8411	Traditional	Drive-thru
LA	Gumbo Miller, LLC <sup>2</sup> Attn: Aubry Miller	5432 Magazine St. New Orleans, LA 70115	504-895-2202	Traditional	No Drive-thru
LA	Nola Brew LLC Attn: Brent Jouandot	2200 David Dr. Metairie, LA	504-883-3883	Traditional	No Drive-thru
LA	Plan 22 LLC Attn: Eleanor Fisher	4480 Hwy 22 Mandeville, LA 70471	985-624-9015	Traditional	No Drive-thru
LA	R & N Red Stick Coffee Company Attn: Stephanie Redmann	100 Lafayette St. Baton Rouge, LA 70801	225-381-0055	Traditional	No Drive-thru
LA	Caffeinated, LLC Attn: Amanda Bennett	1913 SW Railroad Ave. Hammond, LA 70430	985-549-1620	Traditional	Drive-thru
LA	JTJK Coffee, LLC <sup>2</sup> Attn: Barry Prendergast	1600 N Hwy 190, Ste. 7 Covington, LA 70433	985-871-9236	Traditional	No Drive-thru
LA	Robins LLC Attn: Tom Lewis	150 Ormond Center Ct. Destrahan, LA 70047	985-764-7573	Traditional	Drive-thru
LA	S & S Wingery, LLC Attn: Kelly Songy	2015 E. Judge Perez Chalmette, LA 70043	504-279-5307	Traditional	Drive-thru
LA	Saterlee Development, LLC Attn: Anthony Saterlee	10158 Jefferson Hwy River Ridge, LA 70123	504-738-7797	Traditional	No Drive-thru
LA	Sodexo America, LLC <sup>2</sup> Attn: Phoebe Cook	Tulane University Library 7001 Freret St. New Orleans, LA 70117	504-862-3086	Non-Traditional	No Drive-thru
LA	21 Brew, LLC <sup>2</sup> Attn: Ruby Ann Oxford	St. Tammany Parish Hospital 1202 S. Tyler St., Covington, LA	985-892-8242	Non-Traditional	No Drive-thru
LA	RDT Coffee, LLC <sup>2</sup> Attn: Roxanne Tillotson	7614 Hwy 23 Suite F Belle Chase, LA 70037	504-393-0858	Traditional	No Drive-thru

LA	TAM Poydras, LLC <sup>2</sup> Attn: Andrew Jones	1515 Poydras St., Ste. 400 New Orleans, LA 70112	504-875-2443	Traditional	No Drive-thru
LA	Bean Town, LLC <sup>2</sup> Attn: Donna Miller	Northoaks Hospital 15790 Paul Vega MD, Hammond, LA 70360	985-230-6061	Non-Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Baptist Hospital 4429 Clara St., New Orleans, LA 70115	504-894-2701	Non-Traditional	No Drive-thru
LA	Magnolia Hospitality, LLC <sup>2</sup> Attn: Corrado Giacona	300 Canal St., Ste. R New Orleans, LA 70130	504-210-0392	Non-Traditional	No Drive-thru
LA	L'auberge Du Lac Casino Attn: Sean Malone	LDL Casino Baton Rouge, LA 70820	225-490-7358	Non-Traditional	No Drive-thru
LA	Jeremy Griffen <sup>2</sup> Attn: Jeremy Griffen	1311 St. Charles St. Houma, LA 70360	985-873-4141	Traditional	Drive-thru
LA	Claiborne Fresh Market <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 8115 S. Claiborne Ave., New Orleans, LA 70118	504-488-0536	Non-Traditional	No Drive-thru
LA	Harrison Fresh Market <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 801 Harrison Ave., New Orleans, LA 70124	504-293-1201	Non-Traditional	No Drive-thru
LA	M. Robert Enterprises <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 153 Robert E. Lee Blvd., New Orleans, LA 70124	504-282-3428	Non-Traditional	No Drive-thru
LA	ML Robert II, LLC <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 5016 W. Esplanade Ave., Metairie, LA 70006	504-885-7005	Non-Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Medical Center 2500 Belle Chase Hwy., Gretna, LA 70056	504-392-3131	Non-Traditional	No Drive-thru
LA	Jackson Square Coffee, LLC <sup>2</sup> Attn: Roy Bruno	630 Chartres St. New Orleans, LA 70116	504-267-4545	Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Medical Center 1514 Jefferson Hwy., New Orleans, LA 70121	504-842-3000	Non-Traditional	No Drive-thru
LA	MMAD Coffee, LLC <sup>2</sup> Attn: Mateusz Dabrowski	402 West Highway 30, Suite A Gonzales, LA 70737	225-644-5955	Traditional	Drive-thru
LA	Jun Da, LLC <sup>2</sup> Attn: Shuai Wang	5555 Canal Blvd. New Orleans, LA 70124	504-309-3398	Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	LSUHS Shreveport 1501 Kings Hwy., Shreveport, LA 71103	318-675-4560	Non-Traditional	No Drive-thru

LA	SSP America <sup>2</sup> Attn: Robert Cotton	Baton Rouge Regional Airport (Pre-Security) 9430 Jackie Cochran Dr., Baton Rouge, LA 70807	225-354-3448	Non-Traditional	No Drive-thru
LA	RDT Coffee II, LLC <sup>2</sup> Attn: Roxanne Tillotson	Diaz Convenience Store 4400 Clearview Pkwy., Metairie, LA 70006	504-779-2976	Non-Traditional	Drive-thru
LA	SSP America <sup>2</sup> Attn: Robert Cotton	Baton Rouge Regional Airport (Post-Security) 9430 Jackie Cochran Dr., Baton Rouge, LA 70807	225-354-3448	Non-Traditional	No Drive-thru
LA	Heathbrou, LLC Attn: Aaron Broussard	3625 Nelson Rd., Suite E Lake Charles, LA 70605	337-429-2561	Traditional	Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Medical Center 180 W. Esplanade Ave., Kenner LA 70065	985-875-2828	Non-Traditional	No Drive-thru
LA	Aramark <sup>2</sup> Attn: Philip Martin	University Medical Center 2000 Canal St., New Orleans, LA, 70112	504-201-9349	Non-Traditional	No Drive-thru
LA	Aramark <sup>2</sup> Attn: Corie Gardener	Touro Medical Center 1401 Foucher St., New Orleans, LA 70115	504-897-7011	Non-Traditional	No Drive-thru
LA	Decatur Brew, LLC <sup>2</sup> Attn: Roy Bruno	501 Decatur St. New Orleans, LA 70130	504-207-4100	Traditional	No Drive-thru
LA	T & C Coffee, LLC <sup>2</sup> Attn: Charlie Sampey	820 West Oak St Amite, LA 70422	504-392-4280	Traditional	Drive-thru
LA	INAR, LLC <sup>2</sup> Attn: Barry Prendergast	61103 Airport Rd Suite 7 Slidell, LA 70460	985-847-9470	Traditional	No Drive-thru
LA	Lavigne Plaza, LLC Attn: Chip Lavigne	Blue Harbor 2963 Hwy 190, Mandeville, LA 70471	985-674-1565	Traditional	Drive-thru
LA	Stone Creek Club & Spa, LLC Attn: Scott Gutterman	Stone Creek Club & Spa, LLC 1201 Ochsner Blvd., Covington, LA 70433	985-801-7135	Non-Traditional	No Drive-thru
LA	Where's The Watermelon, LLC <sup>2</sup> Attn: Aubry Miller	2140 Magazine Street New Orleans, LA 70817	504-355-2934	Traditional	No Drive-thru
LA	Griffin Hospitality, LLC <sup>2</sup> Attn: Jeremy Griffin	200 E. Bayou Road Thibodaux, LA 70301	985-492-1207	Traditional	Drive-thru
LA	PJ's Coffee of Laplace, LLC Attn: Wayne Vicknair	1808 West Airline Hwy B LaPlace, LA 70068	985-359-7575	Traditional	No Drive-thru
LA	Bruno Brew, LLC <sup>2</sup> Attn: Roy Bruno	800 Metairie Rd. Ste. V Metairie, LA 70005	504-828-1460	Traditional	No Drive-thru
LA	Bruno Brew, LLC <sup>2</sup>	509 Veterans Blvd.	504-841-0990	Traditional	Drive-thru



	Attn: Roy Bruno	Metairie, LA 70005			
LA	KL & AM Holdings, LLC <sup>2</sup> Attn: Aubry Miller	20103 Old Scenic Hwy. Zachary, LA 70791	225-570-2268	Traditional	Drive-thru
LA	Marketfare St. Claude, LLC <sup>2</sup> Attn: Marc Robert	Roberts Fresh Market 2222 St. Claude Ave., New Orleans, LA 70117	504-262-888	Non-Traditional	No Drive-thru
LA	Ripple Bayou Beans, LLC Attn: Shelly Johnston	15089 LA-73 Prairieville, LA 70769	225-744-1713	Traditional	No Drive-thru
LA	Lagniappe Coffee, LLC Attn: Brandy Craft	2119 Airline Drive, Suite 100 Bossier City, LA 71111	318-588-5188	Traditional	Drive-thru
LA	840 Coffee Co, LLC Attn: John Georges	New Orleans Advocate 840 St. Charles Ave., New Orleans, LA 70130	504-266-2145	Non-Traditional	No Drive-thru
LA	Sodexo America, LLC <sup>2</sup> Attn: Jeffery Burnham	Tulane University - Freeman School of Business 7 McAlister Drive, New Orleans, LA 70118	503-862-8152	Non-Traditional	No Drive-thru
LA	Capcorn, LLC Attn: Richard Capdeboscq	The Riverwalk 500 Port of New Orleans Place, NOLA 70130	504-218-5698	Non-Traditional	No Drive-thru
LA	Aramark <sup>2</sup> Attn: Philip Martin	West Jefferson Medical Center 1101 Medical Center Blvd., Marreor, LA 70006	504-349-1156	Non-Traditional	No Drive-thru
LA	Ballard Brew, LLC <sup>2</sup> Attn: Paul Ballard	Ochsner Health Center - Covington 1000 Ochsner Blvd., Covington, LA 70433	985-302-5470	Non-Traditional	No Drive-thru
LA	Jun Da, LLC <sup>2</sup> Attn: Shuai (Sean) Wang	Kenner 2240 Veterans Blvd. Kenner, LA 70062	504-305-0305	Traditional	Drive-thru
LA	St. Paul's School Attn:	St. Pauls School 917 S Jahnke Ave. Covington, LA 70433	985-892-3200	Non-Traditional	No Drive-thru
LA	JAG Investment Group, LLC <sup>2</sup> Attn: Andrew Jones	East Houma 1128 Grand Cailou Rd. Houma, LA 70363	985-262-0622	Traditional	Drive-thru
LA	Crescent City Coffee, LLC Attn: Stephanie Chamblis	New Orleans East 5733 Read Blvd. New Orleans, LA 70127	504-354-8622	Traditional	Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Baton Rouge 10310 The Grove Blvd Baton Rouge, LA 70836	225-761-5200	Non-Traditional	No Drive-thru
LA	St. Scholastica Academy	St. Scolastica Academy	985-892-2540	Non-Traditional	

	Attn:	122 S Massachusetts St, Covington, LA 70433			No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	University of New Orleans 2000 Lakeshore Dr. New Orleans, LA 70148	N/A	Non-Traditional	No Drive-thru
LA	TAM Carondelet, LLC <sup>2</sup> Attn: Andrew Jones	Drip Affogato Bar 703 Carondelet St, New Orleans, LA 70113	504-313-1611	Non-Traditional	No Drive-thru
LA	Armstrong Airport Concessions, LLC Attn: Delaware North	New Orleans Airport - Concourse C 1 Terminal Dr.- Main Terminal, Kenner, LA 70062	N/A	Non-Traditional	No Drive-thru
LA	Walker High School Attn: Jason St. Pierre	12646 Burgess Avenue Walker, LA 70785	335-664-4825	Non-Traditional	No Drive-thru
<b>MARYLAND</b>					
MD	Venus, LLC <sup>2</sup> Attn: Shaq Quershi	8621 Georgia Ave., Ste A-2 Silver Spring, MD 20910	240-863-3810	Traditional	No Drive-thru
<b>MISSISSIPPI</b>					
MS	Three Cups of Coffee, LLC <sup>2</sup> Attn: Barry Prendergast	117 North Main St., Ste. A Picayune, MS 39466	601-799-4901	Traditional	No Drive-thru
MS	Praise Properties LLC Attn: Pat Brumfield	1213 Delaware Ave. McComb, MS 39648	601-249-2735	Traditional	Drive-thru
MS	Gulfport Food Systems, LLC Attn: Maria Mena	Gulfport Outlet Mall 10000 Factory Shops Blvd., Ste. FC- 10, Gulfport, MS 39053	228-8716020	Non-Traditional	No Drive-thru
MS	TMS Enterprises, LLC Attn: Tanya Surla	Stennis Space Center Building 1100, Room N180B	228-688-1197	Non-Traditional	No Drive-thru
MS	James & Catherine MacPhaille	2017 Main Street Bay St. Louis, MS 39520	228-231-1942	Traditional	Drive-thru
MS	Coast Coffee, LLC <sup>2</sup> Attn: David LeBron	14100 Cook Road Biloxi, MS 39532	228-215-1510	Traditional	Drive-thru
MS	Central Avenue Coffee, LLC <sup>2</sup> Attn: David LeBron	10439 D'Iberville Blvd. D'Iberville, MS 39532	228-207-4509	Traditional	Drive-thru
MS	Brooke Stampley <sup>2</sup> Paul Sanders <sup>2</sup>	6106 US-98 Hattiesburg, MS 39402		Traditional	Drive-thru
MS	Jackson Brew, LLC <sup>2</sup> Attn: Jack Stanton	3100 Old Canton Road, Suite 100 Jackson, MS 39216	601-566-1400	Traditional	Drive-thru
MS	PJ's Coffee of Meridian, LLC <sup>2</sup> Attn: Farheen Lala	5145 Hwy 39 Meridian, MS 39301		Traditional	Drive-thru
<b>SOUTH CAROLINA</b>					

SC	Sodexo America, LLC <sup>2</sup> Attn:	Medical University South Carolina 171 Ashley Avenue, MUSC	843-792-0393	Non-Traditional	No Drive-thru
<b>TENNESSEE</b>					
TN	IGWT Coffee, LLC <sup>2</sup> Attn: JC Chavarria	Philips Plaza Building 414 Union St., #105, Nashville, TN 37219	615-953-7997	Traditional	No Drive-thru
<b>TEXAS</b>					
TX	One Price Triton, LLC <sup>2</sup> Attn: Mike Price	11930 Barker Cypress Rd., Ste 800 Cypress, TX 77433	832-653-6235	Traditional	Drive-thru
TX	JKSAM & Sons, LLC Attn: Kyra Sam	12640 Broadway St., Ste 102 Pearland, TX 77584	832-406-7350	Traditional	Drive-thru
<b>KUWAIT</b>					
KU	Hesham Abdulla Alroumi	Block 10 Plot 288 Abu Al Hassaniya Kuwait, Abu Al Hassaniya	65-9-987-0622	Traditional	No Drive-thru
<b>VIETNAM</b>					
VN	TR Group International Pte. Ltd. Attn: Rick Yvanovich	72 70, Le Thanh Ton (Vincom Mall B1) Ho Chi Min City, District 1, Vietnam	84-8-382-6900	Non-Traditional	No Drive-thru
VN	TR Group International Pte. Ltd. Attn: Rick Yvanovich	145-147 Nguyen Co Thach, An Loi Dong Ward, District 2, Vietnam	84-8-382-6900	Non-Traditional	No Drive-thru
VN	TR Group International Pte. Ltd. Attn: Rick Yvanovich	British International School 101 Thao Dien Street District 2 Ho Chi Minh City	84-8-382-6900	Non-Traditional	No Drive-thru

**FRANCHISEES WHO HAVE NOT YET OPENED  
AS OF MARCH 31, 2020**

STATE	LOCATION/CITY	NAME OF FRANCHISEE	PHONE NUMBER
<b>ALABAMA (4)</b>			
AL	Spanish Fort, AL	Eastern Shore Coffee, LLC <sup>2</sup> - Harry Dodich	251-648-3855
AL	Mobile, AL	Eastern Shore Coffee, LLC <sup>2</sup> - Harry Dodich	251-648-3855
AL	Mobile, AL	Eastern Shore Coffee, LLC <sup>2</sup> - Harry Dodich	251-648-3855
AL	Tuscaloosa, AL	Armellino Italian Ices Co. - Bill Getchel	631-848-6737
<b>ARKANSAS (1)</b>			

AR	Stuttgart, AR	Eric & Rebecca Seyller	870-674-8622
<b>CALIFORNIA (1)</b>			
CA	Carmichael, CA	Danny Phung	916-505-6575
<b>FLORIDA (1)</b>			
FL	Bradenton, FL	George Qassis	732-330-3265
<b>GEORGIA (5)</b>			
GA	Alpharetta, GA	The Social Gaming Experience, LLC <sup>2</sup> - Kenya Harris	334-324-8791
GA	Lawrenceville, GA	Muneeb Arif	770-826-2713
GA	Columbus, GA	P2 Brew, LLC <sup>2</sup> - Paul Amos	706-577-5808
GA	Columbus, GA	P2 Brew, LLC <sup>2</sup> - Paul Amos	706-577-5809
GA	Columbus, GA	P2 Brew, LLC <sup>2</sup> - Paul Amos	706-577-5810
<b>LOUISIANA (13)</b>			
LA	Ponchatoula, LA	Beantown, LLC <sup>2</sup> - Donna Miller	985-969-0104
LA	Baton Rouge, LA	LA Roasters, LLC <sup>2</sup> - Andrew Jones	404-427-0366
LA	Baton Rouge, LA	LA Roasters, LLC <sup>2</sup> - Andrew Jones	404-427-0367
LA	Baton Rouge, LA	LA Roasters, LLC <sup>2</sup> - Andrew Jones	404-427-0368
LA	Houma, LA	JAG Investments, LLC <sup>2</sup> - Andrew Jones	404-427-0369
LA	Walker, LA	Walker Needs Coffee, LLC <sup>2</sup> - Aubry Miller	504-234-0282
LA	Lafayette, LA	Allen & Julie Cummings <sup>2</sup>	985-778-3313
LA	Lafayette, LA	Allen & Julie Cummings <sup>2</sup>	985-778-3313
LA	Lafayette, LA	Allen & Julie Cummings <sup>2</sup>	985-778-3313

LA	Ruston, LA	Kristy & Robert Mounts	318-512-6384
LA	New Orleans, LA	Ash Salem	504-655-8719
LA	Baton Rouge, LA	Al & Dina Perkins <sup>2</sup>	225-907-4370
LA	Baton Rouge, LA	Al & Dina Perkins <sup>2</sup>	225-907-4370
<b>MARYLAND (5)</b>			
MD	Bowie, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
MD	Bowie, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2329
MD	Annapolis, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
MD	College Park, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
MD	Hyattsville, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
<b>MISSOURI (1)</b>			
MO	Platte City, MO	Dundee's Brew, LLC - Jill Nelson	913-370-3922
<b>MISSISSIPPI (11)</b>			
MS	Hattiesburg, MS	Paul Sanders and Brooke Stampley <sup>2</sup>	985-630-7162
MS	Hattiesburg, MS	Paul Sanders and Brooke Stampley <sup>2</sup>	985-630-7164
MS	Ocean Springs, MS	Coast Coffee, LLC <sup>2</sup> - David LeBron	228-229-0689
MS	Biloxi, MS	Coast Coffee, LLC <sup>2</sup> - David LeBron	228-229-0690
MS	Gulfport, MS	Coast Coffee, LLC <sup>2</sup> - David LeBron	228-229-0691
MS	Brookhaven, MS	John & Angela Lambert	601-695-2039
MS	Meridian, MS	Farheen Lala <sup>2</sup>	602-686-2636
MS	Meridian, MS	Farheen Lala <sup>2</sup>	602-686-2637

MS	Jackson, MS	John Stanton <sup>2</sup>	504-858-5800
MS	Jackson, MS	John Stanton <sup>2</sup>	504-858-5801
MS	Ocean Springs, MS	Ronnie Ali & Brianne Whitney	707-319-5068
<b>NORTH CAROLINA (1)</b>			
NC	Charlotte, NC	Raheel & Asil Quershi	917-992-6611
<b>NEW JERSEY (2)</b>			
NJ	Watchung, NJ	The Family Bean, LLC - Islam Badr	201-744-7962
NJ	Montville, NJ	Goran & Divna Popovski	973-342-5014
<b>SOUTH CAROLINA (2)</b>			
SC	Ridgeland, SC	Lucky 8 Coffee, LLC - Linda Johnson	843-619-1911
SC	Rock Hill, SC	Jeff Hateley	949-899-3835
<b>TEXAS (24)</b>			
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6004
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6005
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6006
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6007
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6008
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6009
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6010
TX	Houston, TX	One Price Triton, LLC - Mike Price	281-468-6011
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6012

TX	Helotes, TX	P & M Coffee, LLC - Philip Sebastian	210-912-5996
TX	San Antonio, TX	Martin & Deborah Bomba <sup>2</sup>	210-287-9694
TX	Round Rock, TX	Martin & Deborah Bomba <sup>2</sup>	210-287-9695
TX	Austin, TX	Martin & Deborah Bomba <sup>2</sup>	210-287-9696
TX	Monahans, TX	Ever & Marielena Saenz	432-260-9737
TX	Spring, TX	Paul Picard <sup>2</sup>	713-302-5251
TX	Houston, TX	Paul Picard <sup>2</sup>	713-302-5252
TX	Houston, TX	Paul Picard <sup>2</sup>	713-302-5253
TX	Fort Worth, TX	Mark & Barbara Null	817-773-8310
TX	Amarillo, TX	Cathy & Joel Meyers	806-445-4139
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3361
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3362
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3363
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3364
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3365
TX	Dallas, TX	Eight28 Enterprises, LLC - Brittany Willis	504-812-5642
<b>VIRGINIA (4)</b>			
VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6031
VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6032
VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6033

VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6034
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**FRANCHISEES WHO HAVE LEFT THE SYSTEM  
AS OF MARCH 31, 2020**

STATE	FRANCHISEE	LAST KNOWN ADDRESS	LAST KNOWN TELEPHONE
LA	Bruno Brew, LLC <sup>2</sup> Attn: Roy Bruno	622 Canal St. New Orleans, LA	504-561-8552
LA	Armstrong Airport Concessions, LLC <sup>2</sup> Attn: Delaware North	New Orleans Airport - Concourse C 900 Airline Dr. Kenner, LA 70062	504-463-5550
LA	Armstrong Airport Concessions, LLC <sup>2</sup> Attn: Delaware North	New Orleans Airport - Concourse B 900 Airline Dr. Kenner, LA 70062	504-466-2154
LA	Armstrong Airport Concessions, LLC <sup>2</sup> Attn: Delaware North	New Orleans Airport - Concourse D 900 Airline Drive, Kenner, LA 70062	504-463-5500

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

In some instances, former franchisees sign provisions restricting their ability to speak openly about their experience with New Orleans Brew, LLC. 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.

- (1) There are no **trademark-specific franchisee organizations** associated with the franchise system being offered in this Franchise Disclosure Document.
- (2) These franchisees have executed a Multi-Unit Option Agreement.

**ITEM 21**

**FINANCIAL STATEMENTS**

The audited financial statements for the periods ending December 31, 2017, December 30, 2018, and December 29, 2019 are attached to the disclosure document as Exhibit F, together with the auditor's consent and reports.

**ITEM 22**

**CONTRACTS**

The following agreements are attached as exhibits to this disclosure document:

- Exhibit A – Franchise Agreement
- Exhibit B – Confidentiality Agreement
- Exhibit C – Guaranty Agreement



Exhibit D – Direct Deposit Authorization Form  
Exhibit E – Agents for Process of Services  
Exhibit F – Financial Statements  
Exhibit G – Operations Manual Table of Contents  
Exhibit H – State Administrators  
Exhibit I – Franchise Disclosure Acknowledgement Statement  
Exhibit J – List of Franchisees  
Exhibit K – General Release Agreement  
Exhibit L – Contingent Assignment of Lease  
Exhibit M – State Specific Addenda  
Exhibit N – Multi-Unit Option Agreement  
Exhibit O – Receipt

**ITEM 23**

**RECEIPT**

THE LAST PAGE OF THE DISCLOSURE DOCUMENT IS A DETACHABLE DOCUMENT ACKNOWLEDGING RECEIPT OF THE DISCLOSURE DOCUMENT BY YOU.

**EXHIBIT A**

**FRANCHISE AGREEMENT**

**PJ'S COFFEE FRANCHISE AGREEMENT DATA SHEET**

1. Name of Franchisee: \_\_\_\_\_
2. Guarantor Name: \_\_\_\_\_  
SSN: \_\_\_\_\_ Driver's License State/Number: \_\_\_\_\_
3. Guarantor Name: \_\_\_\_\_  
SSN: \_\_\_\_\_ Driver's License State/Number: \_\_\_\_\_
4. Franchisee's Address: \_\_\_\_\_
5. Franchisee's Telephone Number: \_\_\_\_\_
6. Franchisee's Email Address: \_\_\_\_\_
7. Franchisee's Initial Franchise Fee: \_\_\_\_\_
8. Franchisee's Royalty Fee: \_\_\_\_\_
9. Franchisee's System Fund Fee: \_\_\_\_\_
10. Agreement Effective Date: \_\_\_\_\_
11. Franchise Licensing Representative: \_\_\_\_\_
12. Exceptions to the Agreement: \_\_\_\_\_  
\_\_\_\_\_

The information contained in the Data Sheet is incorporated by reference into the PJ's Coffee Franchise Agreement.

**FRANCHISEE:**

**FRANCHISOR:**

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

**PJ'S COFFEE FRANCHISE AGREEMENT**

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## PJ'S COFFEE FRANCHISE AGREEMENT

THIS AGREEMENT made this \_\_\_ day of \_\_\_\_\_, 20\_\_\_, by and between New Orleans Brew, L.L.C., a Louisiana limited liability company d/b/a PJ's Coffee of New Orleans, located at: 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433 (the "Franchisor"), and \_\_\_\_\_ (the "Franchisee"):

### **DEFINITIONS:**

In this Agreement the following capitalized terms shall have the meanings set forth below, unless the context otherwise requires:

(i) A PJ's Branded Product is any product now existing or developed in the future that bears Franchisor's Marks and is sold by some or all PJ's franchisees or Franchisor or other entities such as supermarkets, grocery stores or convenience stores.

(ii) A PJ's Distribution Point or Distribution Point is any location other than a PJ's Unit, where Authorized PJ's Branded Products using Franchisor's Marks are sold, such as carts, kiosks, vending machines or other product distribution units developed now or in the future and authorized by Franchisor.

(iii) A PJ's Coffee Unit or PJ's Unit is a cafe or other outlet that specializes in the sale of Authorized PJ's Products, as defined below, is operated under Franchisor's Marks, as defined below, and is authorized by a Franchise or License Agreement made or approved by Franchisor.

(iv) Authorized Products or PJ's Authorized Products are products approved or authorized by Franchisor in accordance with Article 5 or 8 of this Agreement.

(v) Location shall mean a location accepted by Franchisor in accordance with Section 1.4 of this Agreement.

### **RECITALS:**

WHEREAS, Franchisor is the owner of certain marks and other intellectual property, which have been filed and or registered with the United States Patent and Trademark Office of the United States of America, and may, in the future become the owner, licensee and or authorized distributor for other trademarks, including logos and designs, related or unrelated to Franchisor's Marks (referred to in this Agreement as "Franchisor's Marks"); and

WHEREAS, Franchisor has developed and continues to develop a system for merchandising PJ's Authorized Products, and which system includes distinctive signs, coffee beans, beverages, proprietary packaging, uniforms, various trade secrets & other confidential information, and in some cases also includes architectural designs, equipment specifications, layout plans, inventory, record-keeping and marketing techniques (the "System") which are materially reflected in Franchisor's Operations Manual and any other future manuals developed by Franchisor (collectively, the "Manuals"). Franchisor identifies the System by Franchisor's Marks, and such other Trademarks, service marks, trade names, logos and designs as may be designated by Franchisor in writing as being authorized for use in the System. Franchisor's Marks identify for the public the source of the services rendered in accordance with the standards and specifications established by Franchisor; and

WHEREAS, the System as used in existing PJ's Units and PJ's Distribution Points have established or will establish a reputation for quality, cleanliness, appearance and service, and through such operations and continued marketing and advertising efforts, have created demand and goodwill for the authorized PJ's coffee products sold as a result of which the System has acquired valuable goodwill and a favorable reputation; and

WHEREAS, Franchisee desires to enjoy the benefits of: (i) operating under the PJ's System and using Franchisor's Marks; and (ii) being authorized and licensed to operate one PJ's Unit as set forth below within the System in strict accordance with the standards and specifications established by Franchisor; and

WHEREAS, Franchisor is willing to grant Franchisee a license under Franchisor's Marks and the System, subject to Franchisee's strict compliance with the terms and conditions of this Agreement.

NOW, THEREFORE, the parties agree as follows:

## **ARTICLE 1. FRANCHISE RIGHT GRANTED, LOCATION.**

### **1.1. GRANT.**

In consideration of the issuance of the franchise granted herein, Franchisee shall pay to Franchisor the non-refundable sum of the appropriate amount as stated on the Data Sheet of the Franchise Agreement (the "Initial Fee"). In exchange, Franchisor hereby awards Franchisee the right to open and operate, under the terms of this Agreement, one PJ's Unit specializing in selling high quality proprietary coffee beans, beverages, mixes, syrups and food products and/or (ii) branded, trademarked, produced and/or packaged exclusively for Franchisor and/or its affiliates (the "PJ's Products") items as specified by Franchisor in Franchisor's Operations Manual, or subsequently added in accordance with Operations Manual amendments. The Initial Fee shall be deemed fully earned by Franchisor upon the execution of this Agreement by Franchisor and Franchisee and shall not be refunded, in whole or in part, upon any termination of this Agreement, or at any other time or under any other circumstances. If Franchisee is a business entity, each individual holding in excess of 15% of the total voting power of Franchisee's ownership interest (including each individual holding in excess of 20% of the total voting power of any business entity having a controlling interest in Franchisee) must execute the Guaranty Agreement and Confidentiality Agreement attached as Attachment A and Attachment B respectively.

### **1.2. LICENSE.**

Franchisor hereby grants and awards to Franchisee, for the term set forth in this Agreement, and any renewal term, beginning on the date of this Agreement, the right and license, and Franchisee hereby undertakes the obligation, to operate the PJ's Unit described in this Agreement under Franchisor's Marks and such other of Franchisor's Marks as may be designated by Franchisor, to operate such PJ's Unit solely in accordance with the System and this Agreement, and only at the specific location to be agreed upon by Franchisor and Franchisee in writing (the "Location").

### **1.3. LOCATION.**

With Franchisor's acceptance, Franchisee will locate, lease and open, within a 12-month period, a PJ's Unit in \_\_\_\_\_ (the "General Area"). The General Area is described solely for the purpose of limiting the area within which Franchisee may seek a site location for the PJ's Unit. If Franchisee is unable to secure an approved site and open a PJ's Unit in the General Area within this 12-

month period, Franchisee must notify Franchisor in writing within 60 days prior to the expiration of the aforementioned period. Upon receipt of any such notice, Franchisor shall extend the 12-month period mentioned in this Section 1.3 for an additional 90 days. Upon Franchisor granting and extending the initial 12-month period, Franchisee shall secure and open a PJ's Unit within said 90-day extension. If Franchisee ceases to actively secure and open a PJ's Unit during the initial 12-month period or the 90-day extended period, Franchisor has the right to terminate this Agreement without any further action on the part of Franchisor. In the event Franchisor elects to terminate this Agreement, it shall be entitled to the fee paid in accordance with Section 1.1 hereof.

Franchisor may establish, operate, or grant a franchise or license to others to operate a PJ's Coffee or any other business using the Marks, the System or any variation of the Marks and the System, in any location other than Franchisee's PJ's Unit on any terms and conditions that Franchisor deems appropriate. Additionally, Franchisor may license or sell, at both wholesale and retail, produce or service lines that are being sold in PJ's Units, including Franchisee's PJ's Unit, under the same or similar Proprietary Marks or any other proprietary marks, at any location or distribution point without providing any rights to Franchisee.

#### 1.4. LOCATION SELECTION AND ACCEPTANCE.

In order to obtain Franchisor's acceptance of a Location from which Franchisee is authorized to operate its PJ's Unit, he/she/they must first:

(i) Submit for Franchisor's evaluation a summary of the lease terms available for each site. Franchisee must also give any proposed landlord a copy of the then current Contingent Assignment of Lease or any other Lease Rider then being used by Franchisor in connection with its site approval for a PJ's Unit and obtain written verification that each landlord is willing to include the provisions of the Contingent Assignment or any other Rider's provisions in its Lease. After Franchisee provides the required documentation, Franchisor will evaluate and critique the information on each site and lease summary in consultation with Franchisee. Franchisor may, but will not be required to, visit, and inspect the sites that Franchisee proposes at the Franchisor's expense.

(ii) If and when Franchisor is satisfied with any one of the sites and the lease summaries are reasonably acceptable, Franchisor will give Franchisee verbal authorization to proceed with preliminary lease negotiations. Franchisor's authorization to negotiate a lease will not be unreasonably withheld. Franchisor reserves the right to reject any site or lease proposal Franchisee submits and to require that Franchisee obtain information on alternative sites.

(iii) After receiving Franchisor's authorization to negotiate, Franchisee must negotiate the lease to Franchisor's satisfaction and submit a final, unsigned copy of the lease to Franchisor for its verification that the Contingent Assignment (or other then used Lease Rider) is included. Franchisor may withhold authorization for Franchisee to sign a lease that omits Franchisor's Contingent Assignment (or other then used Lease Rider) in substantially the same form in use by Franchisor at the time the lease is executed or contains provisions Franchisor considers excessively onerous or restrictive.

(iv) FRANCHISEE ACKNOWLEDGES THAT FRANCHISOR WILL HAVE NO RESPONSIBILITY FOR EVALUATING OR ADVISING FRANCHISEE WITH RESPECT TO ANY BUSINESS OR LEGAL ASPECTS OF THE LEASE, AND THAT FRANCHISOR EXPRESSLY ADVISES FRANCHISEE TO OBTAIN INDEPENDENT ADVICE OF COUNSEL WITH REGARD TO ANY LEASE TERMS. FRANCHISEE FURTHER ACKNOWLEDGES THAT FRANCHISOR'S ACCEPTANCE OF A LOCATION IS IN NO WAY A WARRANTY OR REPRESENTATION BY

FRANCHISOR THAT FRANCHISEE'S PJ'S UNIT WILL BE PROFITABLE OR SUCCESSFUL FROM THAT LOCATION.

FRANCHISEE'S ACKNOWLEDGMENT: INITIALS \_\_\_\_\_

(v) When Franchisor is satisfied with the lease, Franchisor will give Franchisee written authorization to sign it. After receiving Franchisor's authorization to sign the lease, Franchisee must sign and furnish Franchisor a photocopy of the executed lease, including all exhibits, attachments, and addenda. When Franchisor verifies that the executed lease contains no variances from the form Franchisor accepted, it will notify Franchisee that the location is finally accepted pursuant to the terms of this Agreement.

## **ARTICLE 2. INSTALLATION AND COMMENCEMENT OF BUSINESS.**

Franchisee, at its own expense, shall: (i) renovate the Location into a PJ's Unit; (ii) obtain all necessary governmental permits and licenses prior to beginning the renovation of its Location into a PJ's Unit and Franchisee shall fully complete the renovation, construction and equipping within a reasonable time thereafter. Franchisee shall commence operation of each PJ's Unit no later than 30 days following the completion of the renovation, installation of furniture, fixtures and equipment, the franchisees receipt of a certificate of occupancy from the local municipality and upon completing all Franchisor's pre-opening requirements. Franchisee must employ an architect approved by the Franchisor, in Franchisor's sole discretion, for the preparation of all construction plans and specifications. Franchisee must use a licensed and insured general contractor for all construction and remodeling on the interior or exterior of the franchised location. In no event shall Franchisee construct or remodel the interior or exterior of any PJ's Unit or make any improvements which vary from the then-current standards, plans, and specifications approved by Franchisor, without first obtaining Franchisor's prior written approval. Franchisee, at its own expense, shall obtain all municipal and state licenses necessary to operate Franchisee's PJ's Unit prior to commencing business at its PJ's Unit and shall maintain all licenses in full force and effect during the term of this Agreement.

## **ARTICLE 3. TRAINING.**

3.1. Franchisee will designate individuals (up to three persons) as trainee(s) to attend Franchisor's training school in Greater Metro New Orleans, Louisiana (the "Training School") or at another training location selected by Franchisor. Franchisor will offer initial training programs for Franchisee and its management employees at times selected by Franchisor. Franchisor will bear the costs of providing training programs, including the overhead costs of training, staff salaries, materials, and all technical training tools. Franchisee shall pay all traveling, living, compensation, and other expenses incurred by Franchisee and/or Franchisee's employees in connection with attendance at training programs. The training program and manner of conducting such program shall be at Franchisor's sole discretion and control.

3.2. Franchisee will not allow any PJ's Unit to be opened or managed by any person who has not attended and successfully completed the management training course designated by Franchisor. If Franchisee is an individual and does not manage its PJ's Unit on a day-to-day basis, and in the event its designated unit manager resigns or is terminated, Franchisee must arrange to have the successor unit manager: (i) begin the required training course within 45 days of first assuming the duties of a unit manager; and (ii) successfully complete the course. Provided Franchisee successfully completes the training program, the required training course conducted at Franchisor's facilities will not extend beyond two weeks.

3.3. If at any time the trainee voluntarily withdraws from, or is unable to complete its training, or fails to demonstrate an aptitude, spirit or ability to comprehend and carry out the course of study to the reasonable satisfaction of Franchisor, then Franchisor shall have the right to require Franchisee's trainee to attend other training class(es) or to perform additional operational training until Franchisor is reasonably satisfied that Franchisee's trainee has satisfactorily completed the training course. Franchisee may not open its PJ's Unit until training is completed to Franchisor's reasonable satisfaction.

3.4. In the event of a sale to a third party of Franchisee's PJ's Unit after opening, the transferee must be trained in the Training School as a condition of Franchisor's consent to such transfer. All tuition costs for such training shall be deemed paid upon receipt by Franchisor of the \$15,000.00 fee due in accordance with Article 13 herein. In the event of an approved non-sale management transfer to a third party of Franchisee's PJ's Unit, the transferee shall attend the Training School and pay to Franchisor the training fee, which fee shall not exceed \$8,000.00. No PJ's Unit shall open or re-open until the Training School certifies that the transferee is approved to operate the respective PJ's Unit.

3.5. Franchisor will facilitate initial training at Franchisee's PJ's Unit at the time of its opening. Franchisee's attendance and participation at initial training is mandatory. Additional training sessions are available at Franchisee's request and expense, and at Franchisor's request, at Franchisee's expense, except for the initial training course itself. Franchisee's attendance at additional training sessions is mandatory if requested by the Franchisor or if they are scheduled in Franchisee's state. Franchisor may not mandate more than two additional training sessions in a twelve-month period. For this additional training, Franchisor will provide the instructors and instructional materials, but Franchisee must arrange for transportation, lodging and food for itself and or its manager. Additional training sessions shall not extend beyond five days. Additionally, Franchisee must attend regional meetings when and if established by Franchisor.

3.6 Franchisee must attend all PJ's Annual Conventions unless exigent circumstances exist, and Franchisee receives Franchisor's prior approval not to attend. All costs related to the Annual Convention, including but not limited to, registration fee(s), travel expenses, lodging, food, and entertainment shall be Franchisee's sole responsibility. Franchisee's failure to register for the Annual Convention a minimum of four weeks prior to the start date of the Annual Convention will result in a \$500.00 penalty payable to the Franchisor by Franchisee.

#### **ARTICLE 4. MANUALS AND STANDARDS OF FRANCHISEE QUALITY, CLEANLINESS, AND SERVICE.**

##### **4.1. STANDARDS.**

In order to promote the value and goodwill of Franchisor's Marks and the PJ's System and to protect Franchisor's Marks and the other PJ's Franchisees who comprise the franchise System, Franchisee agrees to conduct its business in accordance with the standards promulgated by Franchisor as follows:

##### **4.2. MANUALS.**

(i) In the Manuals and other publications, Franchisor will list authorized products to be sold by Franchisee, and promulgate standards of operation for a PJ's Unit, including standards of quality, cleanliness, and service for all food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment used in connection with each PJ's Unit. Franchisee agrees to operate its PJ's Unit in accordance with the standards, specifications and procedures set forth in the Manuals, this Agreement, and the lease for the Location. Franchisee further agrees that changes in the menu, or the standards,



specifications and procedures may become necessary from time to time and agrees to accept as reasonable all modifications, revisions and additions to the Manuals as authorized by Franchisor. The sale of any product or service at the Franchisee's Location, without Franchisor's prior written approval shall constitute a material violation of this Agreement.

(ii) The Manuals and all amendments to the Manuals (and copies thereof) are copyrighted and remain Franchisor's property. They are loaned to Franchisee for the term of the Agreement and must be returned to Franchisor upon the Agreement's termination, expiration or nonrenewal. The Manuals are highly confidential documents which contain certain trade secrets of Franchisor, and Franchisee shall never reveal, and shall take all reasonable precautions, both during and after the term of this Agreement, to assure that its employees or any other party under Franchisee's control, shall never reveal any of the contents of the Manuals or any other publication, recipe or secret provided by Franchisor, except as is necessary for the operation of Franchisee's PJ's Unit. If Franchisee is not involved in the management of Franchisee's PJ's Unit, the manager must execute a Confidentiality Agreement, a copy of which is attached hereto as Attachment B.

#### 4.3. HOURS.

Franchisor and Franchisee agree that the hours of operation of Franchisee's PJ's Unit are at a minimum, 6:00 a.m. to 8:00 p.m. on weekdays and 6:00 a.m. to 8:00 p.m. on weekends. Franchisee agrees to operate its PJ's Unit during such hours. If the Location is in a mall or shopping center, the hours of the mall or shopping center shall control. Franchisee shall diligently and efficiently exercise its best efforts to achieve the maximum gross sales possible from its location and will be open for business not less than 12 hours per day, seven (7) days per week, unless additional opening hours are reasonably required to maximize operations and sales. If such hours are incorrect in relation to the sales potential of Franchisee's PJ's Unit, then Franchisor and Franchisee shall reasonably adjust such hours by jointly establishing new hours of operation. It is acknowledged that the hours of other Franchisees will vary in relation to each respective location, and local legal restrictions, if any.

#### 4.4. APPEARANCE.

From time to time, Franchisee's PJ's Unit may need a cosmetic improvement or equipment change or addition in order to comply with the Manuals and or to maintain proper operations and an aesthetic appearance and professional image. Accordingly, Franchisor may require remodeling and renovation, and modifications to existing equipment and improvements as is reasonably necessary. Franchisor shall not require any such work at a particular Unit less than five years after the opening of the Unit except: (i) for additional equipment if new food and beverage preparation methods or products are developed and authorized by Franchisor; (ii) if repairs or repainting are necessary to maintain the appearance of the interior and exterior of the Location in a clean and orderly condition satisfactory to Franchisor; or (iii) upon the sale of the Franchisee's PJ's Unit. Within 30 days after receipt of written notice, Franchisee shall commence such changes to its Unit operating under this Agreement. Franchisee shall have 90 days after commencement to fully complete such changes. However, If the commencement of improvements or equipment changes or additions require the Franchisee to obtain a permit from the local municipality, the Franchisee shall have 90 days to fully complete such changes to its Unit following the issuance of the permit from the local municipality.

#### 4.5. PRODUCT LINE AND SERVICE.

Franchisee agrees to only serve the specified proprietary coffee items and other approved food and

beverage products specified by Franchisor in this Agreement or in the Manuals and to follow all specifications and formulas of Franchisor as to specifications, contents, portion size and quality of products served to its customers from Franchisee's PJ's Unit.

#### 4.6. CONTAINERS, FIXTURES AND OTHER GOODS.

(i) Franchisee agrees that all beverage and food items will be served in containers bearing accurate reproductions of Franchisor's Marks. All cups, containers, napkins, menus and other packaging and like articles used in connection with Franchisee's PJ's Unit shall conform to Franchisor's specifications, shall be imprinted with Franchisor's Marks, and shall be purchased by Franchisee from a distributor or manufacturer approved in writing by Franchisor, as provided in Article 7, which approval will not be unreasonably withheld.

(ii) No item of merchandise, furnishings, interior and exterior decor items, supplies, fixtures, equipment, or utensils bearing any of Franchisor's Marks shall be used in or upon any Unit unless the same shall have been first submitted to and approved in writing by Franchisor.

#### 4.7 INSPECTION.

Franchisee agrees to be subject to inspections conducted by Franchisor to ensure Franchisee is conducting business in accordance with the standards promulgated by Franchisor.

### **ARTICLE 5. MENU, UNIFORMS, INSPECTIONS, SIGNS.**

#### 5.1. MENU.

(i) Franchisee shall not manufacture, advertise for sale, sell, or give away any product unless such product has been approved in the Manuals as an authorized product for sale in Franchisee's PJ's Unit and not thereafter disapproved in writing by Franchisor. All approved products shall be distributed under the specific name designated by Franchisor. Franchisee shall establish all menu prices in its sole discretion. Franchisee shall offer for sale in its Unit only the proprietary coffee products and other food & beverage products that Franchisor designates as "approved and authorized" or which Franchisor has made available as a "regionalized" menu or has otherwise specifically approved in writing (each, "Authorized Product"). No standard product will be removed from the menu unless Franchisee is so instructed by Franchisor.

(ii) Such "Authorized Products" shall be marketed by approved menu formats to be utilized in Franchisee's PJ's Unit. The approved and authorized menu and menu format(s) may include, in Franchisor's discretion, requirements concerning organization, graphics, product descriptions, illustrations, and any other matters (except prices) related to the menu, whether or not similar to those listed. In Franchisor's discretion, the menu and or menu format(s) may vary depending upon region, market size, and other factors. Franchisor may change the menu and or menu format(s) from time to time or region to region or authorize tests from region to region or authorize non-uniform regions or non-uniform PJ's Unit(s) within regions, in which case Franchisee will be given a reasonable time (not longer than 30 days) to discontinue use of any old menu format(s) and implement use of the new menu format(s).

(iii) Franchisee shall, upon receipt of notice from Franchisor, add any Authorized Product to its menu according to the instructions contained in the notice. Franchisee shall have a minimum of 30 days after receipt of written notice in which to fully implement any such change. Franchisee shall

cease selling any previously approved product within 30 days after receipt of notice that the product is no longer approved.

(iv) The Authorized Products sold by Franchisee shall be of the highest quality, and the ingredients, composition, specifications, and preparation of such food products shall comply with the instructions and recipes provided by Franchisor or contained in Franchisor's Operations Manual, and with the further requirements of Franchisor as they are communicated to Franchisee from time to time.

## 5.2. COMPLIANCE.

Franchisee shall operate its PJ's Unit as a clean, orderly, legal, and respectable place of business in accordance with Franchisor's business standards and merchandising policies, and shall comply with all applicable ordinances, laws, statutes, and regulations governing the operation of such premises, including all disability, food and drug laws and regulations. Franchisee shall not allow any Location or part of a Location to be used for any immoral or illegal purpose.

## 5.3. SIGNS, DESIGNS AND FORMS OF PUBLICITY.

(i) Franchisee shall maintain suitable signs or awnings at, on, or near the front of the Location, identifying the Location as a "PJ's Coffee". Such signs and awnings shall conform in all respects to Franchisor's requirements and in accordance with the layout and design plan approved for the Location, except to the extent prohibited by local legal restrictions, and shall be purchased from an approved supplier.

(ii) No exterior or interior sign or any design, advertisement, internet address, "web page" (including, but not limited to, social network mediums) or world wide web home page, sign, or form of publicity, including form, color, number, location, and size, shall be used by Franchisee or any Association (as defined below) unless first submitted to Franchisor and approved in writing (except with respect to prices). Any request by Franchisee for such approval shall be properly submitted in duplicate to: (i) Franchisor's Location Development Department, Attention: Location Development Manager, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433; and (ii) Franchisor's Franchise Development Director 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433. Franchisor shall respond to such request within 30 days of its receipt; otherwise, such request shall be deemed not approved. Whenever Franchisee elects to utilize, in the form supplied, advertising supplied by Franchisor or any promotional item specifically approved by Franchisor, no further approval for use of such material is required. Upon written notice from Franchisor, Franchisee shall discontinue and or remove any objectionable advertising materials or any other materials not suitable for display, in Franchisor's sole discretion.

## 5.4. UNIFORMS AND EMPLOYEE APPEARANCE.

Franchisee shall cause all employees, while working in the PJ's Unit, to: (i) wear uniforms of such color, design, and other specifications as Franchisor may designate from time to time; and (ii) present a neat and clean appearance. If the type of uniform utilized by Franchisee is removed from the list of approved uniforms, Franchisee shall have 60 days from receipt of written notice of such removal to discontinue use of its existing inventory of uniforms and implement the approved type of uniform.

## 5.5. VENDING OR OTHER MACHINES.

Franchisee shall not permit vending, video gaming devices or game machines or any other

mechanical device to be installed or maintained in its Location without Franchisor's prior written approval. Franchisee agrees to purchase, install, and maintain a continuous music unit, approved by Franchisor, in its Location. The music selections may be controlled by Franchisor.

#### 5.6. INSPECTION.

(i) Franchisor's authorized representatives shall have the right to enter upon the entire main floor and basement of Franchisee's PJ's Unit during business hours, without disrupting Franchisee's business operations, for the purposes of examining same, conferring with Franchisee's employees, inspecting and checking operations, food, beverages, furnishings, interior and exterior decor, supplies, fixtures, and equipment, and determining whether the business is being conducted in accordance with this Agreement and the PJ's Unit and the Manuals.

(ii) In the event any such inspection indicates any deficiency or unsatisfactory condition with respect to any matter required under this Agreement or the Manuals, including but not limited to quality, cleanliness, service, health and authorized product line, Franchisor will notify Franchisee in writing of Franchisee's non-compliance with the Manuals, the PJ's Unit, or this Agreement. Franchisee shall have 24 hours after receipt of such notice, or such other greater time period as Franchisor in its sole discretion may provide, to correct or repair such deficiency or unsatisfactory condition, if it can be corrected or repaired within such period of time. If not, Franchisee shall within such time period commence such correction or repair and thereafter diligently pursue it to completion.

### **ARTICLE 6. ADVERTISING, FRANCHISEE CO-OPERATIVES, AND OTHER FEES.**

6.1. Franchisee and Franchisor acknowledge the value of advertising and marketing. Franchisor agrees to provide Franchisee with materials and advice to support Franchisee's marketing efforts. Franchisee agrees to pay appropriate percentage as stated on the Data Sheet of the Franchise Agreement of its gross sales for each and every week of its operations to Franchisor (the "System Fee" or "System Fund"). These funds will be deposited, at Franchisor's sole discretion, into a segregated System account (with other advertising collections) controlled by Franchisor. System payments will then be spent for advertising and marketing to benefit Franchisee and/or all regional Franchisees of PJ's Units. The System Fee shall be paid in accordance with the procedure described in Article 9.

6.2. Franchisor, in its sole discretion, may spend the collected fees directly, or may authorize payment of the advertising collections for media time, production of media materials, whether for radio, television, newspapers, social, web or store level materials such as flyers, or posters, or for any other type of advertising or marketing use. Franchisor is not, under any circumstances, obligated to contribute to any national or local advertising fund, program, cooperative, or other organization any advertising fees or contributions.

6.3. Franchisor may, in its sole discretion, establish local marketing cooperatives for the common benefit of all PJ's franchisees. Franchisor has the right, in its sole discretion, to designate any geographical area for purposes of establishing a regional marketing and promotions cooperative ("Cooperative"), and to determine whether Franchisee must participate in a Cooperative. If a Cooperative has been established applicable to the PJ's Unit at the time Franchisee begins operating under this Agreement, Franchisee must immediately become a member of such Cooperative. If a Cooperative applicable to the PJ's Unit is established at any time during the term of this Agreement, Franchisee must become a member of such Cooperative no later than 30 days after the date on which the Cooperative begins operation. Franchisor has the right to change, combine or dissolve cooperatives. If the PJ's Unit is within 50 miles of more than one

Cooperative, Franchisee is required to be a member of only one such Cooperative. The following provisions will apply to each Cooperative:

- (i) Each member of the Cooperative must contribute 1% up to 3% of its weekly gross sales for each and every week of its operations to the Cooperative (“Cooperative Fee”);
- (ii) Each Cooperative will be organized and governed in a form and manner, and will commence operation on a date, approved in advance by Franchisor;
- (iii) Each Cooperative will be organized for the exclusive purpose of administering regional marketing and advertising programs and developing, subject to Franchisor’s approval, standardized marketing materials for use by the members in local marketing;
- (iv) All activities and contributions to the Cooperative shall be determined by a majority vote of the members in the Cooperatives; and
- (v) No promotional or advertising plans or materials may be used by a Cooperative or furnished to its members without Franchisor’s prior written approval. All such plans and materials shall be submitted to: Franchisor’s Marketing Department, Attention: Director of Marketing, 180 New Camellia Boulevard, Suite 100, Covington, LA 70433.

6.4. If Franchisor elects to pay all or a portion of the System Fund to a Cooperative and if one of the following events occurs and is not resolved by the Cooperative, then Franchisor reserves the right to exercise sole decision-making power over the advertising funds: (i) if a Cooperative ceases functioning; or (ii) an impasse arises because of the inability or failure of the Cooperative members to resolve any issue affecting the establishment or effective functioning of an individual Cooperative; or (iii) a Cooperative fails to function in a productive or harmonious manner; or (iv) a Cooperative is unable to approve any advertising program within a reasonable time not to exceed 30 days.

6.5. In addition to the System Fee and Cooperative Fee, Franchisee agrees to spend a minimum of \$7,500 to 10,000 for its “Grand Opening” promotion as designated by Franchisor. If the PJ’s Unit is within a 75-mile radius of an existing PJ’s Unit, Franchisee is required to spend \$7,500.00 to promote the grand opening. If the PJ’s Unit is more than 75 miles from an existing PJ’s Unit (“Pioneer Market”), Franchisee is required to spend \$10,000.00 on the grand opening advertisement. If the PJ’s Unit is in a Pioneer Market, Franchisor will spend an additional \$5,000.00 to promote the grand opening. Franchisor’s Pioneer Market advertising spend will not be deducted from any national advertising fund. The “Grand Opening” event is required for all Franchisees and functions to introduce Franchisee’s Unit to the public. The application and use of the “Grand Opening” funds shall be controlled by Franchisor’s marketing department.

6.6. Franchisee shall sell or otherwise issue gift cards or certificates (together “Gift Cards”) that have been prepared utilizing the standard form of Gift Card provided or designated by Franchisor, and only in the manner specified by Franchisor in the Manual or otherwise in writing. Franchisee shall fully honor all Gift Cards that are in the form provided or approved by Franchisor regardless of whether a Gift Card was issued by Franchisee or another PJ’s franchisee. Franchisee shall sell, issue, and redeem Gift Cards in accordance with procedures and policies specified by Franchisor in the Manual or otherwise in writing by a third-party service provider.

Franchisee shall pay the monthly fees that may be required by the vendor of the Gift Card system. Franchisee shall not sell, issue, or redeem gift certificates other than gift cards approved by Franchisor in writing.

Unless otherwise directed by certain state law, Franchisee acknowledges and understands that upon the expiration of any Gift Card all unused funds shall become the property of Franchisor and at the Franchisors discretion, unused funds may be distributed to participating Franchisees.

6.7. Franchisee shall participate in PJ's customer loyalty program(s) designated by the Franchisor. Franchisee shall pay fees associated with the loyalty program(s).

6.8 Franchisee shall utilize the labor management and inventory management program(s) designated by the Franchisor. Franchisee must pay fees associated with the labor management and inventory management programs separately.

6.9 Franchisee shall utilize the mobile application platform designated by the Franchisor. Franchisee must pay fees associated with the mobile application platform.

#### **ARTICLE 7. COMPANY MARKS AND ADDITIONAL MARKS.**

7.1. The license and related rights to use the System, the Manuals, Franchisor's Marks, and any other proprietary products granted by this Agreement are applicable only with respect to Franchisee's Unit at the Location, and not elsewhere, except in the event of a relocation approved in writing by Franchisor. This Agreement does not authorize the use of mobile vending vehicles, carts, kiosks or any other non-traditional delivery units.

7.2. Franchisee shall not interfere in any manner with, or attempt to prohibit, the use of Franchisor's Marks by any other Franchisee of Franchisor or in connection with other PJ's Units, distribution points or any other Unit used to distribute PJ's authorized or branded products.

7.3. Franchisor may, from time to time, in Franchisor's sole discretion, obtain additional trademark and or service mark rights in words and or designs. In the event of any of these occurrences, Franchisor may license Franchisee to use those trademarks or service marks by giving written notification to Franchisee that such marks now form part of Franchisor's Marks. The term of such license will be coextensive with the term of this Agreement or as otherwise established by Franchisor and will be subject to all restrictions with respect to the use of those rights as set forth in this Agreement and in the notice granting Franchisee the license.

7.4 In the event that litigation involving the Franchisor's Marks is instituted or threatened against Franchisee, who is still in good standing with Franchisor and is still authorized to use the Franchisor's Marks, Franchisee shall promptly notify Franchisor and shall cooperate fully with Franchisor in defending or settling such litigation. Franchisor shall defend and hold Franchisee harmless from any claims of trademark infringement for the use of the Franchisor's Marks, provided that Franchisee promptly gives written notice to Franchisor and tenders the full defense of such claim to Franchisor. Franchisor shall have the complete control and direction of any such legal action, including the settlement thereof, without providing notice to Franchisee and shall bear all cost of defense of any such claim or suit.

#### **ARTICLE 8. DISTRIBUTION AND PURCHASE OF EQUIPMENT, SUPPLIES, AND OTHER PRODUCTS.**

Franchisee agrees to use and sell only the PJ's proprietary and approved products that are (i) prepared according to specified recipes, standards and procedures, including Franchisor's and/or its affiliates' proprietary coffee beans, beverages, mixes, syrups and food products and/or (ii) branded, trademarked, produced and/or packaged exclusively for Franchisor and/or its affiliates (the "PJ's Products"):

#### 8.1. DEFINITIONS.

For the purpose of this Agreement, "distributor" is defined as any entity, except a manufacturer, that directly or indirectly delivers raw materials to the Franchisee. A "manufacturer" is defined as the entity that manufactures and or sells the Raw Materials to a distributor. Raw Materials mean all of the products purchased from distributors, and or manufactured or sold by manufacturers or production entities which are used in the creation of Authorized Products. Raw Materials include, but are not limited to beans, printed paper goods, bakery products, dairy products, produce, and clothing (collectively, the "Raw Materials"). "Authorized" means approved by Franchisor in accordance with the procedures established in this Agreement.

#### 8.2. DISTRIBUTORS.

(i) Franchisee acknowledges that it is generally unrealistic from a cost and service basis to have more than one distributor in the market area of Franchisee's Unit, and that to obtain the lowest distribution costs, all regional Franchisees should only purchase from one authorized PJ's distributor. Franchisee agrees to only purchase all equipment, supplies, Raw Materials and other products and materials necessary for the operation of its Unit solely from Authorized distributors, and other authorized sources who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to supply Franchisee and all other Unit Franchisees needs promptly and reliably; who demonstrate the ability and willingness to work with Franchisor to provide the assistance needed by the those Franchisees in the region and all other Unit Franchisees; who agree to distribute all authorized PJ's products; who comply with Franchisor's reasonable requirements; and who have been approved in writing by Franchisor and not thereafter disapproved.

(ii) If Franchisee desires to purchase any items from an unapproved distributor, whom Franchisee desires to become an Authorized distributor, Franchisee shall first submit a written request for such approval to Franchisor, addressed to: Vice President of Operations, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433; accompanied by a similar written request for approval from the proposed distributor. Franchisor shall have the right to require that the proposed distributor provide reasonable financial, operational and economic information regarding its business and that Franchisor's representatives be permitted to inspect the proposed distributor's facilities and establish economic terms, delivery, service and other requirements consistent with other distribution relationships for other PJ's Units. The proposed distributor shall pay to Franchisor in advance all of Franchisor's reasonable costs in review of the application of the distributor to service the Franchisee as well as all current and future reasonable costs related to inspecting and re-inspecting the distributor's facilities, equipment, Raw Materials in the distributor's possession at any time. Franchisor may revoke its approval upon the distributor's failure to continue to meet any of Franchisor's criteria. Nothing in this article shall require Franchisor to approve any distributor. Upon the receipt by Franchisor of Franchisee and the proposed distributor's request for approval in full compliance of this article, Franchisor will notify Franchisee of its decision within 90 days after completion of such application and inspection. In the event an alternate approved distributor to the recommended distributor is used by Franchisee, as a condition thereof Franchisee and all other Franchisees

shall authorize the alternate distributor to provide to Franchisor duplicate purchase invoices for Franchisor's records and inspection purposes and to otherwise comply with Franchisor's reasonable requests.

### 8.3. MANUFACTURERS.

(i) The parties agree that Franchisor's product specifications and portion control system are highly confidential information and are trade secrets of Franchisor. In order to, (i) achieve appropriate pricing; (ii) obtain the specially formulated PJ's authorized materials for Franchisee and all of Franchisor's system units; and (iii) establish consistent uniformity of PJ's products, Franchisee acknowledges that purchasing by all Unit or regional Franchisees from approved manufacturers is a necessity. Because of the importance of quality and uniformity of product and the significance of product specifications and portion control in the preparation of Authorized Products to achieve and maintain such quality and uniformity, it is to the mutual benefit of the parties that Franchisor closely control the production and distribution of the Materials used to produce authorized products sold by Franchisee. Similar considerations may also apply to other products which Franchisor may develop in the future. Franchisee therefore agrees to purchase only Raw Materials manufactured in accordance with Franchisor's specifications and quality standards by approved manufacturers who demonstrate, to the continuing reasonable satisfaction of Franchisor, the ability to meet Franchisor's then-current standards and specifications for such items; who possess adequate quality controls and capacity to meet the needs of Franchisee and all other PJ's franchisees in a given region promptly and reliably; who demonstrate the ability and willingness to work with Franchisor and to provide the assistance needed by the PJ's Unit and who have been approved in writing by Franchisor and not thereafter disapproved.

(ii) If Franchisee desires to purchase any items from an unapproved manufacturer, who Franchisee desires to become an Authorized manufacturer, Franchisee shall first submit a written request for such approval to Franchisor, addressed to: Vice President of Operations, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433; accompanied by a similar written request for approval from the proposed manufacturer. Franchisor shall have the right to require that the proposed manufacturer provide reasonable financial, operational and economic information regarding its business and that Franchisor's representatives be permitted to inspect the proposed distributor's facilities and establish economic terms, delivery, service and other requirements consistent with other with other manufacturing relationships for other system units. The proposed manufacturer shall pay to Franchisor in advance all of Franchisor's reasonable costs in review of the application of the manufacturer to service the Franchisee as well as all current and future reasonable costs related to inspecting and re-inspecting the manufacturer's facilities, equipment and Raw Materials at any time. Franchisor may revoke its approval upon the manufacturer's failure to continue to meet any of Franchisor's criteria. Nothing in this article shall require Franchisor to approve any manufacturer. Upon the receipt by Franchisor of Franchisee and the proposed manufacturer's request for approval in full compliance of this article and the completion of all of the inspections needed by Franchisor to evaluate the manufacturer, Franchisor will notify Franchisee of its decision within 90 days after completion of such application and inspections. If an alternate approved manufacturer to the recommended manufacturer is used by Franchisee, as a condition thereof Franchisee and all other Franchisees shall authorize the alternate manufacturer to provide to Franchisor duplicate purchase invoices for Franchisor's records and inspection purposes and to otherwise comply with Franchisor's reasonable requests.

### 8.4. PURCHASE OBLIGATIONS.

Franchisee agrees to purchase the following items from the Franchisor, or an approved distributor and manufacturer designated by Franchisor:



(i) All Branded PJ's Products that bear Franchisor's Mark; Franchisor has a long-term strategic plan to create another profit center for Franchisee and itself by the sale of PJ's branded products in Units, supermarkets, grocery stores, etc. To accomplish this goal, Franchisor intends to develop such products. To effectuate this long-term strategy, Franchisee agrees to cooperate with Franchisor with respect to the purchase, display and sale of any Branded Products authorized for sale by Franchisor. Franchisee consents to the receipt by Franchisor of licensing fees from manufacturers who manufacture Branded Products which will compensate Franchisor for such use of Franchisor's Marks.

(ii) Certain PJ's standard exterior and interior signs; these signs require the prior fabrication of sign molds or advance production in quantity to be either affordable or promptly available. If Franchisor has entered into an agreement with approved sign manufacturer(s), granting rights to use Franchisor's Marks in connection with the signs and to sell such signs to PJ's franchisees, Franchisee agrees to purchase its signs from the authorized sign manufacturer(s).

(iii) Franchisee agrees that at such times that Franchisor establishes a regional or national purchasing program for any of the Raw Materials, which may benefit Franchisee by reduced price, lower labor costs, production of improved Authorized Product(s), increased reliability in supply, improved distribution, Raw Material cost control (establishment of consistent pricing for reasonable periods to avoid market fluctuations), improved operations by Franchisee or other tangible benefits to Franchisee, Franchisee will participate in such purchasing program in accordance with the terms of such program.

(iv) PJ's may elect to prepare pre-construction drawings which are designed to aid an architectural/engineering firm in the preparation of the complete construction drawing set for the PJ's Unit. The pre-construction drawings may include the following: existing and proposed floor plan, reflected ceiling plan, equipment and furniture plan, finishes and details, and typical elevations plan. Should Franchisor elect to offer this service, Franchisee agrees to purchase pre-construction drawings from Franchisor. The fee for the pre-construction drawings will vary depending on the project scope and size of the PJ's Unit. Said fee can range from \$500 to \$2,500 per PJ's Unit.

## **ARTICLE 9. CONTINUING FRANCHISE FEES, REPORTS, BOOKS AND RECORDS.**

### **9.1. CONTINUING ROYALTY FEES.**

(i) Franchisee shall pay to Franchisor weekly during the term of this Agreement and any renewals or extensions thereof, appropriate percentage as stated on the Data Sheet of the Franchise Agreement of the weekly gross sales of Franchisee's Unit ("Royalty Fee"). For the purposes of this Agreement, "gross sales," means gross revenues (excluding price discounts and allowances) received by Franchisee as payment, whether in cash or for credit (and, if for credit, whether or not payment is received therefor), for all beverages, food, and other goods, services, and supplies including all sales from approved co-brands as described in Article 22 sold in or from each of Franchisee's PJ's Unit, and gross revenues received by Franchisee from any other business (including, but not limited to, all revenues from any mechanical or other device, such as vending, video gaming or game machines installed at the Location) operated at the Location, excluding sales taxes.

(ii) At Franchisor's request, Franchisee shall promptly execute or re-execute within five days after Franchisor's request, and deliver to Franchisor appropriate pre-authorized check forms or such other instruments or drafts required by Franchisor's bank, payable against Franchisee's bank account, to enable Franchisor to electronically (draft on Franchisee's account by electronic withdrawal), collect the

continuing Royalty Fee (see Article 9.1(i)) and System Fee (see Article 6) of gross sales payable under the terms of this Agreement. At Franchisor's request, Franchisee shall, within five days from such request, promptly perform such acts as to enable Franchisor or its designee to connect its computers to Franchisee's computer(s) or Franchisee's POS System so that Franchisor or its designee may electronically obtain statistical information regarding Franchisee's PJ's Unit activities that Franchisor may in its sole discretion request. Franchisee agrees to not disconnect Franchisor or its designee from such connection or phone line at any time, for any reason, without Franchisor's prior written approval. Franchisee specifically authorizes Franchisor to either "upload" or "download" information in and from or to its computers, cash registers or other such devices as allowed by law, as it relates to the Unit Operation by internet, intranet, and other networks or other means as they become available.

(iii) Franchisee shall report its gross sales by the designated computer system within two days after the end of each business week (currently Tuesday) or at such other times as are established by Franchisor in its sole discretion. Franchisee shall submit written weekly summaries showing results of its operations by the following Saturday. If Franchisee fails to report its sales on a timely basis, Franchisor may estimate the amount of Franchisee's sales. Franchisor will then deposit or transfer the reported, or in the absence of a report, the estimated, amounts due into its own account, using the Unit Franchisee's pre-authorized checks or other instruments. If any draft, electronic or otherwise, is unpaid because of insufficient funds or otherwise, then Franchisee shall pay Franchisor interest on the unpaid sum at a rate of prime plus 2.5% per annum or the maximum rate allowed by the applicable Federal and/or state law, in addition to Franchisor's expenses arising from such non-payment, including bank fees hourly staff charges arising from such default, and any other related expenses incurred by Franchisor. By the fifth day of each month Franchisee shall pay to Franchisor any sums unpaid for the prior month to adjust for sales owed for any partial week or sales that were unpaid, improperly recorded or not credited on Franchisee's books and records. Franchisee hereby agrees to pay any sales, use or other tax now or hereinafter imposed on franchise fees, advertising fees or any additional rental collected under the sublease for the Location, imposed by any Federal, state or local governmental authorities. Franchisor, at its sole discretion, may collect the taxes in the same manner as franchise fees are collected herein and if Franchisor collects such taxes, Franchisor shall promptly pay the tax collections to the appropriate governmental authority.

## 9.2. REPORTS AND INSPECTION OF RECORDS.

(i) Franchisee shall submit to Franchisor a monthly Profit and Loss Statement no later than fifteen (15) calendar days following the end of each month, signed and certified by Franchisee with respect to Franchisee's Unit. If Franchisee fails to supply Franchisor with monthly Profit and Loss Statements within twenty (20) calendar days following the end of the month, without reasonable cause, Franchisor may assess a \$100 fine. In addition, Franchisee shall submit to Franchisor an annual Profit and Loss Statement prepared by an accountant, in accordance with generally accepted accounting principles. If Franchisee fails to supply Franchisor with an annual Profit and Loss Statement within thirty (30) calendar days following the end of the fiscal year, without reasonable cause, Franchisor may assess a \$100 fine. Franchisee shall also provide Franchisor with copies of signed original sales and use tax forms contemporaneously with their filing with the appropriate state or local authority. Franchisor reserves the right to require such further information concerning Franchisee's Unit as Franchisor may from time to time reasonably request.

(ii) Upon ten (10) days' prior written notice, Franchisor, its agents or representatives may audit Franchisee's books and records in accordance with generally accepted accounting principles. In connection with such audit(s) or other operational visits, Franchisee agrees to keep its reports, cash receipts records, weekly and monthly control forms, accounts payable records including all payments to

Franchisee's suppliers in its PJ's Unit or at its business office for three (3) years after their due date, which records shall be available for examination by Franchisor or its representative(s), at Franchisor's request. Without any prior written notice, Franchisor, its agents or representatives may inspect Franchisee's entire Unit and Franchisee's daily, weekly and monthly statistical information. Franchisee shall make such information available for such inspections in recognition that an operational inspection cannot succeed without review of essential statistical information.

(iii) If any audit or other investigation reveals an under-reporting or under-recording error of 5% or more, then in addition to any other sums due, the expenses of the audit/inspection shall be borne and paid by Franchisee upon billing by Franchisor, plus interest at the highest compound rate authorized by the state in which the Unit is located.

(iv) Franchisee acknowledges that Franchisor's Operations Department regularly reviews ongoing operations at PJ's Units to ensure consistency of products and service and compliance with the Manuals and this Agreement. Franchisee therefore agrees to promptly complete and submit all forms requested by Franchisor's Operations Department, whether on a daily, weekly or monthly basis. Non-compliance with this obligation constitutes a material violation of this Agreement.

#### **ARTICLE 10. COVENANT REGARDING OTHER BUSINESS INTERESTS.**

10.1. For purposes of this Article only, "Franchisee" shall mean and include the individual Franchisee; Franchisee's spouse and minor children; Franchisee's shareholders, officers, and directors, if Franchisee is a corporation; and any one or more partners or participants in Franchisee, if Franchisee is a partnership or joint venture, or members, if Franchisee is an LLC.

10.2. Franchisee acknowledges that the PJ's System is unique and distinctive and has been developed by Franchisor at great effort, time, and expense, and that Franchisee has regular and continuing access to valuable and confidential information, training, and trade secrets regarding the PJ's System. Franchisee recognizes its obligations to keep confidential such information as set forth herein. Franchisee therefore agrees as follows:

(i) During the term of this Agreement, except with Franchisor's prior written consent, Franchisee shall not, in any capacity whatsoever, either directly or indirectly, individually or as a member of any business organization, engage in the production or sale at retail or wholesale of any coffee beans, coffee products, specialty coffee beverages, mixes, syrups and coffee house-type food products now or in the future approved by Franchisor for use in Franchisee's PJ's Unit, or have any employment or interest in any firm engaged in the production or sale of such products.

(ii) Upon the termination, expiration or nonrenewal of this Agreement, or if Franchisee assigns or transfers its interest herein to any person or business entity, or if any person identified in the first paragraph of this Article terminates its relationship with Franchisee, then for a period of 24 months thereafter such Franchisee shall not, in any capacity whatsoever, either directly or indirectly, individually or as a member of any business organization, engage in the production or sale at retail of any coffee beans, coffee products, specialty coffee beverages, mixes, syrups and coffee house-type food products, or have any employment or interest in any firm engaged in the production or sale at retail or wholesale of any such products, at a site within a radius of 50 miles of any of Franchisee's former Unit or within 20 miles of any other PJ's Unit or Distribution Point then existing, unless Franchisor gives its prior written consent. If Franchisee violates the terms of this paragraph, Franchisee shall pay to Franchisor, as liquidated damages, an amount equal to \$1,500 per month for each month this covenant is violated, plus 7% of the gross sales achieved at the site during the continuation of such violation.

(iii) In the event any portion of the above covenants violates laws affecting Franchisee or is held invalid or unenforceable in a final judgment to which Franchisor and Franchisee are parties, then the maximum legally allowable restriction permitted by law shall control and bind Franchisee. Franchisor may at any time unilaterally reduce the scope of any part of the above covenants, and Franchisee shall comply with any such reduced covenant upon receipt of written notice.

10.3. The provisions of this Article shall not limit, restrain or otherwise affect any right or cause of action which may accrue to Franchisor for any infringement of, violation of, or interference with, this Agreement, or Franchisor's Marks, System, trade secrets, or any other proprietary aspects of Franchisor's business.

#### **ARTICLE 11. INTERFERENCE WITH EMPLOYMENT RELATIONS.**

Without Franchisor's prior written consent, during the term of this Agreement, Franchisee shall not employ or seek to employ, directly or indirectly, any person serving in an executive, managerial or operational position who is at the time or was at any time during the prior six months employed by Franchisor. Request for Franchisor's consent shall be sent in duplicate and addressed in writing to Franchisor's Chief Operating Officer, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433.

#### **ARTICLE 12. SUBFRANCHISORS, SALESMEN.**

Inasmuch as this Agreement has not been executed by the Franchisee at the office of Franchisor, Franchisor requires certain assurances that this Agreement has been sold in accordance with applicable laws, rules and regulations. Accordingly, in order to induce Franchisor to execute this Agreement, Franchisee agrees to execute a Franchise Disclosure Acknowledgement Statement to this Agreement that acknowledges that Franchisor is relying upon the acknowledgments, representations and commitments of Franchisee that no other salesman, staff member, entity, or associate of Franchisor has met Franchisee regarding this franchise sale or the offer and acceptance thereof other than those set forth therein. The statement shall identify all salespersons involved in the sales, negotiation and execution of this Agreement and shall identify any subfranchisor. Franchisor shall be entitled to rely on the Franchise Disclosure Acknowledgement Statement, and Franchisee shall be bound by its contents.

#### **ARTICLE 13. NATURE OF INTEREST, AND TRANSFER.**

##### **13.1. GENERAL PROVISIONS.**

(i) This Agreement shall inure to the benefit of the successors and assigns of Franchisor. Franchisor shall have the right to transfer or assign this Agreement to any person or legal entity who assumes its terms and agrees to comply with Franchisor's obligations contained herein. Franchisor shall have no liability for the performance of any obligations contained in this Agreement after the effective date of such transfer or assignment.

(ii) The rights and duties created by this Agreement are personal to Franchisee. Accordingly, except as otherwise permitted herein, neither Franchisee nor any person with an interest in Franchisee shall, without Franchisor's prior written consent, directly or indirectly sell, assign, transfer, convey, give away, pledge, mortgage, or otherwise encumber any direct or indirect interest in this Agreement or, if Franchisee is a partnership, joint venture, LLC or corporation, any direct or indirect interest in Franchisee. Any such purported assignment occurring by operation of law or otherwise without

Franchisor's prior written consent shall constitute a default of this Agreement by Franchisee and shall be null and void. Except in the instance of Franchisee advertising to sell its Unit pursuant to the terms hereof, Franchisee shall not, without Franchisor's prior written consent, offer for sale or transfer at public or private auction or advertise publicly for sale or transfer, the furnishings, interior and exterior decor items, supplies, fixtures, equipment, Franchisee's sublease or the real or personal property used in connection with Franchisee's Unit.

(iii) Upon immediate completion of Franchisee's sale transaction, Franchisee shall pay to Franchisor an administrative/transfer fee of \$15,000 to cover Franchisor's training expenses and additional cost associated with the transfer. This administrative transfer fee will not be due with respect to any transfer that (together with all other related previous, simultaneous, or proposed transfers) does not result in the transfer of control of Franchisee.

(iv) Franchisee's rights may pass to Franchisee's next of kin or legatee if they assume Franchisee's obligations and attend and complete Franchisor's training program. Upon Franchisee's disability, Franchisee may sell the franchise or keep it, if operated by trained personnel.

(v) Franchisor's consent to a transfer shall not constitute a waiver of any claims it may have against the transferring party arising out of this Agreement or otherwise.

(vi) If Franchisee is an individual, Franchisor hereby consents to the assignment of this Agreement and any and all obligations referable thereto without any fee charged by Franchisor to a corporation, or other entity, principally owned by Franchisee within 90 days from the date hereof. Upon such assignment and assumption by the corporation, or other entity, along with delivery of executed originals of same to Franchisor, Franchisee/Transferee must enter into a Personal Guarantee, attached hereto as Attachment A, regardless of Franchisee's ownership in the business entity.

### 13.2. CONSENT TO TRANSFER.

For all proposed transfers or assignments of this Agreement, and transfers of more than 51% of the outstanding and issued stock of Franchisee by one or more transfers or any transfer which, directly or indirectly, effectively changes management control of Franchisee, Franchisor will not unreasonably withhold its consent to any transfer or assignment which is subject to the restrictions of this Article, provided however, Franchisor shall not be required to give its consent unless all of the following conditions are met prior to the effective date of assignment:

(i) Upon the execution of this Agreement and upon each direct or indirect transfer of an interest in this Agreement or in Franchisee and at any other time upon Franchisor's request, Franchisee shall, within five days prior to such transfer or at any other time at Franchisor's request, furnish Franchisor with an estoppel agreement indicating any and all causes of action, if any, that Franchisee may have against Franchisor or if none exist and a list of all shareholders or partners having an interest in this Agreement or in Franchisee, the percentage interest of each shareholder or partner, and a list of all officers and directors, in such form as Franchisor may require.

(ii) Franchisee's written request for transfer of either a partial or whole interest in this Agreement or Franchisee's Unit must be accompanied by an offer to Franchisor of a right of first refusal at the same price offered by any bona fide buyer. Franchisor shall have the right and option, exercisable within 15 days after receipt of such written notification, to send written notice to Franchisee or such person that Franchisor or its third-party designee, intends to purchase the interest which is proposed to be transferred,

on the same terms and conditions offered by the third party. If Franchisor accepts such offer, the transfer/administrative fee due by Franchisee shall be waived by Franchisor. Any material change in the terms of an offer prior to closing shall cause it to be deemed a new offer, subject to the same right of first refusal by Franchisor, or its third-party designee, as in the case of the initial offer. Franchisor's failure to exercise such option shall not constitute a waiver of any other provision of this Agreement, including any of the requirements of this Article with respect to the proposed transfer.

(iii) The Franchisee is not in default under the terms of this Agreement or any other agreement with Franchisor, the Manuals or any other obligations owed Franchisor, and all of its then-due monetary obligations to Franchisor have been paid in full.

(iv) The Franchisee and its shareholders or members, if the Franchisee is a corporation or limited liability company, have executed a general release under seal, in a form prescribed by Franchisor, of any and all claims against Franchisor, its shareholders, directors, officers, subfranchisors, and employees.

(v) The transferee/assignee has demonstrated to Franchisor's satisfaction that it meets all of Franchisor's then-current requirements for new Franchisees or for holders of an interest in a franchise, including, without limitation, possession of good moral character and reputation, satisfactory credit ratings, acceptable business qualifications, and the ability to fully comply with the terms of this Agreement.

(vi) The transferee/assignee, its manager or other employees responsible for the operation of the PJ's Unit have satisfactorily completed Franchisor's training program.

(vii) The transferee/assignee executes such other documents as Franchisor may require. This will include a replacement franchise agreement on the then-current franchise agreement and any other forms used by Franchisor.

#### **ARTICLE 14. TERM, DEFAULT AND TERMINATION.**

##### **14.1. TERM.**

(i) Provided Franchisee is not in default of the terms and conditions contained in its Location lease and this Agreement, this Agreement shall continue for a period of 10 years commencing upon the Franchisee opening the PJ's Unit.

(ii) Franchisee may renew the rights granted by this Agreement for two additional terms of 10 years each, subject to the following conditions:

(a) Franchisee gives Franchisor written notice of Franchisee's election to renew not less than six and not more than 24 months before the end of the then current term;

(b) Franchisee is not in default of any provision of this Agreement or any amendments to this Agreement, the Location lease, the Manuals or any monetary obligation owed to Franchisor; and

(c) At Franchisor's request, Franchisee shall undertake and complete the reasonable renovation or modernization of its PJ's Unit.

(d) Franchisee shall execute Franchisor's then-current franchise agreement and related agreements. Notwithstanding the execution of the Franchisor's then-current franchise

agreement upon renewal under this Section, Franchisee shall not be required to pay the initial franchise fee called for therein.

#### 14.2. DEFAULTS WITHOUT OPPORTUNITY TO CURE.

Franchisee shall be in default and Franchisor may, at its option, upon 30 days' written notice to Franchisee, terminate this Agreement and all rights granted by it, without affording Franchisee any opportunity to cure the default, upon the occurrence of any of the following events:

(i) Franchisee's knowingly or intentionally maintaining false books or records, or submitting any false report or payment to Franchisor;

(ii) Franchisee's conduct of the PJ's Unit licensed pursuant to this Agreement is so contrary to this Agreement, the System and the Manuals as to constitute an imminent danger to the public health (for example, selling spoiled food knowing that the food products are spoiled or allowing a dangerous condition arising from a lack of security for customers to continue despite Franchisee's knowledge of such condition), or selling regularly unauthorized products to the public after notice of default and continuing to sell such products whether or not Franchisee has cured the default after one or more notices;

(iii) The conviction of a felony, or a crime involving moral turpitude, or any other crime or offense that is reasonably likely, in the sole reasonable opinion of Franchisor, to adversely affect the Unit, Franchisor's Marks; the goodwill associated with the System or Franchisor's interest in each of them by Franchisee's, or its controlling or operating shareholders or members if Franchisee is a limited liability company;

(iv) Franchisee's intentional disclosure or use of the contents of the Manual, trade secrets or confidential or proprietary information provided to Franchisee by Franchisor in violation of this Agreement, excluding acts of independent employees or others not under Franchisee's control; or

(v) If Franchisee repeatedly commits defaults under any provisions of this Agreement or any other agreement with Franchisor on three or more occasions in any 12-month period, or six or more occasions in any consecutive 24-month period, even if Franchisee cured each such prior default, and even if Franchisee would otherwise be given an opportunity to cure the current default.

(vi) Franchisee, without Franchisor's consent, ceasing to operate or otherwise abandoning its PJ's Unit or any other PJ's Units or upon destruction of its PJ's Unit, failure to rebuild and resume operation within a reasonable time. Cessation of the business shall not constitute a default under this Agreement if caused by condemnation, expiration of a Location lease pursuant to its terms at execution, natural, governmental or supplier related causes out of Franchisee's control, or when failure to rebuild following destruction of the Unit is prohibited by law or the Location lease. In the event of termination pursuant to this subsection, the written notice period shall commence five days from the date Franchisor sends written notice to Franchisee. At the expiration of this time period, this Agreement shall be deemed terminated. For purposes of this article, ceasing to operate or otherwise abandoning its Unit shall be defined as Franchisee's failure to open its PJ's Unit for business for five consecutive days.

#### 14.3. DEFAULTS WITH OPPORTUNITY TO CURE.

(i) Except as otherwise provided in this Agreement, Franchisee shall have 10 days after Franchisor's written notice of default within which to remedy any default under this Section 14.3, and

to provide evidence of such remedy to Franchisor. If any such default is not cured within that time period, or such longer time period as applicable law may require, Franchisor may, at its option, terminate this Agreement and all rights granted by it, by sending a five-day written notice of cancellation of this Agreement to Franchisee. Upon the expiration of such five-day period, this Agreement shall end and expire as if it were the day fixed for termination of this Agreement.

(ii) Franchisee shall be in material default under this Article for any failure to comply with any of the requirements imposed by this Agreement. Such material defaults shall include, without limitation, the occurrence of any of the following events:

(a) Franchisee's failure, refusal, or neglect to promptly pay any monies owed to Franchisor when due, or to submit the financial or other information required by Franchisor under this Agreement.

(b) Franchisee's failure to maintain the standards specified by Franchisor in the Manual or otherwise.

(c) Franchisee's failure, refusal or neglect to obtain Franchisor's prior written approval or consent as required by this Agreement.

(d) Franchisee's misuse or unauthorized use of Franchisor's Marks or other material impairment of the goodwill associated therewith or Franchisor's rights therein.

(e) Franchisee's commencement or conducting of any business operation, or marketing of any product, under a name or mark which, in Franchisor's reasonable opinion, is confusingly similar to Franchisor's Marks.

(f) Franchisee's default, without cure after the applicable grace period, under any lease, sublease, sub-sublease, mortgage, or deed of trust covering the Location.

(g) Franchisee's failure to procure or maintain the insurance required by this Agreement or in the lease and sublease for the Location.

(h) Franchisee's default in the performance of any term, condition or obligation in payment of any indebtedness to its landlord or sublandlord, distributors or suppliers or others arising out of the purchase of inventory, supplies or purchase or lease of equipment for operation of its Unit, and if any such default is not cured within 30 days after written notice by Franchisor to Franchisee, unless Franchisee is determined by a court of competent jurisdiction to be not in default.

14.4. In the event of a default by Franchisee, all of Franchisor's costs and expenses arising from such default, including reasonable legal fees and reasonable hourly charges of Franchisor's administrative employees shall be paid to Franchisor by Franchisee within five days after cure.

14.5. Notwithstanding the obligations of Franchisee and Franchisor to arbitrate all disputes and other conflicts, Franchisee and Franchisor acknowledge that certain defaults require immediate action to protect the appropriate party. Accordingly, Franchisor and Franchisee each hereby consent to and authorize the other party to apply to any court of competent jurisdiction for judicial assistance in restraining and enjoining violations of this Agreement. Both Franchisor and Franchisee are entitled to an injunction restraining Franchisor or Franchisee from committing or continuing to commit any default, breach or



threatened breach of this Agreement, without showing or proving any actual damage sustained by the party seeking such relief.

14.6. Non-enforcement by Franchisor of any violation of the terms of this Agreement by Franchisee shall not constitute a waiver of such violation by Franchisor nor shall Franchisor be deemed to have waived any of its rights to enforce compliance by Franchisee of such breach or any other breach of this Agreement.

#### 14.7. EARLY TERMINATION.

In addition, If Franchisee ceases to operate or otherwise abandons its PJ's Unit before this Agreement expires without Franchisor's prior written consent, Franchisee must pay Franchisor an early termination fee ("Early Termination Fee") for breaching this Agreement. However, if the Franchisee ceases to operate its PJ's Unit for failing to achieve at least \$200,000 in gross sales for a Non-traditional PJ's Unit or \$400,000 in gross sales for Traditional PJ's Unit over a consecutive twelve-month period despite the Franchisee's best efforts, Franchisee shall not be required to pay Franchisor an Early Termination Fee. The amount of the Early Termination Fee is calculated as follows:

(i) Compute the average monthly Royalty and System Fees paid during the 12-month period immediately preceding the date Franchisor receives notification of the closure, or, if the store has been open for less than 12 months, the average monthly Royalty and System Fees paid since the opening of the PJ's Unit; and

(ii) Multiply the average monthly Royalty and System Fees calculated in (i) above by the number of months remaining in the term of the Franchise Agreement.

For example purposes only: If the average monthly Royalty and System Fees were \$1,000 and there were five years (60 months) remaining in the term of the Franchise Agreement, the Early Termination Fee would be \$60,000, calculated as follows:  $\$1,000 \times 60 \text{ months} = \$60,000$ .

If Franchisee unilaterally terminates this Agreement prior to the end of the term of this Agreement, Franchisee must give Franchisor 90 days prior written notice of the early termination (the "Early Termination Notice"). Within 10 days of Franchisor's receipt of Franchisee's Early Termination Notice, Franchisor will calculate the Early Termination Fee, which will be due and payable 30 days prior to the closure of the PJ's Unit covered by this Agreement. In the event that Franchisee does not (i) provide Franchisor with the Early Termination Notice at least 90 days prior to the early termination of the PJ's Unit and this Agreement; (ii) remain open for at least 90 days after providing Franchisor with the Early Termination Notice; and (iii) pay the Early Termination Fee in full at least 30 days prior to closing the PJ's Unit covered by this Agreement, the Early Termination Fee due will be increased as follows: it will be calculated by multiplying the average monthly Royalty and System Fees by the number of months remaining in the term of the this Agreement, and the Early Termination Fee will increase by 10%.

If Franchisee has not paid its Royalty and System Fees for any period(s) within the 12 months prior to notifying Franchisor of its early termination, or if Franchisee has not reported its Gross Sales for any period(s) within the 12 months prior to notifying Franchisor of Franchisee's intended early termination, Franchisor will estimate the Royalty and System Fees based upon prior reports to calculate the average monthly Royalty and System Fees.

### **ARTICLE 15. RIGHTS AND OBLIGATIONS UPON TERMINATION.**

Upon the termination of Franchisee's rights granted under this Agreement, (whether during the term of the Agreement or at its conclusion) the following shall apply:

15.1. Upon termination of this Agreement by lapse of time or by default, Franchisee's right to use Franchisor's Marks, or any other mark distributed by Franchisor or insignia or slogan used in connection therewith, or any confusingly similar trademark, service mark, trade name or insignia shall cease. Franchisee shall immediately discontinue use of Franchisor's Marks, System, and color scheme. Franchisee shall at its own cost, make cosmetic changes to Franchisee's Unit from Franchisor's proprietary designs including, but not limited to, the removal of all PJ's identifying materials and distinctive PJ's cosmetic finishes, tile walls, interior wall coverings and colors, exterior finishes and colors, signage and PJ's counter equipment (which shall be deemed proprietary to Franchisor) from the Location as Franchisor may reasonably direct.

15.2. Franchisor may retain all fees paid pursuant to this Agreement.

15.3. Any and all obligations of Franchisor to Franchisee under this Agreement shall immediately cease and terminate.

15.4. Any and all rights of Franchisee under this Agreement shall immediately cease and terminate.

15.5. In no event shall a termination or expiration of this Agreement affect Franchisee's obligations to take or abstain from taking any action in accordance with this Agreement. The provisions of this Agreement which constitute post-termination covenants and agreements including the obligation of Franchisor and Franchisee to arbitrate any and all disputes shall survive the termination or expiration of this Agreement.

15.6. Franchisee acknowledges and agrees that rights in and to Franchisor's Marks and the use thereof shall be and remain the property of Franchisor.

15.7. If Franchisee has registered any of Franchisor's Marks or the name "PJ's Coffee" as part of Franchisee's assumed, fictitious or corporate name, Franchisee shall promptly amend such registration to delete Franchisor's Marks therefrom.

15.8. In addition to the Early Termination Fee set forth in Article 14, Franchisee shall immediately pay any and all amounts owing to Franchisor.

15.9. Franchisor shall have the option, exercisable by written notice within 30 days after the termination of this Agreement, to take an assignment of all telephone numbers (and associated listings) for Franchisee's Unit. Franchisee is not entitled to any compensation from Franchisor if Franchisor exercises this option.

## **ARTICLE 16. INSURANCE.**

16.1. Franchisee shall obtain and maintain insurance coverage which shall in each instance designate Franchisor as an additional named insured, with an insurance company approved by Franchisor, which approval shall not be unreasonably withheld as follows:

(i) Comprehensive general liability insurance (including products liability and sexual harassment coverage) with coverage of at least \$1,000,000 per occurrence, and \$1,000,000 aggregate with full replacement value of business contents property coverage. New Orleans Brew, LLC must be listed as an additional insured.

(ii) Business interruption insurance, including Location rentals and Additional Rentals for twelve (12) months after casualty, in amounts equal to at least \$100,000. The business interruption insurance shall include an endorsement providing coverage for off-premise power failure or utility interruption caused by any covered cause of loss as stated in the policy, if available.

(iii) Workers' compensation insurance as required by applicable law.

(iv) Fire, and extended coverage insurance, insuring the construction of improvements and completed PJ's Unit operated by Franchisee, for the full replacement value thereof.

(v) If Franchisee establishes a delivery service for Authorized Products, Franchisee shall obtain separate non-owned auto coverage insurance. Franchisee may not directly or indirectly deliver any Authorized Products until such insurance is obtained and Franchisor named as additional insured therein.

16.2. In the event of damage to the Unit covered by insurance, the proceeds of any such insurance shall be used to restore the Unit to its original condition as soon as possible, unless such restoration is prohibited by the Location lease or Franchisor has otherwise consented to in writing. Upon obtaining such insurance, Franchisee shall promptly provide to Franchisor proof of such insurance coverage and or at such other times upon the request of Franchisor.

16.3. Franchisee shall, prior to opening its Unit, file with Franchisor, certificates of such insurance and shall promptly pay all premiums on the policies as they become due. In addition, the policies shall contain a provision requiring 30 days' prior written notice to Franchisor of any proposed cancellation, modification, or termination of insurance. If Franchisee fails to obtain and maintain the required insurance, Franchisor may, at its option, in addition to any other rights it may have, procure such insurance for Franchisee without notice and Franchisee shall pay, upon demand, the premiums and Franchisor's costs in taking such action.

## **ARTICLE 17. SOLE OBLIGATIONS OF FRANCHISOR.**

17.1. As described in Franchisor's Franchise Disclosure Document (the "FDD"), received by Franchisee at least fourteen (14) business days prior to the execution, unless otherwise directed by certain state law, of this Agreement, Franchisor has obligated itself to provide specific services to Franchisee. Franchisor also provides other voluntary services at its sole discretion. Franchisor and Franchisee agree that the following are the only required obligations of Franchisor:

(i) To reasonably assist Franchisee with any operational or financial problem encountered by Franchisee, provide notice to Franchisor, Attention: Chief Operating Officer, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433, by certified mail (return receipt requested) or at any subsequent addresses established by Franchisor, of Franchisee's problem and the type of assistance needed. At no time shall reasonable assistance be interpreted to require Franchisor to pay any money to Franchisee. Franchisor, in its sole discretion, may provide any assistance at Franchisor's designated office or where Franchisee is located, at a time to be determined by Franchisor.

(ii) To reasonably administer the advertising program. Franchisee acknowledges that pursuant to the advice of advertising and marketing professionals, advertising collections will at times be aggregated until sufficient revenues are accumulated to commence or complete an advertising or marketing program. Reasonable administration shall be deemed to be good faith attempts to utilize the advertising funds in accordance with the advice and suggestions of the advertising and marketing staff or outside advertising and or marketing companies, consultants or other entities retained for such purpose.

(iii) To assist Franchisee in arranging for the initial financing of its Unit, if feasible and necessary (Franchisor is not directly or indirectly responsible for the failure of Franchisee to meet the qualifying standards of such independent financing sources).

(iv) To supply to Franchisee a set of standard decor and layout plans and to thereafter approve the initial decor and layout of Franchisee's Unit, upon Franchisee meeting all criteria with regard to same.

(v) To loan Franchisee a copy of its Operations Manual or computer diskette thereof which manual contains mandatory and suggested specifications, standards and procedures, as well as any other Manuals produced by Franchisor. These Manuals are confidential and remain Franchisor's property.

(vi) To train Franchisee in accordance with this Agreement, and to provide Franchisee with assistance in opening the Unit.

17.2. Franchisor shall not and cannot be held in breach of this Agreement until (i) Franchisor has received notice of any alleged breach from Franchisee in duplicate, by registered mail, sent to the parties set forth in sub-section (i) of this Article; and (ii) Franchisor has failed to remedy the breach within a reasonable period of time after such notice, which period shall not be less than sixty (60) days. This is a material term of this Agreement and may not be modified or changed by any arbitrator in an arbitration proceeding or otherwise in any court of competent jurisdiction.

#### **ARTICLE 18. POINT OF SALE SYSTEM, COLLECTION OF DATA.**

18.1. This Agreement and the Manuals require the submission of weekly statistical control forms as well as other financial, operational and statistical information required by Franchisee and Franchisor to: (i) assist Franchisee in the operation of its Unit in accordance with the System; (ii) allow Franchisor to monitor the Franchisee's gross sales, purchases, costs and expenses; (iii) enable Franchisor to develop system wide statistics which may improve bulk purchasing; (iv) assist Franchisor in the development of new authorized products or the removal of existing unsuccessful Authorized Products; (v) enable Franchisor to refine existing Authorized Products; (vi) generally improve system wide understanding of the Unit; and (vii) obtain new types of information unknown at this time (collectively, the "Information"). To achieve these results, cash collection and data processing systems are necessary.

18.2. Franchisee agrees to purchase and use the point of sale cash collection and data processing system (the "POS System") and only the specified software authorized by Franchisor, as specified in the Manuals or otherwise by Franchisor in writing. The POS System and network must be secure and PCI compliant to protect customer credit card information. Optional equipment upgrades are also available for additional fees. Units with a drive-thru must have two (2) POS systems. Franchisee also agrees to accept all forms of payment as directed by Franchisor, including certain designated credit and/or debit cards and to purchase or lease all necessary equipment to accept such payment. Franchisee may be required to

purchase a back-office computer system including a network switch and laser printer.

18.3. Franchisee agrees to: (i) connect the POS Unit to the internet; (ii) maintain it in good working order; and (iii) not disconnect any POS System connection from the internet at any time, for any reason, without prior written approval. Franchisee agrees, at Franchisor's request, to maintain membership in a designated third-party network for the purpose of implementing, transmitting, collecting and maintaining any Information or data exchange system. Franchisee specifically authorizes Franchisor to either "upload" or "download" information in and from or to its computers, cash registers or other such devices as allowed by law, as it relates to the system operation by internet, intranet, and other networks or other means as they become available.

18.4. Franchisee agrees to pay all reasonable and necessary expenses, fees and costs for support service for the POS System software during the term of its franchise and any renewals. Franchisee shall identify and deal with third party software support suppliers who will provide telephone support and annual maintenance for any upgrades and enhancements that they make to the required POS System software. Franchisor may revise the POS System specifications. Franchisee may be required to upgrade or update its POS System recording system. On Franchisor's request, Franchisee must apply for and maintain debit card, credit card or other non-cash payment systems to enable customers to purchase products through these procedures. There is no contractual limitation on Franchisor's right to receive information through the POS System.

#### **ARTICLE 19. RELATIONSHIP OF PARTIES, DISCLOSURE.**

19.1. Franchisor and Franchisee are not and shall not be considered joint ventures, partners, or agents of each other, or anything other than Franchisor and Franchisee, and neither shall have the power to bind or obligate the other except specifically as set forth in this Agreement. Franchisor and Franchisee agree that the relationship created by this Agreement is not a fiduciary relationship. Franchisee shall not, under any circumstances, act or hold itself out as an agent or representative of Franchisor. Franchisee agrees to defend and indemnify and hold Franchisor harmless from any claims, demands, liabilities, actions, suits or proceedings asserted by third parties arising out of the operation of Franchisee's Unit or Franchisee's breach of any of the terms of this Agreement. Franchisor reserves the right and Franchisee recognizes the right of Franchisor to select counsel for any such defense.

19.2. As set forth in the Franchise Disclosure Document delivered to Franchisee as described above, Franchisee acknowledges that Franchisor may have entered into certain subfranchise agreements with subfranchisors, area developers and/or master franchisees in certain areas and territories. Pursuant to these contracts, the subfranchisors of Franchisor are obligated to provide certain sales, operational and support services for Franchisor. Franchisee acknowledges that the relationship between Franchisor and all of its subfranchisors and or area developers is strictly contractual and that no subfranchisor and or area developer is an agent of Franchisor. Accordingly, Franchisee acknowledges and agrees that any past, current or future subfranchisor is not the actual, express or implied agent of Franchisor, and has no power or authority to: (i) act on Franchisor's behalf; (ii) enter into or execute any agreement on Franchisor's behalf; (iii) make any representation or promise on Franchisor's behalf; or (iv) bind Franchisor in any way. Unless otherwise specifically agreed to in writing, Franchisor expressly disavows any acts by others, including subfranchisors that purport to bind Franchisor in any way. Franchisee agrees to waive any claim or defense in any litigation or arbitration proceeding that a subfranchisor is the express or implied agent of Franchisor. Franchisee agrees that any attempt to raise, assert or justify such claim or defense in any proceeding constitutes a material default of this Agreement.

## ARTICLE 20. DISPUTE RESOLUTION: ARBITRATION AND LEGAL PROCEEDINGS

20.1. Franchisor and Franchisee acknowledge that disputes or disagreements may arise during the term of this Agreement and any renewals thereto. Franchisor and Franchisee have elected to resolve such disputes or disagreements in a non-judicial alternative dispute resolution format (“ADR”). An ADR format minimizes the expense of dispute resolution and generally can be accomplished in a more expeditious and effective manner. By agreeing to an ADR format, both Franchisee and Franchisor are also waiving a number of rights, remedies and privileges which may arise in a judicial resolution format. In view, however, of the continuing relationship between Franchisee and Franchisor over the original and renewal terms of this Agreement, both Franchisee and Franchisor agree that an ADR format is the most economical, efficient and practical way to resolve disputes and disagreements.

20.2. Accordingly, except as otherwise provided in this Agreement, in the event of any dispute or disagreement between Franchisor and Franchisee with respect to any issue arising out of or relating to this Agreement, the negotiations or dealings leading up to it, its breach, its interpretation or any other disagreement between Franchisee and Franchisor, such dispute or disagreement shall be resolved by arbitration within the jurisdiction, as set forth in Exhibit I of the Franchise Disclosure Document. In the event of any dispute or disagreement, Franchisee and Franchisor both agree to submit the dispute to arbitration in accordance with the least expensive procedure of the American Arbitration Association (“AAA”), and the application for such arbitration shall be filed in New Orleans, Louisiana. Franchisor and Franchisee agree that the hearing(s) shall be held in the greater New Orleans, Louisiana, under the rules of the American Arbitration Association. This paragraph shall not apply to any monetary defaults of Franchisee, including Franchisee’s obligation to pay franchise and advertising fees to Franchisor, as to which Franchisor shall be free to utilize any right or remedy it may have at law or equity.

20.3. Franchisor and Franchisee agree that this Agreement evidences a transaction involving interstate commerce and that the enforcement of this arbitration provision and the confirmation of any award issued to either party by reason of an arbitration conducted pursuant to this arbitration provision is governed by the Federal Arbitration Act, 9 U.S.C.A. §§ 1 *et seq.*

20.4. Punitive or exemplary damages or attorney’s fees may not be awarded by the arbitrator(s), and any such award shall not be enforceable or enforced by any court. Except as otherwise provided, each party shall bear its own attorney’s fees, expert witness fees, and other court costs incurred in connection with any legal action or arbitration between Franchisor and Franchisee. If the waiver of punitive or exemplary damages or legal fees and related costs are in violation of the laws of the state where the Franchisee’s Unit is located, such claims may be awarded by the arbitrator(s), and any such award shall be enforceable or enforced in any court of appropriate jurisdiction. This agreement shall be strictly construed in the arbitration hearing. In no event can the material provisions of this Agreement including, but not limited to the method of operation, Authorized Product line or monetary obligations specified in this Agreement, amendments to this Agreement or in the Manuals be modified or changed by the arbitrator at the arbitration hearing.

20.5. This Agreement shall be interpreted and construed under the laws of the State of Louisiana, which laws shall prevail in the event of any conflicts

20.6. Except for injunctive relief (including temporary restraining orders, preliminary injunctions and injunctions or similar relief which must be brought in an appropriate local forum), the parties agree that any action brought by either party against the other in any court shall be brought in the 22<sup>nd</sup> Judicial District Court for the Parish of St. Tammany, State of Louisiana and the parties do hereby

waive all questions of personal jurisdiction or venue for the purpose of carrying out this provision. Franchisee agrees that mailing to its last known address by certified mail of any process shall constitute lawful and valid process. In all cases, Franchisee and Franchisor each waives any right to a trial by jury. Notwithstanding the foregoing, if the laws of the state where Franchisee's Unit is located requires jurisdiction of the courts of that state or control by the laws of that state, then this Agreement shall be deemed modified to comply with the applicable laws thereto.

20.7. The terms of this article shall survive termination, expiration or cancellation of this Agreement.

## **ARTICLE 21. EXECUTION, REQUESTS, CONSENTS AND WAIVERS.**

21.1. This Agreement takes effect upon its acceptance and execution by Franchisee and Franchisor and shall be governed by and construed in accordance with the laws of the State of Louisiana. Franchisee agrees that Franchisor is not required to act uniformly with respect to any request for waivers, requests and consents by its franchisees as each request will be considered on a case by case basis, and nothing shall be construed to require Franchisor to grant any such request. Any waiver granted by Franchisor shall be without prejudice to any other rights Franchisor may have, will be subject to continuing review by Franchisor, and may be revoked, in Franchisor's sole discretion, at any time and for any reason, effective upon ten days prior written notice to Franchisee. Franchisor makes no warranties or guarantees upon which Franchisee may rely and assumes no liability or obligation to Franchisee by providing any waiver, approval, consent, assistance, or suggestion to Franchisee in connection with this Agreement, or by reason of any neglect, delay, or denial of any request.

21.2. Unless otherwise provided, whenever this Agreement requires Franchisee to obtain Franchisor's prior written consent, Franchisee shall timely address its written request for such to: Chief Operating Officer, 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433 or such other persons as Franchisor may designate in writing. Neither Franchisee nor Franchisor shall be deemed to have waived or impaired any right, power or option reserved by this Agreement, including, without limitation, its right to demand strict compliance with every term, condition, and covenant herein, or to declare any breach thereof a default and to terminate this Agreement prior to the expiration of its term, by virtue of any custom or practice of the parties at variance with the terms hereof; by any forbearance, delay, failure, or omission to exercise any right, power, or option, whether of the same, similar, or different nature, against Franchisor, Franchisee, or any other Franchisee; or by the acceptance of any payments due after any breach of this Agreement.

## **ARTICLE 22. MISCELLANEOUS PROVISIONS.**

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

22.2. This Agreement and all exhibits, attachments, or addendums constitute the entire agreement between the parties and supersede any and all prior negotiations, understandings, representations, and agreements. Nothing in this or in any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that we furnished to Franchisee. Franchisee acknowledges that Franchisee is entering into this Agreement as a result of Franchisee's own independent investigations of our franchised business and not as a result of any representations about Franchisor made by Franchisor's shareholders, officers, directors, employees, agents,

representatives, independent contractors, or franchisees that are contrary to the terms set forth in this Agreement, or in any disclosure document, prospectus, or other similar document required or permitted to be given to Franchisee pursuant to applicable law.

22.3. There is no other agreement, representation or warranty made by Franchisor or any other entity or person associated with Franchisor other than contained in this Agreement. This Agreement is not subject to or conditioned upon the obtaining of a Location for Franchisee's Unit. Notwithstanding the foregoing, the representations made in the Disclosure Document shall be unaffected by any statements in this section. This section shall not be read to waive any rights Franchisee may have under any state statute or regulation.

22.4. Except as otherwise provided, each party shall bear its own attorney's fees arising from the negotiations and execution or lack of execution of this Agreement.

22.5. Each article, paragraph, subparagraph, term, and condition of this Agreement shall be considered severable. If for any reason, any portion of this Agreement is determined to be invalid or in conflict with any law or rule in a final ruling issued by any court, agency, or tribunal with valid jurisdiction in a proceeding to which Franchisor is a party, that ruling shall not affect the validity or enforceability of any other portion of this Agreement.

22.6. All notices to Franchisor required by the terms of this Agreement, unless otherwise provided, shall be sent by certified or registered mail or by overnight delivery service, addressed to the parties set forth in this Agreement, or at such other address as Franchisor designates. All notices to Franchisee required by the terms of this Agreement shall be sent by certified or registered mail or by overnight delivery service, addressed to Franchisee at the Location, or at such other or additional address as Franchisee designates in writing. If Franchisee refuses acceptance of any certified, registered or overnight delivery, acceptance shall be deemed to have occurred 48 hours after rejection of such notice.

22.7. Franchisee acknowledges that the evolution of the System requires the development of other PJ's Units, PJ's Distribution Points and PJ's Branded Products.

22.8. For the purpose of this article, a co-brand shall be defined as an independent operating Unit owned by another entity (not Franchisor) that is incorporated as an operational part within the Franchisee's Unit. An example would be an independent ice cream/yogurt operation installed within Franchisee's Unit. Subject to Franchisor's prior written approval, Franchisee may install approved co-branding marketing Units to be operated in conjunction with Franchisee's Unit. Franchisor shall not be required to approve any co-branding marketing system unless Franchisor has recognized that co-branding system as an approved co-brand for operation within its units, either nationally or regionally. Inasmuch as Franchisee and its employees will be incorporating the co-brand within its Unit, all sales of the co-brand shall be included within the definition of "gross sales" as defined herein and Franchisee shall pay to Franchisor franchise and advertising fees for such sales.

IN WITNESS WHEREOF, the parties hereof have executed this Agreement as of the date of execution by Franchisor

**WITNESSES:**

**FRANCHISEE:**

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name:



\_\_\_\_\_  
Print Name:

Title: \_\_\_\_\_

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

**FRANCHISOR: New Orleans Brew, LLC**

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name:

Title: \_\_\_\_\_

\_\_\_\_\_  
Print Name:

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

## EXHIBIT B

### CONFIDENTIALITY AND NONDISCLOSURE AGREEMENT

In consideration of being a Franchisee of PJ's Coffee, and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Undersigned hereby acknowledges and agrees that:

Pursuant to a Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the "Franchise Agreement"), \_\_\_\_\_ (the Franchisee) has acquired the right to establish and operate a PJ's Unit, and Franchisor has granted the right to establish and operate a PJ's Unit that is defined in the Franchise Agreement (the "PJ's Unit") and the right to use in the operation of the PJ's Unit, PJ's trade names, service marks, trademarks, logos, emblems, and indicia of origin (the "Franchisor's Marks"), as they may be changed, improved and further developed from time to time in Franchisor's sole discretion, only at the authorized and approved PJ's Unit.

Franchisor, as a result of the expenditure of time, skill, effort and resources has developed and owns a distinctive format and system ("the System") relating to the establishment and operation of PJ's Unit. Franchisor possesses certain proprietary and confidential information relating to the operation of the System, as that term is defined in the Franchise Agreement, which includes certain proprietary trade secrets, recipes, methods of preparation, customer and supplier lists, product and equipment specifications, product content, and operational, sales, promotion and marketing methods, plans, techniques and knowledge of, and experience in, the operation of the PJ's Unit (the Confidential Information").

Any information, trade secrets, recipes, methods of preparation, customer and supplier lists, product and equipment specifications, product content, and operational, sales, promotion and marketing methods, plans, techniques and knowledge of, and experience in, the operation of the PJ's Unit shall be deemed to be Confidential Information for purposes of this Agreement.

The Undersigned acknowledges that all Confidential Information shall be owned and shall continue to be owned by Franchisor.

The Undersigned acknowledges that all Confidential Information shall never ever be removed from the PJ's Unit without expressed written permission from Franchisor.

Pursuant to the Franchise Agreement, Franchisor will disclose the Confidential Information to the Undersigned in the form of confidential training programs, PJ's Manuals (the "Manuals"), and other general assistance during the term of the Franchise Agreement.

The Undersigned will not acquire any interest in the Confidential Information, other than the right to utilize it in the operation of the PJ's Unit during the term of the Franchise Agreement, and the use or duplication of the Confidential Information for any use outside the PJ's Unit and System would constitute an unfair method of competition.

The Undersigned acknowledges that all Confidential Information shall never be duplicated nor copied in any manner whatsoever without the expressed written permission from Franchisor.

The Undersigned acknowledges that, upon instruction by Franchisor, all Confidential Information shall be returned and/or destroyed by Undersigned upon the termination of Undersigned's relationship with Franchisor.

The Confidential Information is proprietary, involves trade secrets of Franchisor, and is disclosed to the Undersigned solely on the condition that the Undersigned agrees, and the Undersigned does hereby agree, that the Undersigned shall hold in strict confidence all Confidential Information and all other information designed by Franchisor as confidential. Unless Franchisor otherwise agrees in writing, the Undersigned will disclose and/or use the Confidential Information only in connection with the

Undersigned's duties as the Franchisee and will continue not to disclose any such information even after the Undersigned ceases to be in that position unless the Undersigned can demonstrate that such information has become generally known or easily accessible other than by the breach of an obligation of Franchisee under the Franchise Agreement.

The Undersigned acknowledges that should there be any release or disclosure of Franchisor's Confidential Information without permission or authority, then Undersigned clearly understands that such release and/or disclosure (directly or indirectly) shall be deemed as irreparable harm without exception as to Franchisor. Release or disclosure of Confidential Information by the Undersigned, directly or indirectly, would cause Franchisor irreparable injury, and that monetary damages would not be sufficient to compensate Franchisor for any breach of this Agreement by the Undersigned.

Therefore, the Undersigned agrees that it shall (i) maintain the Confidential Information confidential in the same manner as its own propriety information is maintained, (ii) not disclose the Confidential Information to any third party other than officers, directors, and employees of its affiliates without prior written consent from Franchisor as to who and why such persons may be provided access to such information (iii) limit access to the information to a limited number of its employees and representatives, which employees and representatives shall be informed of this Agreement and the Undersigned shall be responsible for their compliance herewith to the extent they are acting within their scope of employment and engagement, respectively, and (iv) return all Confidential Information furnished or made available to the Undersigned by Franchisor in the event Franchisor and the Undersigned elect not to pursue future business with Franchisor through the Undersigned.

Should the Undersigned or its representatives, in the reasonable opinion of Franchisor's counsel, be required by applicable law or regulation to disclose the Confidential Information or any information regarding the production of the Confidential Information by Franchisor to the Undersigned, the terms of this Confidentiality Agreement with respect to such disclosure, as required, shall be suspended. Suspension of these terms must be in writing from Franchisor.

The Undersigned's obligation to maintain the Confidential Information gained or learned in confidence survive any expiration, termination or cancellation of the Agreement and shall continue to bind the Undersigned and its successors and assigns during the term of the Franchise Agreement, and any renewals or amendments of the Franchise Agreement, and for a period of two (2) years from the date of any expiration, termination or cancellation of the Franchise Agreement, any renewals or amendments to the Franchise Agreement (the "Confidentiality Period").

The Undersigned further agrees that, that in the event of a breach or threatened breach of this Agreement by the Undersigned, the Undersigned additionally agrees to be liable for all reasonable attorney fees and related costs concerning any breach or threatened breach herein. It is agreed that attorney fees shall be assessed at the rate of \$350 per hour.

The Undersigned agrees that in the event of a breach or threatened breach of this Agreement by the Undersigned, Franchisor shall be entitled to injunctive or other equitable non-monetary relief, without the necessity of showing any evidence of actual monetary loss. However, nothing herein shall be construed as prohibiting Franchisor from pursuing any other remedies, including monetary remedies, available to it for any such breach or threatened breach by Undersigned and/or its representatives. Additionally, such remedy shall not apply to such information that was already known to Undersigned or was otherwise generally available. Further, Franchisor agrees that all such information it desires to be protected under this agreement should be marked "Confidential", as is practical, for transmittal to the Undersigned.

It is also specifically understood and agreed that New Orleans Brew, LLC includes and is intended to incorporate any and all Franchisor subsidiaries, affiliates, related corporations, franchises, area developments, and related businesses.

In the event of any litigation or dispute related hereto, it is agreed that venue and jurisdiction shall be the 22<sup>nd</sup> Judicial District Court for the Parish of St. Tammany, State of Louisiana.

In the event that any portion of this Agreement is found to be unenforceable or invalid for any reason, then that portion shall be deemed severable and that the remainder shall remain in full force and effect.

Franchisor specifically reserves the right to control the release of any Confidential Information or documents subject to this Agreement.

The Undersigned understands and acknowledges that because Franchisor continually pursues business in the same market as the Undersigned operates, it is also critical that the fact of any discussion or negotiation between the Undersigned and Franchisor not be disclosed. Therefore, the Undersigned agrees that as to the fact of such disclosure of a relationship between the Undersigned and Franchisor (for instance, recipes and sauces, discussions or negotiations therein), Undersigned will treat same as confidential as required of the Undersigned in the paragraphs above.

The Undersigned warrants that he/she has the requisite authority to sign this Confidentiality Agreement and to bind any corporate, partnership joint venture, or limited liability entity to all terms and conditions herein.

The Undersigned agrees to provide the appropriate corporate resolution to substantiate such permission and authority.

ACCEPTED AND AGREED TO THIS \_\_\_\_\_ DAY OF \_\_\_\_\_, 20\_\_\_\_.

Franchisee: \_\_\_\_\_

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

Title: \_\_\_\_\_

## EXHIBIT C

### GUARANTY AGREEMENT

IN CONSIDERATION of the acceptance by New Orleans Brew, LLC, a Louisiana limited liability Company, having its principal place of business at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433 (hereinafter called "Franchisor") of a Franchise Agreement or a TRANSFER of Franchise Agreement, if applicable dated \_\_\_\_\_, and executed by \_\_\_\_\_ as an officer of \_\_\_\_\_ (if applicable), a(n) \_\_\_\_\_ (individually, as a corporation, or as an LLC) whose registered address is: \_\_\_\_\_ (hereinafter called "Franchisee), and for other good and valuable consideration, I, Franchisee, and each of us solitarily, jointly and severally, absolutely and unconditionally guarantee to Franchisor, (i) to hold harmless, indemnify, and defend Franchisor and all of its officers, directors, executives, managers, members, partners, owners, employees, agents, successors and assigns (collectively "Franchisor Indemnities") from and against all losses, damages, fines, costs, expenses or liability (including attorneys' fees and all other costs of litigation) incurred in connection with any action, suit, demand, claim, investigation or proceeding, or any settlement thereof, that arises from or is based upon Franchisee's (a) ownership or operation of the PJ's Unit; (b) violation, breach or asserted violation or breach of any federal, state or local law, regulation or rule; (c) breach of any representation, warranty, or covenant, or provision of this Agreement or any other agreement between Franchisor and \_\_\_\_\_ (or an Affiliate); (d) defamation of Franchisor or the System; (e) acts, errors or omissions committed or incurred in connection with the PJ's Unit, including any negligent or intentional acts; (f) infringement, violation or alleged infringement or violation of any Mark, patent or copyright or any misuse of the Trade Secrets or Confidential Information; or (g) infringement, violation or alleged infringement or violation of any patent, trademark, or copyright or other rights controlled by third parties; and (ii) the timely performance of each term, covenant, and obligation of the Franchisee set forth in the Franchise Agreement. The undersigned specifically acknowledges that Franchisor is allowing the undersigned to enter into this Guaranty Agreement instead of *individually* executing the Franchise Agreement as a matter of convenience to the undersigned, and the undersigned agrees to be bound by the provisions of the Franchise Agreement relating to non-competition and confidentiality as if those provisions were fully set forth herein. This is a continuing guaranty which shall apply to the Franchise Agreement and any subsequent amendments or modifications thereof, and such modifications of amendments shall be conclusively presumed to be covered by this guaranty without further notice to or acceptance by the undersigned.

Franchisor reserves the right to retain counsel of its choosing in connection with any action, suit, demand, claim, investigation or proceeding described in the preceding paragraph.

The undersigned acknowledges and agrees that possession of this Guaranty Agreement by Franchisor constitutes true and correct execution and actual and proper delivery of same to Franchisor and the undersigned waives notice of acceptance of the guaranty and of any liability to which it applies or may apply, and also waives presentment and demand for payment thereof, notice of dishonor or non-payment thereof, collection thereof including any notice of default in payment thereof of other notice to, or demand of payment thereof on, any party. Payment by the undersigned shall be made at the office of Franchisor in Covington, Louisiana, or any other such location as Franchisor may designate from time to time.

Franchisor may, at its option, at any time without the consent of or notice to the undersigned without incurring responsibility to the undersigned, and without any terms or conditions and in whole or in part: (1)

change the manner, place or terms of payment or change or extend the time of payment of, renew, or alter any liability of the Franchisee under the Franchise Agreement hereby guaranteed, or any liabilities incurred directly or indirectly hereunder, and the guaranty herein made shall apply to the liabilities of the Franchisee, so changed, extended, renewed or altered; (2) exercise or refrain from exercising any rights against Franchisee or others, or otherwise act or refrain from actions; (3) settle or compromise any liabilities hereby guaranteed or hereby incurred, and may subordinate the payment of all or any part of such liabilities to the payment of any liabilities which may be due to Franchisor or others; and (4) apply any sums paid to any liability or liabilities of Franchisee to Franchisor regardless of what liability or liabilities of Franchisee to Franchisor remain unpaid. Franchisor, may, at its option, without the consent of or notice to the undersigned, apply to the payment of the liability created by this guaranty, at any time after such liability becomes payable, any monies, property, or other assets belonging to the undersigned in the possession, care, custody and control of the Franchisor.

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_

GUARANTOR(S):

\_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT D**

**NEW ORLEANS BREW, L.L.C. D/B/A PJ'S COFFEE OF NEW ORLEANS**  
**AUTOMATIC BANK DRAFT CONSENT**

I authorize New Orleans Brew, L.L.C. d/b/a PJ's Coffee of New Orleans ("PJ's") to initiate withdrawals from my account at the financial institution named below for the payment of operating fees and advertising contributions. If the sales and other reporting information that is required by PJ's is not submitted or if PJ's is unable to access the computer system to obtain this information by the due date, I further authorize PJ's to withdraw from my account the same amount that was due from the last successful withdrawal plus a 10% non-fundable processing fee for the payment of operating fees and advertising contributions for the most recent reporting period. Any difference in the amounts owed will be adjusted and paid upon the submission of reporting information for that period. This authorization will remain valid until further notice from PJ's.

I understand that the Direct Payment program is an alternative method of payment only and does not otherwise affect my rights or the rights of PJ's or my financial institution with respect for each other.

Account Title: \_\_\_\_\_

Store Number(s): \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Joint Account Signature: \_\_\_\_\_

Financial Institution Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Transit/ABA Number: \_\_\_\_\_

Account Number: \_\_\_\_\_

**EXHIBIT E**

**AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for service of process. Franchisor may not yet be registered to sell franchises in any or all of these states.

**CALIFORNIA**

Department of Business Oversight:  
320 West 4th Street, Suite 750  
Los Angeles, CA 90013  
(213) 576-7500  
Toll Free (866) 275-2677

1515 K Street, Suite 200  
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1350 Front Street  
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71 Stevenson Street, Suite 2100  
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**ILLINOIS**

Franchise Bureau  
Office of the Attorney General  
500 South Second Street  
Springfield, Illinois 62706  
(217) 782-4465

**MARYLAND**

Maryland Securities Commissioner  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

**CONNECTICUT**

State of Connecticut  
Department of Banking  
Securities & Business Investments  
Division  
260 Constitution Plaza  
Hartford, CT 06103-1800  
(860) 240-8230

Agent: Banking Commissioner

**HAWAII**

Commissioner of Securities  
State of Hawaii  
335 Merchant Street  
Honolulu, Hawaii 96813  
(808) 586-2722

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Indiana Secretary of State  
201 State House  
200 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6531

**MICHIGAN**

Corporations Division  
Bureau of Commercial Services  
Department of Labor and Economic  
Growth  
P.O. Box 30054  
Lansing, Michigan 48909



**MINNESOTA**

Minnesota Department of Commerce  
Commissioner of Commerce  
85 7<sup>th</sup> Place East, Suite 280  
St. Paul, Minnesota 55101-2198  
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**NORTH DAKOTA**

North Dakota Securities Department  
State Capitol, Fifth Floor, Dept. 414  
600 East Boulevard Avenue  
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**OREGON**

Department of Insurance and Finance  
Corporate Securities Section  
Labor and Industries Building  
Salem, Oregon 97310  
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**SOUTH DAKOTA**

Division of Securities  
Department of Revenue & Regulation  
445 East Capitol Avenue  
Pierre, South Dakota 57501  
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**WASHINGTON**

Director, Department of Financial  
Institutions  
Securities Division  
150 Israel Road S.W.  
Tumwater, Washington 98501

**NEW YORK**

New York Department of State  
One Commerce Plaza  
99 Washington Avenue, 6<sup>th</sup> Floor  
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**OKLAHOMA**

Department of Securities  
Suite 860, First National Center  
120 N. Robinson  
Oklahoma City, Oklahoma 73102  
(405) 280-7700

**RHODE ISLAND**

Division of Securities  
Rhode Island Dept. of Business  
Regulation  
Bldg. 69, First Floor  
John O. Pastore Center  
1511 Pontiac Avenue  
Cranston, RI 02920  
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**VIRGINIA**

Clerk of the State Corporation  
Commission  
1300 East Main Street, 1<sup>st</sup> Floor  
Richmond, Virginia 23219  
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**WISCONSIN**

Administrator, Division of Securities  
Department of Financial Institutions  
345 W. Washington Ave., 4<sup>th</sup> Floor  
Madison, Wisconsin 53703

**EXHIBIT F**  
**FINANCIAL STATEMENTS**



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

The Members  
New Orleans Brew, L.L.C.:

Reagan & Reagan CPA, LLC consents to the use in the Franchise Disclosure Document issued by New Orleans Brew, L.L.C. (“Franchisor”), as it may be amended, of our report dated April 8, 2020, relating to the financial statements of Franchisor for the fiscal years ending December 29, 2019 and December 30, 2018 and to our report dated March 26, 2019, relating to the financial statements for the fiscal years ending December 30, 2018 and December 31, 2017.

*Reagan & Reagan CPA, LLC*

April 9, 2020



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## **New Orleans Brew, L.L.C.**

Financial Statements

**December 29, 2019 and December 30, 2018**

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**New Orleans Brew, L.L.C.**

**Table of Contents**

**December 29, 2019 and December 30, 2018**

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The image is a report cover with a white background. At the top, there are three horizontal bars: a blue one, a green one, and a dark blue one. Below these is a large rectangular area with a light green-to-blue gradient background. This area contains a faint geometric pattern of triangles and three horizontal, rounded rectangular bars on the left side. The word "REPORT" is written in a bold, dark blue, sans-serif font in the center-right of this area. At the bottom, there are three geometric shapes: a blue trapezoid on the left, a green trapezoid in the middle, and a dark blue trapezoid on the right.

# REPORT



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

To the Members  
New Orleans Brew, L.L.C.  
Covington, LA

We have audited the accompanying financial statements of New Orleans Brew, L.L.C. (the "Company") which comprise the balance sheets as of December 29, 2019 and December 30, 2018, and the related statements of income, changes in members' equity, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Brew, L.L.C. as of December 29, 2019 and December 30, 2018 and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

*Reagan & Reagan CPA, LLC*

April 8, 2020

Reagan & Reagan CPA, LLC  
512 S. Tyler Street Covington, LA 70433 Office 985-809-6505 fax 985-809-6507  
www.randrcca.com



# **FINANCIAL STATEMENTS**



**New Orleans Brew, L.L.C.**  
**Balance Sheets**  
**December 29, 2019 and December 30, 2018**

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	<u>2019</u>	<u>2018</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 148,611	\$ 93,952
Restricted cash	542,311	563,754
Accounts receivable	41,103	73,089
Other receivables	-	44,576
Prepaid expenses and other current assets	2,039	6,555
Due from affiliates	16,483	34,220
<b>Total current assets</b>	<u>750,547</u>	<u>816,146</u>
Property and equipment, less accumulated depreciation of \$91,375 and \$79,127 respectively	31,791	40,642
Goodwill and other intangible assets, less accumulated amortization of \$5,525 and \$3,515 respectively	<u>1,940,077</u>	<u>1,942,087</u>
<b>Total assets</b>	<u>\$ 2,722,415</u>	<u>\$ 2,798,875</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 140,551	\$ 127,912
National marketing fund	-	61,033
Gift card fund	456,507	502,722
Deferred franchise and development fees	1,877,167	1,332,400
<b>Total current liabilities</b>	<u>2,474,225</u>	<u>2,024,067</u>
<b>Total liabilities</b>	<u>2,474,225</u>	<u>2,024,067</u>
<b>Members' equity</b>	<u>248,190</u>	<u>774,808</u>
<b>Total liabilities and members' equity</b>	<u>\$ 2,722,415</u>	<u>\$ 2,798,875</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**

**Statements of Income**

**For the fiscal years ended December 29, 2019 and December 30, 2018**

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	<u>2019</u>	<u>2018</u>
Revenues		
Royalties and other related fees	\$ 2,145,136	\$ 1,470,604
Franchise fees	467,769	330,500
Vendor incentives	41,673	82,911
	<u>2,654,578</u>	<u>1,884,015</u>
Expenses		
General and administrative	964,181	882,457
Payroll and payroll taxes	1,290,877	983,066
Selling and marketing	856,801	386,007
Depreciation and amortization	14,258	14,197
	<u>3,126,117</u>	<u>2,265,727</u>
Loss from operations	(471,539)	(381,712)
Other income (expense)		
Other income	5,778	97,469
Other expense	(3,000)	(409)
Interest expense	-	(114)
	<u>2,778</u>	<u>96,946</u>
<b>Net loss</b>	<u>\$ (468,761)</u>	<u>\$ (284,766)</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.****Statements of Cash Flows****For the fiscal years ended December 29, 2019 and December 30, 2018**

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	<u>2019</u>	<u>2018</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (468,761)	\$ (284,766)
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	14,258	14,197
Cumulative effect adjustment of Topic 606	(119,119)	-
Changes in assets and liabilities		
Accounts receivable	31,986	(10,718)
Other receivables	44,576	130,424
Restricted cash	(85,805)	-
Prepaid expenses and other current assets	4,516	(2,593)
Due from / to affiliates	17,737	30,422
Accounts payable and accrued liabilities	12,639	(40,395)
Deferred franchise fees	544,767	410,400
<b>Net cash (used in) provided by operating activities</b>	<u>(3,206)</u>	<u>246,971</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(3,396)	(6,459)
<b>Net cash used in investing activities</b>	<u>(3,396)</u>	<u>(6,459)</u>
<b>Cash flows from financing activities:</b>		
Member contributions	513,620	367,509
Member distributions	(452,359)	(724,944)
<b>Net cash provided by (used in) financing activities</b>	<u>61,261</u>	<u>(357,435)</u>
<b>Net increase (decrease) in cash</b>	54,659	(116,923)
<b>Cash, beginning of period</b>	93,952	210,875
<b>Cash, end of period</b>	<u>\$ 148,611</u>	<u>\$ 93,952</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ 57	\$ 114

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**

**Statement of Changes in Members' Equity**

**For the fiscal years ended December 29, 2019 and December 30, 2018**

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	<b>Members'</b>
	<b>Equity</b>
<b>Balance at December 31, 2017</b>	\$ 1,417,009
Net loss for the period	(284,766)
Member contributions	367,509
Member distributions	(724,944)
<b>Balance at December 30, 2018</b>	<u>\$ 774,808</u>
Cumulative effect adjustment of Topic 606	(119,119)
Net loss for the period	(468,761)
Member contributions	513,620
Member distributions	(452,359)
<b>Balance at December 29, 2019</b>	<u>\$ 248,189</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

New Orleans Brew, L.L.C. (the “Company”) is a Louisiana based limited liability company, formed on January 23, 2008. The principle business of the Company is the franchising of “P.J.’s Coffee and Tea Company” stores (PJ’s stores). The Company offers a franchise whose primary business is the sale of gourmet coffees and teas, blended coffee and tea beverages, whole bean and ground coffee, gourmet desserts, and other food products and beverages under the name and service mark “PJ’s”. The Company operates in the United States and abroad. The Company is currently operating in the states of Arkansas, Colorado, Florida, Louisiana, Mississippi, Maryland, South Carolina, Tennessee and Texas. The Company has master franchisors in Vietnam, Malaysia and Kuwait, with open locations in Vietnam and Kuwait.

On June 17, 2008, the Company, and an affiliate, New Orleans Roast, LLC, completed an asset purchase agreement with PJ’s USA, Inc. and PJ’s Wholesale, Inc., for substantially all of the assets of the PJ’s franchise system and coffee roasting business.

**Basis of Accounting**

The Company’s accounts are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recorded when earned and expenses are recorded when incurred.

The Company franchise arrangements provide its franchisee entities the power to direct the activities that most significantly impact their economic performance; therefore, the Company does not consider it to be the primary beneficiary of any such entity that might be a variable interest entity.

**Fiscal Year**

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of 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.

**Companies under Common Control**

For the fiscal years ended December 29, 2019 and December 30, 2018, various members of the Company were also members in other related entities. It is management’s opinion that the financial position and results of operations of the Company have not been significantly affected by the transactions with these entities.

**Cash, Cash Equivalents and Restricted Cash**

For purposes of the financial statements, the Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand and deposits at banks.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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Cash held related to the advertising funds and the Company's gift card programs are classified as restricted cash as there are legal restrictions on the use of these funds and as such, the Company intends to use these funds solely to support the advertising funds and gift card programs rather than to fund operations. Total cash balances related to the advertising funds and gift card programs as of December 29, 2019 and December 30, 2018 were \$542,311 and \$563,754, respectively.

**Concentration of Credit Risk**

The Company maintains its cash in bank deposit accounts at financial institutions. The balances, at times, may exceed federally insured limits. At December 29, 2019 and December 30, 2018, the Company did not exceed the insured limit.

The franchisees purchase substantially all supplies and products sold at the PJ's stores from a small group of suppliers at prevailing prices.

**Accounts Receivable**

Accounts receivable consist of amounts due from franchisees and area developers for franchise fees and royalties and other related fees. Management assesses the collectability of receivables on an ongoing basis. The Company records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable, which is based upon an analysis of the Company's prior collection experience, creditworthiness and current economic trends. During the fiscal years ended December 29, 2019 and December 30, 2018, the Company did not write off any receivables.

**Other Receivables**

Other receivables consist of international area developer fees.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation, which is determined on a straight-line basis over the estimated remaining useful life of each asset. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the related reasonably assured lease term. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations. The amounts expensed for maintenance and repairs were \$840 and \$6,812 for the fiscal years ended December 29, 2019 and December 30, 2018.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of, if any, are reported at the lower of the carrying amount or fair value less costs to sell.

**Goodwill and Other Intangible Assets**

Goodwill represents the residual purchase price after allocation of the purchase price of net assets acquired. Goodwill is not amortized but is subject to annual impairment tests. The Company reviews the recoverability of goodwill by comparing the fair value to the carrying value. Fair value of the Company's goodwill is estimated based upon a present value technique using discounted future cash flows. As of December 29, 2019, and December 30, 2018, management determined there was no impairment of

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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goodwill. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Other intangible assets consist of trademarks, which are stated at cost and amortized using the straight-line method over a ten-year life. The Company tests for impairment of its intangible assets at a minimum on an annual basis. The Company does not believe that any impairment exists as of December 29, 2019 and December 30, 2018.

**Fair Value of Financial Instruments**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. At the balance sheet dates, the fair values of the Company's financial assets and financial liabilities (cash, accounts and other receivables, prepaid expenses and other current assets, amounts due to and from affiliates, accounts payable and accrued liabilities, and deferred franchise and development fees) approximate their carrying values.

**Revenue Recognition**

Revenue is recognized in accordance with a five-step revenue model, as follows: identifying the contract with the customer; identifying the performance obligations in the contract; determining the transaction price; allocating the transaction price to the performance obligations; and recognizing revenue when (or as) the entity satisfies a performance obligation.

*Franchise fees and royalties and other related fees*

The Company sells individual franchises through franchise agreements with terms ranging from 7 to 10 years. These agreements also convey multiple extension terms of five years, depending on contract terms if certain conditions are met. The Company provides its franchisees system training, preopening assistance, and general assistance in exchange for franchise fees, and royalties of 0%-8% of store sales. The franchisees are also required to contribute a fee of 0-2% of the store's gross sales into the national marketing fund.

Royalties are accrued as earned and are calculated each period based on reported franchisees' sales. The Company has determined that a portion of the initial franchise services are distinct from the continuing rights and services offered during the term of the franchise agreement and should not be treated as a single performance obligation; therefore, a portion of such fees are recognized upon the opening of the franchise location. See Note 6. For the fiscal years ended December 29, 2019 and December 30, 2018, \$2,145,136 and \$1,470,604 of royalties and other related fees were earned, respectively.

The Company charges a transfer fee when an existing store is transferred to a new franchisee. Transfer fees are based on management's estimates of anticipated costs and are recognized into revenue in a similar manner to franchise fees.

**Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the PJ's brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the PJ's brand. The franchisee is required to operate its location in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company does not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right but not the obligation to acquire the assets of the franchisee at fair value. The Company has financial exposure for

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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the collection of the royalty payments. Franchisees generally remit royalty payments weekly for the prior week's sales, which substantially minimizes the financial exposure. Historically, the Company has experienced insignificant write-offs of franchisee royalties. Franchise fees are paid upon the signing of the related agreements.

**Payments Received from Vendors**

Vendor incentives include allowances and other funds received from vendors. Certain of these funds are determined based on various quantitative contract terms. The Company receives vendor incentives from certain manufactures and distributors calculated based on purchases made by franchisees. The Company generally receives payment from vendors approximately 45 days from the end of a month for that month's purchases.

**Advertising Costs**

Advertising costs are treated as period costs and expensed as incurred. For the fiscal years ended December 29, 2019 and December 30, 2018, advertising costs totaled \$856,801 and \$386,007, respectively (see Note 6).

**Income Taxes**

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal tax returns of the members. As such, the financial statements do not reflect a provision for income taxes.

**Recently Issued Accounting Pronouncements**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the lease guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

The Company has reviewed recently issued accounting pronouncements and concluded that they are either not applicable to the operations or that no material effects are expected on its financial statements as a result of future adoption.

**Recently Adopted Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue with Contracts from Customers (Topic 606)", which supersedes the revenue recognition requirements in Accounting Standards Codification 605, "Revenue Recognition." This ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgements and assets recognized from costs incurred to obtain or fulfill a contract.

The Company adopted Topic 606 at the beginning of the fiscal year 2019 using the modified retrospective method. The comparative information has not been restated and continues to be reported



**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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under the accounting standards in effect for those periods. The adoption of these standards did not have a material impact on the Company's Statement of Income in 2019. The primary impact of adoption was the enhancement of the Company's disclosures related to contracts with customers and revenue recognized from those performance obligations, which includes revenue related to initial fees charged to franchisees and revenue recognized related to advertising fees. See Note 6.

Further, the Company implemented internal controls related to the recognition and presentation of the Company's revenues under this new standard.

**NOTE 2 – RESTRICTED CASH**

The Company has established a separate national marketing fund to administer funds collected from franchisees for advertising. The franchisees are required to contribute a weekly fee of 0-2% of the store's gross sales into the national marketing fund. The cash balances related to the advertising fund as of December 29, 2019 and December 30, 2018 were \$85,804 and \$61,033, respectively.

The Company has established a separate gift card pooling fund to administer funds related to gift card sales and redemptions for the PJ's stores. This fund is managed by a third party. The amounts are recorded as an asset and offsetting liability in the amount of \$456,507 and \$502,722 as of December 29, 2019 and December 30, 2018, respectively, in the accompanying Balance Sheets. The Company accounts for the assets and liabilities of this fund as "restricted cash" and "gift card fund" in the accompanying balance sheets. The restricted assets of these funds are classified as current as they are expected to be utilized to fund systemwide gift card funds.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at December 30, 2019 and December 31, 2018:

	<u>Estimated Useful Lives</u>	<u>2019</u>	<u>2018</u>
Computers and equipment	5	\$ 45,618	\$ 42,221
Leasehold improvements	11	62,547	62,547
Furniture and fixtures	7	15,001	15,001
		<u>123,166</u>	<u>119,769</u>
Less: Accumulated Depreciation		<u>(91,375)</u>	<u>(79,127)</u>
Property and Equipment, net		<u>\$ 31,791</u>	<u>\$ 40,642</u>

Depreciation expense for the fiscal years ended December 29, 2019 and December 30, 2018 was \$12,248 and \$12,187, respectively.

**NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS**

On June 17, 2008, the Company, and an affiliate, New Orleans Roast, LLC, completed an asset purchase agreement with PJ's USA, Inc. and PJ's Wholesale, Inc., for substantially all of the assets of the PJ's franchise system and coffee roasting business, for a purchase price of approximately \$4,000,000. The Company allocated its portion of the purchase price to tangible assets acquired in the acquisition at their estimated fair values with the remainder allocated to goodwill as follows: \$28,108 to accounts receivable, and \$1,925,500 to goodwill.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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Following is a summary of intangible assets at December 30, 2019 and December 30, 2018:

	<u>2019</u>	<u>2018</u>
Goodwill	\$ 1,925,500	\$ 1,925,500
Trademarks	<u>20,102</u>	<u>20,102</u>
	1,945,602	1,945,602
Less: Accumulated Amortization	<u>(5,525)</u>	<u>(3,515)</u>
Intangible assets, net	<u>\$ 1,940,077</u>	<u>\$ 1,942,087</u>

Amortization expense for the years ended December 29, 2019 and December 30, 2018 was \$2,010 and \$2,010 respectively. Estimated future amortization expense as of December 29, 2019 is as follows:

Fiscal year ending:		
	2020	\$ 2,010
	2021	2,010
	2022	2,010
	2023	2,010
	2024	2,010
	Thereafter	<u>4,527</u>
		<u>\$ 14,577</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS**

Nine franchises located in Louisiana are owned and operated by entities affiliated through common ownership to the Company. The Company occasionally pays money to these and other entities under common control or ownership, for the purpose of funding the operations of those commonly owned entities. When the members have determined that these amounts cannot or will not be repaid, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. As of December 29, 2019, and December 30, 2018, \$16,483 and \$19,855, respectively, was due to the Company from entities under common control or ownership.

New Orleans Roast, LLC is an affiliate company that roasts and distributes coffee beans, and coffee related products to all PJ's Coffee franchises and other retail businesses. The Company's general liability/property insurance policy is part of this affiliated company's insurance policy. As of December 29, 2019 and December 30, 2018, \$0 and \$14,364 was due to the Company for payments made on behalf of New Orleans Roast, LLC. This amount is included in due from affiliates in the accompanying Balance Sheets.

The Company shares office space and certain employees with an entity affiliated through common ownership. This entity also provides health insurance to the Company's employees. Payroll expenses for the shared employees totaled \$689,011 and \$552,034 for the fiscal years ended December 29, 2019 and December 30, 2018, respectively. These amounts are included in payroll and payroll taxes in the accompanying Statements of Income.

The Company's office space is leased in the name of an affiliated entity. The Company is not a party to the lease. The company incurred \$122,649 and \$112,070 in rent expense for fiscal years 2019 and 2018, respectively, related to this lease.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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In connection with financing arrangements entered by related entities, the Company, along with other affiliated guarantors, is contingently liable to satisfy the claims of their creditor, a local financial institution (see Note 7).

All related party balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

**NOTE 6 – FRANCHISE FEES AND AREA DEVELOPMENT AGREEMENTS**

The Company adopted the revenue recognition standards under Topic 606 at the beginning of fiscal year 2019 using the modified retrospective method. The adoption of these standards did not have an impact on the Company's recognition of continuing royalty fees from franchisees, which are based on a percentage of franchisee revenues and are recognized in the period the related franchisee sales occur.

**Franchise Fees**

The adoption of Topic 606 impacted the Company's accounting for initial fees charged to franchisees. In the past, the Company recognized initial franchise fees when all material services or conditions relating to the sale of the franchise had been substantially performed or satisfied by the Company, which was generally when a new franchise store opened. In accordance with the new guidance, the Company has determined that some of the initial franchise services are not distinct from the continuing rights or services offered during the term of the franchise agreement and those costs should be treated as a separate performance obligation. Therefore, the Company recognizes a portion of the initial fees received from the franchisees as revenue over the term of the respective franchise agreement, ranging from 7-10 years.

The Company also enters into Area Development Agreements. Under these agreements, a third party (the "Developer") agrees to sell and open a certain number of franchises in the specified area over a period of time stipulated in the contract. The Company records the area development fees as deferred franchise fees when received and allocates the fee for each agreement to each individual franchise. Revenue is recognized over the term of the respective franchise agreement each time a new franchise opens in that area.

An adjustment to beginning retained earnings and deferred revenue of \$119,119 was established on the date of adoption, December 31, 2018, associated with the initial fees received through December 31, 2018 that would have been deferred and recognized over the term of each respective franchise and area development agreement if the new guidance had been applied in the past.

Under the new method, the Company recognized franchise and development fee revenue of \$467,769 during fiscal year 2019. Under the previous method, the Company recognized franchise and development fee revenue of \$330,500. At December 29, 2019 and December 30, 2018, the balance of deferred franchise and development fees was \$1,877,167 and \$1,332,400 respectively. Of these balances, \$0 and \$44,576 are included in other receivables in the accompanying Balance Sheets for the fiscal years ended 2019 and 2018, respectively.

**Royalties and Other Related Fees**

Royalties from franchisee stores are based on a percentage of store revenue and are recognized in the period the related franchised stores' sales occur. For the years ended December 29, 2019 and December 30, 2018, the Company recognized \$2,145,136 and \$1,470,604 in royalties and other related fees, respectively.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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**Advertising Fees**

The adoption of the new guidance changed the reporting of advertising fund contributions from franchisees and the related advertising fund expenditures, which were not previously included in the Statements of Income. The new guidance requires these advertising fund contributions and expenditures to be reported on a gross basis in the Statements of Income. The assets and liabilities held by the advertising funds, which were previously reported as restricted assets and liabilities of advertising funds, respectively, are now included within the respective Balance Sheet caption to which the assets and liabilities relate. Additionally, advertising costs that have been incurred by the Company outside of the advertising funds are also included within selling and marketing expenses in the Statements of Income.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Legal Proceedings**

From time to time, the Company is subject to legal proceedings, claims and liabilities, which arise in the ordinary course of business relating to matters including, but not limited to, disputes with franchisees, suppliers, employees and customers, as well as disputes over the Company's intellectual property. In the opinion of management, the amount of the ultimate liability with respect to any actions against the Company will not have a materially adverse impact on the Company's financial position or results of operations and cash flows.

**Guarantees**

In connection with financing arrangements entered into by certain companies which represent entities under common control, as co-borrowers, the Company is contingently liable to satisfy the claims of their creditor, a local financial institution, up to a maximum of \$1,023,369 should these entities be unable to satisfy the financing arrangement. In the event the Company is required to fund amounts pursuant to the above arrangement, the Company may recover the amounts from the entities, although terms of such recovery may extend over several future periods. The guarantees expire starting in May 2020 and go through May 2022.

**NOTE 8 - SUPPLEMENTARY INFORMATION**

The Company has master area development agreements in countries outside of the United States. The revenues and net income (loss) from those countries combined are in the table below. There are no long-term assets held in countries outside of the U.S.

	2019		2018	
	United States	Rest of World	United States	Rest of World
Revenues	\$ 2,578,442	\$ 76,136	\$ 1,836,881	\$ 47,134
Net Income (Loss)	\$ (511,704)	\$ 42,943	\$ (306,781)	\$ 22,015

**NOTE 9 – FAIR VALUE**

Disclosure of fair value information about financial instruments, whether or not recognized in the balance sheets is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 29, 2019 and December 30, 2018**

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future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

At December 29, 2019 and December 30, 2018, the Company did not have any financial assets or liabilities to value.

**NOTE 10 – SUBSEQUENT EVENTS**

As a result of the spread of the COVID19 coronavirus, economic uncertainties have arisen which are likely to negatively impact revenues. Other financial impact could occur though such potential impact is unknown at this time.

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 8, 2020, and determined that there were no other items for disclosure.



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## **New Orleans Brew, L.L.C.**

Financial Statements

**December 30, 2018 and December 31, 2017**

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**New Orleans Brew, L.L.C.**

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**December 30, 2018 and December 31, 2017**

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The image is a report cover with a white background. At the top, there are three horizontal bars: a medium blue bar, a dark green bar, and a dark blue bar. The central area features a light green-to-blue gradient background with a faint geometric pattern of triangles. On the left side of this area, there are three horizontal, rounded rectangular bars in a light blue color. The word "REPORT" is written in a bold, dark blue, sans-serif font in the center-right of the gradient area. At the bottom, there are three geometric shapes: a medium blue trapezoid on the left, a dark green trapezoid in the middle, and a dark blue trapezoid on the right.

# REPORT





JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

To the Members  
New Orleans Brew, L.L.C.  
Covington, LA

We have audited the accompanying financial statements of New Orleans Brew, L.L.C. (the "Company") which comprise the balance sheets as of December 30, 2018 and December 31, 2017, and the related statements of income, changes in members' equity, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Brew, L.L.C. as of December 30, 2018 and December 31, 2017 and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

*Reagan & Reagan CPA, LLC*

Covington, LA  
March 26, 2019

Reagan & Reagan CPA, LLC  
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www.randrpa.com



# **FINANCIAL STATEMENTS**

**New Orleans Brew, L.L.C.**  
**Balance Sheets**  
**December 30, 2018 and December 31, 2017**

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	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 93,952	\$ 210,875
Restricted cash	563,754	510,532
Accounts receivable	73,089	62,371
Other receivables	44,576	112,500
Prepaid expenses and other current assets	6,555	3,962
Due from affiliates	34,220	64,779
<b>Total current assets</b>	<u>816,146</u>	<u>965,019</u>
Other receivables	0	62,500
Property and equipment, less accumulated depreciation of \$79,127 and \$66,940 respectively	40,642	46,369
Goodwill and other intangible assets, less accumulated amortization of \$3,515 and \$1,505 respectively	<u>1,942,087</u>	<u>1,944,097</u>
<b>Total assets</b>	<u>\$ 2,798,875</u>	<u>\$ 3,017,985</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 127,912	\$ 168,307
Due to affiliates	-	137
National marketing fund	61,033	62,925
Gift card fund	502,722	447,607
Deferred franchise and development fees	<u>1,332,400</u>	<u>922,000</u>
<b>Total current liabilities</b>	2,024,067	1,600,976
<b>Total liabilities</b>	<u>2,024,067</u>	<u>1,600,976</u>
<b>Members' equity</b>	<u>774,808</u>	<u>1,417,009</u>
<b>Total liabilities and members' equity</b>	<u>\$ 2,798,875</u>	<u>\$ 3,017,985</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**

**Statements of Income**

**For the fiscal years ended December 30, 2018 and December 31, 2017**

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	<u>2018</u>	<u>2017</u>
Revenues		
Royalties	\$ 1,470,604	\$ 1,335,274
Franchise fees	330,500	75,000
Vendor incentives	82,911	42,921
	<u>1,884,015</u>	<u>1,453,195</u>
Expenses		
General and administrative	882,457	726,028
Payroll and payroll taxes	983,066	657,851
Selling and marketing	386,007	169,668
Depreciation and amortization	14,197	11,547
	<u>2,265,727</u>	<u>1,565,094</u>
Loss from operations	(381,712)	(111,899)
Other income (expense)		
Other income	97,469	12,195
Other expense	(409)	(7,604)
Interest expense	(114)	(1,835)
	<u>96,946</u>	<u>2,756</u>
<b>Net loss</b>	<u>\$ (284,766)</u>	<u>\$ (109,143)</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.****Statements of Cash Flows****For the fiscal years ended December 30, 2018 and December 31, 2017**

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	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (284,766)	\$ (109,143)
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	14,197	11,547
Changes in assets and liabilities		
Accounts receivable	(10,718)	15,334
Other receivables	130,424	76,577
Prepaid expenses and other current assets	(2,593)	1,023
Due from / to affiliates	30,422	(25,034)
Accounts payable and accrued liabilities	(40,395)	20,241
Deferred franchise fees	410,400	534,500
<b>Net cash provided by operating activities</b>	<u>246,971</u>	<u>525,045</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(6,459)	(28,956)
Purchases of trademarks	-	(16,402)
<b>Net cash used in investing activities</b>	<u>(6,459)</u>	<u>(45,358)</u>
<b>Cash flows from financing activities:</b>		
Member contributions	367,509	140,918
Member distributions	(724,944)	(535,572)
<b>Net cash used in financing activities</b>	<u>(357,435)</u>	<u>(394,654)</u>
<b>Net (decrease) increase in cash</b>	(116,923)	85,033
<b>Cash, beginning of period</b>	210,875	125,842
<b>Cash, end of period</b>	<u>\$ 93,952</u>	<u>\$ 210,875</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ 114	\$ 442

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**

**Statement of Changes in Members' Equity**

**For the fiscal years ended December 30, 2018 and December 31, 2017**

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	<b>Members'</b>
	<b>Equity</b>
<b>Balance at December 25, 2016</b>	\$ 1,920,806
Net loss for the period	(109,143)
Member contributions	140,918
Member distributions	(535,572)
<b>Balance at December 31, 2017</b>	<u>\$ 1,417,009</u>
Net loss for the period	(284,766)
Member contributions	367,509
Member distributions	(724,944)
<b>Balance at December 30, 2018</b>	<u>\$ 774,808</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

New Orleans Brew, L.L.C. (the “Company”) is a Louisiana based limited liability company, formed on January 23, 2008. The principle business of the Company is the franchising of “P.J.’s Coffee and Tea Company” stores (PJ’s stores). The Company offers a franchise whose primary business is the sale of gourmet coffees and teas, blended coffee and tea beverages, whole bean and ground coffee, gourmet desserts, and other food products and beverages under the name and service mark “PJ’s”. The Company operates in the United States and abroad. The Company is currently operating in the states of Arkansas, Colorado, Florida, Louisiana, Mississippi, Maryland, South Carolina and Texas. The Company has master franchisors in Vietnam, Malaysia and Kuwait, with open locations in Vietnam and Kuwait.

On June 17, 2008, the Company, and an affiliate, New Orleans Roast, LLC, completed an asset purchase agreement with PJ’s USA, Inc. and PJ’s Wholesale, Inc., for substantially all of the assets of the PJ’s franchise system and coffee roasting business.

**Basis of Accounting**

The Company’s accounts are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recorded when earned and expenses are recorded when incurred.

The Company franchise arrangements provide its franchisee entities the power to direct the activities that most significantly impact their economic performance; therefore, the Company does not consider it to be the primary beneficiary of any such entity that might be a variable interest entity.

**Fiscal Year**

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of 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.

**Companies under Common Control**

For the fiscal years ended December 30, 2018 and December 31, 2017, various members of the Company were also members in other related entities. It is management’s opinion that the financial position and results of operations of the Company have not been significantly affected by the transactions with these entities.

**Cash and Cash Equivalents**

For purposes of the financial statements, the Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand and deposits at banks.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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**Concentration of Credit Risk**

The Company maintains its cash in bank deposit accounts at financial institutions. The balances, at times, may exceed federally insured limits. At December 30, 2018 and December 31, 2017, the Company did not exceed the insured limit.

The franchisees purchase substantially all supplies and products sold at the PJ's stores from a small group of suppliers at prevailing prices.

**Accounts Receivable**

Accounts receivable consist of amounts due from franchisees and area developers for franchise fees and royalties. Management assesses the collectability of receivables on an ongoing basis. The Company records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable, which is based upon an analysis of the Company's prior collection experience, creditworthiness and current economic trends. During the fiscal years ended December 30, 2018 and December 31, 2017, the Company did not write off any receivables.

**Other Receivables**

Other receivables consist of international area developer fees.

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation, which is determined on a straight-line basis over the estimated remaining useful life of each asset. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the related reasonably assured lease term. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations. The amounts expensed for maintenance and repairs were \$6,812 and \$10,475 for the fiscal years ended December 30, 2018 and December 31, 2017.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of, if any, are reported at the lower of the carrying amount or fair value less costs to sell.

**Goodwill and Other Intangible Assets**

Goodwill represents the residual purchase price after allocation of the purchase price of net assets acquired. Goodwill is not amortized, but is subject to annual impairment tests. The Company reviews the recoverability of goodwill by comparing the fair value to the carrying value. Fair value of the Company's goodwill is estimated based upon a present value technique using discounted future cash flows. As of December 30, 2018 and December 31, 2017, management determined there was no impairment of goodwill. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Other intangible assets consist of trademarks, which are stated at cost and amortized using the straight-line method over a ten-year life. The Company tests for impairment of its intangible assets at a minimum on an annual basis. The Company does not believe that any impairment exists as of December 30, 2018 and December 31, 2017.



**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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**Fair Value of Financial Instruments**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. At the balance sheet dates, the fair values of the Company's financial assets and financial liabilities (cash, accounts and other receivables, prepaid expenses and other current assets, amounts due to and from affiliates, accounts payable and accrued liabilities, and deferred franchise and development fees) approximate their carrying values.

**Revenue Recognition**

Franchise fee revenues derived from the initial sale of individual franchises are recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Substantial performance for the Company means that the Company has no remaining obligation or intent to refund any cash received or forgive any unpaid notes or receivables, substantially all of the initial services of the Company required by the franchise agreement have been performed, and no other material conditions or obligations related to the determination of substantial performance exist. Initial services are generally deemed to be complete at the commencement of operations by the franchisee. Initial services include, among other things, assistance in site preparation, training, pre-opening, and opening activities (see Note 6).

The Company receives royalty fees from franchisees based on a percentage of each store's gross revenue, as agreed upon in the franchise agreement. Royalty revenue percentages range from 0% to 6%. Royalty fees are recognized when earned. For the fiscal years ended December 30, 2018 and December 31, 2017, \$1,470,604 and \$1,335,274 of royalty fees were earned, respectively.

**Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the PJ's brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the PJ's brand. The franchisee is required to operate its location in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company does not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right but not the obligation to acquire the assets of the franchisee at fair value. The Company has financial exposure for the collection of the royalty payments. Franchisees generally remit royalty payments weekly for the prior week's sales, which substantially minimizes the financial exposure. Historically, the Company has experienced insignificant write-offs of franchisee royalties. Franchise fees are paid upon the signing of the related agreements.

**Deferred Revenue**

Deferred revenue is recorded when a franchise agreement is signed by all parties. The franchise fee remains deferred until the franchise location is opened, at which time the fee is recognized as revenue, as substantially all of the Company's obligations to the franchisee are met.

**Payments Received from Vendors**

Vendor incentives include allowances and other funds received from vendors. Certain of these funds are determined based on various quantitative contract terms. The Company receives vendor incentives from certain manufactures and distributors calculated based on purchases made by franchisees. The Company generally receives payment from vendors approximately 45 days from the end of a month for that month's purchases.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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**Advertising Costs**

Advertising costs are treated as period costs and expensed as incurred. For the fiscal years ended December 30, 2018 and December 31, 2017, advertising costs totaled \$386,007 and \$169,668, respectively. Only advertising costs associated with the solicitation of new franchisees are included in the Company's advertising expense. Franchisees pay 0-2% of gross store revenue to an Advertising Fund, to pay for advertising of PJ's stores (see Note 2).

**Income Taxes**

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal tax returns of the members. As such, the financial statements do not reflect a provision for income taxes.

**New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue with Contracts from Customers (Topic 606)." ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-04, "Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products." ASU 2016-04 provides specific guidance for the derecognition of prepaid stored-value product liabilities. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2018 for private companies. Early adoption is permitted for interim and annual periods beginning after December 15, 2017. The Company will adopt these standards upon their effective date, December 31, 2018. The Company does not believe the new revenue recognition standard will materially impact the recognition of continuing royalty fees from franchisees. The Company believes adoption of the new revenue recognition standard will impact the accounting for other fees charged to franchisees and transactions involving the national marketing fund and gift card fund.

The Company expects the adoption of Topic 606 to impact the accounting for initial franchise fees. Currently the Company recognizes revenue from initial franchise fees upon the opening of a franchised location when the Company has performed all material obligations and initial services. Upon the adoption of Topic 606, the Company expects to recognize the revenue related to initial franchise fees over the term of the related franchise agreement.

The Company expects the adoption of the new revenue recognition standard to materially impact the accounting for national marketing fees charged to franchisees and other transactions involving the Company's national marketing and gift card funds. Upon the adoption of Topic 606, the Company expects to present marketing contributions received from franchisees as revenue and to record all expenses of the national marketing fund and therefore expects that this will increase revenues and expenses on the statements of income.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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The Company plans on adopting this standard by utilizing the full retrospective approach. As such, the Company will continue to finalize accounting policies, quantify the impact of adopting this standard, and design and implement internal controls during the fiscal year ended December 30, 2018. The Company is currently unable to estimate the impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the lease guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

The Company has reviewed all other significant newly-issued accounting pronouncements and concluded that they are either not applicable to the operations or that no material effects are expected on its financial statements as a result of future adoption.

**NOTE 2 – RESTRICTED CASH**

The Company has established a separate national marketing fund to administer funds collected from franchisees for advertising. The franchisees are required to contribute a bi-weekly fee of 0-2% of the store’s gross sales into the national marketing fund. The amounts are recorded as an asset and offsetting liability in the amount of \$61,033 and \$62,925 as of December 30, 2018 and December 31, 2017, respectively, in the accompanying Balance Sheets.

The Company has established a separate gift card pooling fund to administer funds related to gift card sales and redemptions for the PJ’s stores. This fund is managed by a third party. The amounts are recorded as an asset and offsetting liability in the amount of \$502,722 and \$447,607 as of December 30, 2018 and December 31, 2017, respectively, in the accompanying Balance Sheets.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at December 30, 2018 and December 31, 2017:

	<u>Estimated Useful Lives</u>	<u>2018</u>	<u>2017</u>
Computers and equipment	5	\$ 42,221	\$ 35,761
Leasehold improvements	11	62,547	62,547
Furniture and fixtures	7	15,001	15,001
		<u>119,769</u>	<u>113,309</u>
Less: Accumulated Depreciation		<u>(79,127)</u>	<u>(66,940)</u>
Property and Equipment, net		<u>\$ 40,642</u>	<u>\$ 46,369</u>

Depreciation expense for the fiscal years ended December 30, 2018 and December 31, 2017 was \$12,187 and \$10,042, respectively.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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**NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS**

On June 17, 2008, the Company, and an affiliate, New Orleans Roast, LLC, completed an asset purchase agreement with PJ's USA, Inc. and PJ's Wholesale, Inc., for substantially all of the assets of the PJ's franchise system and coffee roasting business, for a purchase price of approximately \$4,000,000. The Company allocated its portion of the purchase price to tangible assets acquired in the acquisition at their estimated fair values with the remainder allocated to goodwill as follows: \$28,108 to accounts receivable, and \$1,925,500 to goodwill.

Following is a summary of intangible assets at December 30, 2018 and December 31, 2017:

	<u>2018</u>	<u>2017</u>
Goodwill	\$ 1,925,500	\$ 1,925,500
Trademarks	<u>20,102</u>	<u>20,102</u>
	1,945,602	1,945,602
Less: Accumulated Amortization	<u>(3,515)</u>	<u>(1,505)</u>
Intangible assets, net	<u>\$ 1,942,087</u>	<u>\$ 1,944,097</u>

Amortization expense for the years ended December 30, 2018 and December 31, 2017 was \$2,010 and \$1,505 respectively. Estimated future amortization expense as of December 31, 2017 is as follows:

Fiscal year ending:

2019	\$	2,010
2020		2,010
2021		2,010
2022		2,010
2022		2,010
Thereafter		<u>6,537</u>
	\$	<u>16,587</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS**

Nine franchises located in Louisiana are owned and operated by entities affiliated through common ownership to the Company. The Company occasionally pays money to these and other entities under common control or ownership, for the purpose of funding the operations of those commonly owned entities. When the members have determined that these amounts cannot or will not be repaid, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members' equity. As of December 30, 2018, and December 31, 2017, \$19,855 and \$59,343, respectively, was due to the Company from entities under common control or ownership.

New Orleans Roast, LLC is an affiliate company that roasts and distributes coffee beans, and coffee related products to all PJ's Coffee franchises and other retail businesses. The Company's general liability/property insurance policy is part of this affiliated company's insurance policy. As of December 30, 2018, \$14,364 was due to the Company for payments made on behalf of New Orleans Roast, LLC. This amount is included in due from affiliates in the accompanying Balance Sheets. As of December 31, 2017, the Company owed \$137 to New Orleans Roast, LLC for payments made on behalf of the Company. This amount is included within due to affiliates in the accompanying Balance Sheets.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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As part of the franchise agreement, franchisees pay an amount equal to 0-2% of their weekly gross sales to a national marketing fund (see Note 2). From time to time the Company pays certain costs of franchisee advertising and is reimbursed by the marketing fund. As of December 30, 2018, and December 31, 2017, the national marketing fund owed the Company \$0 and \$5,435, respectively. Per the franchise agreements, the Company is not responsible for the advertising costs of the franchisees, and the franchisees are not obligated to pay for advertising costs associated with soliciting new franchisees.

The Company shares office space and certain employees with an entity affiliated through common ownership. This entity also provides health insurance to the Company's employees. Payroll expenses for the shared employees totaled \$552,034 and \$333,104 for the fiscal years ended December 30, 2018 and December 31, 2017, respectively. These amounts are included in payroll and payroll taxes in the accompanying Statements of Income.

The Company's office space is leased in the name of an affiliated entity. The Company is not a party to the lease. The company incurred \$112,070 and \$97,103 in rent expense for fiscal years 2018 and 2017, respectively, related to this lease.

The Company performs accounting and administrative services for certain entities affiliated through common ownership. A monthly fee is charged for these services and is included in other income on the Statements of Income. Total accounting fees charged to these entities totaled \$93,033 and \$0 for the fiscal years ended December 30, 2018 and December 31, 2017.

In connection with financing arrangements entered by related entities, the Company, along with other affiliated guarantors, is contingently liable to satisfy the claims of their creditor, a local financial institution (see Note 7).

All related party balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

**NOTE 6 – FRANCHISE FEES AND AREA DEVELOPMENT AGREEMENTS**

At the time a new franchisee signs a franchise agreement, the Company records deferred revenue for the total amount of the initial franchise fee that is paid or to be paid by the franchisee. When the Company is no longer obligated to refund any of the franchise fees, and has performed substantially all initial services, the franchise fee is removed from deferred revenue and recognized as income. The Company generally assumes that commencement of operations by the franchisee constitutes substantial performance and recognizes the revenue at that time. The standard franchise arrangement requires an initial franchisee fee of \$30,000 and royalty fee equal to 5% of the store's monthly gross sales.

The Company also enters into Area Development Agreements. Under these agreements, a third party (the "Developer") agrees to sell and open a certain number of franchises in the specified area over a period of time stipulated in the contract. The Company records the area development fees as deferred franchise fees when received and recognizes a portion of the fee as revenue each time a new franchise opens in that area.

For the fiscal years ended December 30, 2018 and December 31, 2017, the Company recognized \$330,500 and \$75,000, respectively, in franchise and development fee revenue. At December 30, 2018 and December 31, 2017, the balance of deferred franchise and development fees was \$1,332,400 and \$922,000 respectively. Of these balances, \$44,576 and \$175,000 are included in other receivables in the accompanying Balance Sheets for the fiscal years ended 2018 and 2017, respectively.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Legal Proceedings**

From time to time, the Company is subject to legal proceedings, claims and liabilities, which arise in the ordinary course of business relating to matters including, but not limited to, disputes with franchisees, suppliers, employees and customers, as well as disputes over the Company's intellectual property. In the opinion of management, the amount of the ultimate liability with respect to any actions against the Company will not have a materially adverse impact on the Company's financial position or results of operations and cash flows.

**Guarantees**

In connection with financing arrangements entered into by certain companies which represent entities under common control, as co-borrowers, the Company is contingently liable to satisfy the claims of their creditor, a local financial institution, up to a maximum of \$1,557,387 should these entities be unable to satisfy the financing arrangement. In the event the Company is required to fund amounts pursuant to the above arrangement, the Company may recover the amounts from the entities, although terms of such recovery may extend over several future periods. The guarantees expire starting in May 2020 and go through May 2022.

**NOTE 8 - SUPPLEMENTARY INFORMATION**

The Company has master area development agreements in countries outside of the United States. The revenues and net income (loss) from those countries combined are in the table below. There are no long-term assets held in countries outside of the U.S.

	<u>2018</u>		<u>2017</u>	
	<u>United States</u>	<u>Rest of World</u>	<u>United States</u>	<u>Rest of World</u>
Revenues	\$ 1,836,881	\$ 47,134	\$ 1,408,356	\$ 44,839
Net Income (Loss)	\$ (306,781)	\$ 22,015	\$ (102,374)	\$ (6,769)

**NOTE 9 – FAIR VALUE**

Disclosure of fair value information about financial instruments, whether or not recognized in the balance sheets is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 30, 2018 and December 31, 2017**

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and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

At December 30, 2018 and December 31, 2017, the Company did not have any financial assets or liabilities to value.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 26, 2019, and determined that there were no items for disclosure.



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## **New Orleans Brew, L.L.C.**

Financial Statements

**December 31, 2017 and December 25, 2016**

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**New Orleans Brew, L.L.C.**

**Table of Contents**

**December 31, 2017 and December 25, 2016**

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The image is a report cover with a white background. It features a central horizontal band with a blue-to-green gradient and a geometric pattern of triangles. On the left side of this band, there are three horizontal, rounded rectangular bars in a lighter blue color. The word "REPORT" is written in a bold, dark blue, sans-serif font in the center of the band. The band is bordered by solid blue, green, and dark blue horizontal stripes at the top and bottom. The bottom section of the band is divided into three colored segments: blue, green, and dark blue.

# REPORT



JOSEPH REAGAN, CPA  
*Partner*

KIM REAGAN, CPA  
*Partner*

## **Independent Auditor's Report**

To the Members  
New Orleans Brew, L.L.C.  
Covington, LA

We have audited the accompanying financial statements of New Orleans Brew, L.L.C. (the "Company") which comprise the balance sheets as of December 31, 2017 and December 25, 2016, and the related statements of income, changes in members' equity, and cash flows for the fiscal years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Orleans Brew, L.L.C. as of December 31, 2017 and December 25, 2016 and the results of its operations and its cash flows for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

*Reagan & Reagan CPA, LLC*

March 28, 2018



# **FINANCIAL STATEMENTS**

**New Orleans Brew, L.L.C.**  
**Balance Sheets**  
**December 31, 2017 and December 25, 2016**

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	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 210,875	\$ 125,842
Restricted cash	510,532	503,114
Accounts receivable	62,371	77,705
Other receivables	112,500	226,577
Prepaid expenses and other current assets	3,962	4,985
Due from affiliates	<u>64,779</u>	<u>41,457</u>
<b>Total current assets</b>	965,019	979,680
Other receivables	62,500	25,000
Property and equipment, less accumulated depreciation of \$66,940 and \$56,897 respectively	46,369	27,455
Goodwill and other intangible assets, less accumulated amortization of \$1,505 and \$0 respectively	<u>1,944,097</u>	<u>1,929,200</u>
<b>Total assets</b>	<u>\$ 3,017,985</u>	<u>\$ 2,961,335</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 168,307	\$ 148,066
Due to affiliates	137	1,849
National marketing fund	62,925	46,487
Gift card fund	447,607	456,627
Deferred franchise and development fees	<u>922,000</u>	<u>387,500</u>
<b>Total current liabilities</b>	1,600,976	1,040,529
<b>Total liabilities</b>	<u>1,600,976</u>	<u>1,040,529</u>
<b>Members' equity</b>	<u>1,417,009</u>	<u>1,920,806</u>
<b>Total liabilities and members' equity</b>	<u>\$ 3,017,985</u>	<u>\$ 2,961,335</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**

**Statements of Income**

**For the fiscal years ended December 31, 2017 and December 25, 2016**

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	<u>2017</u>	<u>2016</u>
Revenues		
Royalties	\$ 1,335,274	\$ 1,258,422
Franchise fees	75,000	155,000
Vendor incentives	42,921	56,470
	<u>1,453,195</u>	<u>1,469,892</u>
Expenses		
General and administrative	726,028	667,643
Payroll and payroll taxes	657,851	473,841
Selling and marketing	169,668	62,892
Depreciation and amortization	11,547	8,344
	<u>1,565,094</u>	<u>1,212,720</u>
Income (loss) from operations	(111,899)	257,172
Other income (expense)		
Other income	12,195	155,118
Other expense	(7,604)	(5,338)
Interest expense	(1,835)	(142)
	<u>2,756</u>	<u>149,638</u>
<b>Net (loss) income</b>	<u>\$ (109,143)</u>	<u>\$ 406,810</u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.****Statements of Cash Flows****For the fiscal years ended December 31, 2017 and December 25, 2016**

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	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities:</b>		
Net (loss) income	\$ (109,143)	\$ 406,810
Adjustments to reconcile net income to net cash (used in) provided by operating activities		
Depreciation and amortization	11,547	8,344
Changes in assets and liabilities		
Accounts receivable	15,334	(38,547)
Other receivables	76,577	(251,577)
Prepaid expenses and other current assets	1,023	(2,922)
Due from / to affiliates	(25,034)	(2,145)
Accounts payable and accrued liabilities	20,241	46,542
Deferred franchise fees	534,500	215,000
<b>Net cash provided by operating activities</b>	<u>525,045</u>	<u>381,505</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	(28,956)	(5,960)
Purchases of trademarks	(16,402)	-
<b>Net cash used in investing activities</b>	<u>(45,358)</u>	<u>(5,960)</u>
<b>Cash flows from financing activities:</b>		
Member contributions	140,918	123,730
Member distributions	(535,572)	(452,598)
<b>Net cash used in financing activities</b>	<u>(394,654)</u>	<u>(328,868)</u>
<b>Net increase in cash</b>	85,033	46,677
<b>Cash, beginning of period</b>	125,842	79,165
<b>Cash, end of period</b>	<u>\$ 210,875</u>	<u>\$ 125,842</u>
Supplemental cash flow information:		
Cash paid during the year for interest:	\$ 442	\$ 142

See accompanying Notes to Financial Statements and Independent Auditor's Report.

**New Orleans Brew, L.L.C.**

**Statement of Changes in Members' Equity**

**For the fiscal years ended December 31, 2017 and December 25, 2016**

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	<b>Members'</b>
	<b>Equity</b>
<b>Balance at December 27, 2015</b>	\$ 1,842,864
Net income for the period	406,810
Member contributions	123,730
Member distributions	(452,598)
<b>Balance at December 25, 2016</b>	<u>\$ 1,920,806</u>
Net loss for the period	(109,143)
Member contributions	140,918
Member distributions	(535,572)
<b>Balance at December 31, 2017</b>	<u><u>\$ 1,417,009</u></u>

See accompanying Notes to Financial Statements and Independent Auditor's Report.



**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2017 and December 25, 2016**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Operations**

New Orleans Brew, L.L.C. (the “Company”) is a Louisiana based limited liability company, formed on January 23, 2008. The principle business of the Company is the franchising of “P.J.’s Coffee and Tea Company” stores (PJ’s stores). The Company offers a franchise whose primary business is the sale of gourmet coffees and teas, blended coffee and tea beverages, whole bean and ground coffee, gourmet desserts, and other food products and beverages under the name and service mark “PJ’s”. The Company operates in the United States and abroad. The Company is currently operating in the states of Arkansas, Florida, Louisiana, Mississippi, South Carolina and Texas. The Company has master franchisors in Vietnam, Malaysia and Kuwait, with open locations in Vietnam.

On June 17, 2008, the Company, and an affiliate, New Orleans Roast, LLC, completed an asset purchase agreement with PJ’s USA, Inc. and PJ’s Wholesale, Inc., for substantially all of the assets of the PJ’s franchise system and coffee roasting business.

**Basis of Accounting**

The Company’s accounts are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Income is recorded when earned and expenses are recorded when incurred.

The Company franchise arrangements provide its franchisee entities the power to direct the activities that most significantly impact their economic performance; therefore, the Company does not consider it to be the primary beneficiary of any such entity that might be a variable interest entity.

**Fiscal Year**

The Company utilizes a 52- or 53-week accounting period that ends on the last Sunday in December.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities as of 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.

**Companies under Common Control**

For the fiscal years ended December 31, 2017 and December 25, 2016, various members of the Company were also members in other related entities. It is management’s opinion that the financial position and results of operations of the Company have not been significantly affected by the transactions with these entities.

**Cash and Cash Equivalents**

For purposes of the financial statements, the Company considers all highly liquid instruments purchased with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of cash on hand and deposits at banks.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2017 and December 25, 2016**

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**Concentration of Credit Risk**

The Company maintains its cash in bank deposit accounts at financial institutions. The balances, at times, may exceed federally insured limits. At December 31, 2017 and December 25, 2016, the Company did not exceed the insured limit.

The franchisees purchase substantially all supplies and products sold at the PJ's stores from a small group of suppliers at prevailing prices.

**Accounts Receivable**

Accounts receivable consist of amounts due from franchisees and area developers for franchise fees and royalties. Management assesses the collectability of receivables on an ongoing basis. The Company records a provision for doubtful receivables, if necessary, to allow for any amounts which may be unrecoverable, which is based upon an analysis of the Company's prior collection experience, creditworthiness and current economic trends. During the fiscal years ended December 31, 2017 and December 25, 2016, the Company wrote off \$0 and \$5,338 of receivables, respectively. Management has deemed all other receivables as collectible.

**Other Receivables**

Other receivables consist of international area developer fees and BP Oil Spill settlement funds (see Note 7).

**Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation, which is determined on a straight-line basis over the estimated remaining useful life of each asset. Leasehold improvements are amortized using the straight-line method over the shorter of their estimated useful lives or the related reasonably assured lease term. Routine maintenance, repairs and replacement costs are expensed as incurred and improvements that extend the useful life of the assets are capitalized. When equipment is sold or otherwise disposed of, the cost and related accumulated depreciation are eliminated from the accounts and any resulting gain or loss is recognized in operations. The amounts expensed for maintenance and repairs were \$10,475 and \$9,490 for the fiscal years ended December 31, 2017 and December 25, 2016.

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value. Assets to be disposed of, if any, are reported at the lower of the carrying amount or fair value less costs to sell.

**Goodwill and Other Intangible Assets**

Goodwill represents the residual purchase price after allocation of the purchase price of net assets acquired. Goodwill is not amortized, but is subject to annual impairment tests. The Company reviews the recoverability of goodwill by comparing the fair value to the carrying value. Fair value of the Company's goodwill is estimated based upon a present value technique using discounted future cash flows. As of December 31, 2017 and December 25, 2016, management determined there was no impairment of goodwill. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2017 and December 25, 2016**

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Other intangible assets consist of trademarks, which are stated at cost and amortized using the straight-line method over a ten year life. The Company tests for impairment of its intangible assets at a minimum on an annual basis. The Company does not believe that any impairment exists as of December 31, 2017 and December 25, 2016.

**Fair Value of Financial Instruments**

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. At the balance sheet dates, the fair values of the Company's financial assets and financial liabilities (cash, accounts and other receivables, prepaid expenses and other current assets, amounts due to and from affiliates, accounts payable and accrued liabilities, and deferred franchise and development fees) approximate their carrying values.

**Revenue Recognition**

Franchise fee revenues derived from the initial sale of individual franchises are recognized when all material services or conditions relating to the sale have been substantially performed or satisfied by the Company. Substantial performance for the Company means that the Company has no remaining obligation or intent to refund any cash received or forgive any unpaid notes or receivables, substantially all of the initial services of the Company required by the franchise agreement have been performed, and no other material conditions or obligations related to the determination of substantial performance exist. Initial services are generally deemed to be complete at the commencement of operations by the franchisee. Initial services include, among other things, assistance in site preparation, training, pre-opening, and opening activities (see Note 6).

The Company receives royalty fees from franchisees based on a percentage of each store's gross revenue, as agreed upon in the franchise agreement. Royalty revenue percentages range from 0% to 7%. Royalty fees are recognized when earned. For the fiscal years ended December 31, 2017 and December 25, 2016, \$1,335,274 and \$1,258,422 of royalty fees were earned, respectively.

**Franchise Operations**

The Company enters into franchise agreements with unrelated third parties to operate locations using the PJ's brand within a defined geographical area. The Company believes that franchising is an effective and efficient means to expand the PJ's brand. The franchisee is required to operate its location in compliance with its franchise agreement that includes adherence to operating and quality control procedures established by the Company. The Company does not provide loans, leases, or guarantees to the franchisee or the franchisee's employees and vendors. If a franchisee becomes financially distressed, the Company does not provide financial assistance. If financial distress leads to a franchisee's noncompliance with the franchise agreement and the Company elects to terminate the franchise agreement, the Company has the right but not the obligation to acquire the assets of the franchisee at fair value. The Company has financial exposure for the collection of the royalty payments. Franchisees generally remit royalty payments weekly for the prior week's sales, which substantially minimizes the financial exposure. Historically, the Company has experienced insignificant write-offs of franchisee royalties. Franchise fees are paid upon the signing of the related agreements.

**Payments Received from Vendors**

Vendor incentives include allowances and other funds received from vendors. Certain of these funds are determined based on various quantitative contract terms. The Company receives vendor incentives from certain manufactures and distributors calculated based on purchases made by franchisees. The Company generally receives payment from vendors approximately 45 days from the end of a month for that month's purchases.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
**December 31, 2017 and December 25, 2016**

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**Advertising Costs**

Advertising costs are treated as period costs and expensed as incurred. For the fiscal years ended December 31, 2017 and December 25, 2016, advertising costs totaled \$169,668 and \$62,892, respectively. Only advertising costs associated with the solicitation of new franchisees are included in the Company's advertising expense. Franchisees pay 0-2% of gross store revenue to an Advertising Fund, to pay for advertising of PJ's stores (see Note 2).

**Income Taxes**

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal tax returns of the members. As such, the financial statements do not reflect a provision for income taxes.

**New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09 "Revenue with Contracts from Customers (Topic 606)." ASU 2014-09 supersedes the current revenue recognition guidance, including industry-specific guidance. The guidance introduces a five-step model to achieve its core principal of the entity recognizing revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In March 2016, the FASB issued ASU 2016-04, "Liabilities - Extinguishments of Liabilities: Recognition of Breakage for Certain Prepaid Stored-Value Products." ASU 2016-04 provides specific guidance for the derecognition of prepaid stored-value product liabilities. In March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net)." ASU 2016-08 provides specific guidance to determine whether an entity is providing a specified good or service itself or is arranging for the good or service to be provided by another party. In April 2016, the FASB issued ASU 2016-10, "Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing." ASU 2016-10 provides clarification on the subjects of identifying performance obligations and licensing implementation guidance.

The requirements for these standards relating to Topic 606 will be effective for interim and annual periods beginning after December 15, 2018 for private companies. Early adoption is permitted for interim and annual periods beginning after December 15, 2017. The Company expects to adopt these standards upon their effective date. The Company does not believe the new revenue recognition standard will materially impact the recognition of continuing royalty fees from franchisees. The Company believes adoption of the new revenue recognition standard will impact the accounting for other fees charged to franchisees and transactions involving the national marketing fund and gift card fund.

The Company expects the adoption of Topic 606 to impact the accounting for initial franchise fees. Currently the Company recognizes revenue from initial franchise fees upon the opening of a franchised location when the Company has performed all material obligations and initial services. Upon the adoption of Topic 606, the Company expects to recognize the revenue related to initial franchise fees over the term of the related franchise agreement.

The Company expects the adoption of the new revenue recognition standard to materially impact the accounting for national marketing fees charged to franchisees and other transactions involving the Company's national marketing and gift card funds. Upon the adoption of Topic 606, the Company expects to present marketing contributions received from franchisees as revenue and to record all expenses of the national marketing fund and therefore expects that this will increase revenues and expenses on the statements of income.

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
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The Company plans on adopting this standard by utilizing the full retrospective approach. As such, the Company will continue to finalize accounting policies, quantify the impact of adopting this standard, and design and implement internal controls during the fiscal year ended December 30, 2018. The Company is currently unable to estimate the impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in the ASU supersedes the lease guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. The Company is currently evaluating the impact of the pending adoption of the new standard on its financial statements.

The Company has reviewed all other significant newly-issued accounting pronouncements and concluded that they are either not applicable to the operations or that no material effects are expected on its financial statements as a result of future adoption.

**Reclassifications**

Certain accounts in the prior year financial statements have been reclassified for comparison purposes to conform to the presentation in the current year financial statements.

**NOTE 2 – RESTRICTED CASH**

The Company has established a separate national marketing fund to administer funds collected from franchisees for advertising. The franchisees are required to contribute a bi-weekly fee of 0-2% of the store’s gross sales into the national marketing fund. The amounts are recorded as an asset and offsetting liability in the amount of \$62,925 and \$46,487 as of December 31, 2017 and December 25, 2016, respectively, in the accompanying Balance Sheets.

The Company has established a separate gift card pooling fund to administer funds related to gift card sales and redemptions for the PJ’s stores. This fund is managed by a third party. The amounts are recorded as an asset and offsetting liability in the amount of \$447,607 and \$456,627 as of December 31, 2017 and December 25, 2016, respectively, in the accompanying Balance Sheets.

**NOTE 3 – PROPERTY AND EQUIPMENT**

Following is a summary of property and equipment at December 31, 2017 and December 25, 2016:

	<b>Estimated Useful Lives</b>	<b>2017</b>	<b>2016</b>
Computers and equipment	5	\$ 35,761	\$ 33,039
Leasehold improvements	11	62,547	38,885
Furniture and fixtures	7	15,001	12,428
		<u>113,309</u>	<u>84,352</u>
Less: Accumulated Depreciation		<u>(66,940)</u>	<u>(56,897)</u>
Property and Equipment, net		<u>\$ 46,369</u>	<u>\$ 27,455</u>

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
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Depreciation expense for the fiscal years ended December 31, 2017 and December 25, 2016 was \$10,042 and \$8,344, respectively.

**NOTE 4 – GOODWILL AND OTHER INTANGIBLE ASSETS**

On June 17, 2008, the Company, and an affiliate, New Orleans Roast, LLC, completed an asset purchase agreement with PJ’s USA, Inc. and PJ’s Wholesale, Inc., for substantially all of the assets of the PJ’s franchise system and coffee roasting business, for a purchase price of approximately \$4,000,000. The Company allocated its portion of the purchase price to tangible assets acquired in the acquisition at their estimated fair values with the remainder allocated to goodwill as follows: \$28,108 to accounts receivable, and \$1,925,500 to goodwill.

Following is a summary of intangible assets at December 31, 2017 and December 25, 2016:

	<u>2017</u>	<u>2016</u>
Goodwill	\$ 1,925,500	\$ 1,925,500
Trademarks	<u>20,102</u>	<u>3,700</u>
	1,945,602	1,929,200
Less: Accumulated Amortization	<u>(1,505)</u>	<u>-</u>
Intangible assets, net	<u>\$ 1,944,097</u>	<u>\$ 1,929,200</u>

Amortization expense for the years ended December 31, 2017 and December 25, 2016 was \$1,505 and \$0 respectively. Estimated future amortization expense as of December 31, 2017 is as follows:

Fiscal year ending:		
2018	\$	2,010
2019		2,010
2020		2,010
2021		2,010
2022		2,010
Thereafter		<u>8,547</u>
	\$	<u>18,597</u>

**NOTE 5 - RELATED PARTY TRANSACTIONS**

Twelve franchises located in Louisiana are owned and operated by entities affiliated through common ownership to the Company. The Company occasionally pays money to these and other entities under common control or ownership, for the purpose of funding the operations of those commonly owned entities. When the members have determined that these amounts cannot or will not be repaid, amounts owed by these entities are treated as capital distributions to the members and are recorded as a reduction to members’ equity. As of December 31, 2017 and December 25, 2016, \$59,343 and \$39,307, respectively, was due to the Company from entities under common control or ownership.

New Orleans Roast, LLC is an affiliate company that roasts and distributes coffee beans, and coffee related products to all PJ’s Coffee franchises and other retail businesses. The Company’s general liability/property insurance policy is part of this affiliated company’s insurance policy. As of December 31, 2017 and December 25, 2016, the Company owes \$137 and \$1,849, respectively to New Orleans Roast, LLC for

**New Orleans Brew, L.L.C.**  
**Notes to Financial Statements**  
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payments made by New Orleans Roast, LLC on its behalf. This amount is included within due to affiliates in the accompanying Balance Sheets.

As part of the franchise agreement, franchisees pay an amount equal to 0-2% of their weekly gross sales to a national marketing fund (see Note 2). From time to time the Company pays certain costs of franchisee advertising and is reimbursed by the marketing fund. As of December 31, 2017 and December 25, 2016, the national marketing fund owed the Company \$5,435 and \$2,150, respectively. Per the franchise agreements, the Company is not responsible for the advertising costs of the franchisees, and the franchisees are not obligated to pay for advertising costs associated with soliciting new franchisees.

The Company shares office space and certain employees with an entity affiliated through common ownership. This entity also provides health insurance to the Company's employees. Payroll expenses for the shared employees totaled \$333,104 and \$291,919 for the fiscal years ended December 31, 2017 and December 25, 2016, respectively. These amounts are included in payroll and payroll taxes in the accompanying Statements of Income.

The Company's office space is leased in the name of an affiliated entity. The Company is not a party to the lease. The company incurred \$97,103 and \$96,299 in rent expense for fiscal years 2017 and 2016, respectively, related to this lease.

In connection with financing arrangements entered into by related entities, the Company, along with other affiliated guarantors, is contingently liable to satisfy the claims of their creditor, a local financial institution (see Note 7).

All related party balances owed to or by the Company are non-interest-bearing, unsecured and due on demand.

**NOTE 6 – FRANCHISE FEES AND AREA DEVELOPMENT AGREEMENTS**

At the time a new franchisee signs a franchise agreement, the Company records deferred revenue for the total amount of the initial franchise fee that is paid or to be paid by the franchisee. When the Company is no longer obligated to refund any of the franchise fees, and has performed substantially all initial services, the franchise fee is removed from deferred revenue and recognized as income. The Company generally assumes that commencement of operations by the franchisee constitutes substantial performance and recognizes the revenue at that time. The standard franchise arrangement requires an initial franchisee fee of \$25,000 and royalty fee equal to 5% of the store's monthly gross sales.

The Company also enters into Area Development Agreements. Under these agreements, a third party (the "Developer") agrees to sell and open a certain number of franchises in the specified area over a period of time stipulated in the contract. The Company records the area development fees as deferred franchise fees when received and recognizes a portion of the fee as revenue each time a new franchise opens in that area.

For the fiscal years ended December 31, 2017 and December 25, 2016, the Company recognized \$75,000 and \$155,000, respectively, in franchise and development fee revenue. At December 31, 2017 and December 25, 2016, the balance of deferred franchise and development fees was \$922,000 and \$387,500 respectively. Of these balances, \$175,000 and \$100,000 are included in Other Receivables in the accompanying Balance Sheets for the fiscal years ended 2017 and 2016, respectively.

**NOTE 7 - COMMITMENTS AND CONTINGENCIES**

**Legal Proceedings**

From time to time, the Company is subject to legal proceedings, claims and liabilities, which arise in the ordinary course of business relating to matters including, but not limited to, disputes with franchisees,

**New Orleans Brew, L.L.C.**  
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suppliers, employees and customers, as well as disputes over the Company's intellectual property. In the opinion of management, the amount of the ultimate liability with respect to any actions against the Company will not have a materially adverse impact on the Company's financial position or results of operations and cash flows.

On December 14, 2016, the Company was awarded a net settlement award of \$151,577 from the Deepwater Horizon Economic & Property Damages Settlement Class for damages sustained by the BP Oil Spill that occurred on April 20, 2010. This amount was included in Other Income and Other Receivables in the accompanying Statement of Income and Balance Sheet for the fiscal year ended December 25, 2016. The funds were received in January 2017.

**Guarantees**

In connection with financing arrangements entered into by certain companies which represent entities under common control, as co-borrowers, the Company is contingently liable to satisfy the claims of their creditor, a local financial institution, up to a maximum of \$2,072,809 should these entities be unable to satisfy the financing arrangement. In the event the Company is required to fund amounts pursuant to the above arrangement, the Company may recover the amounts from the entities, although terms of such recovery may extend over several future periods. The guarantees expire starting in May 2020 and go through May 2022.

**NOTE 8 - SUPPLEMENTARY INFORMATION**

The Company has master area development agreements in countries outside of the United States. The revenues and net income (loss) from those countries combined are in the table below. There are no long term assets held in countries outside of the U.S.

	2017		2016	
	United States	Rest of World	United States	Rest of World
Revenues	\$ 1,408,356	\$ 44,839	\$ 1,398,088	\$ 71,804
Net Income (Loss)	\$ (102,374)	\$ (6,769)	\$ 476,254	\$ (69,444)

**NOTE 9 – FAIR VALUE**

Disclosure of fair value information about financial instruments, whether or not recognized in the balance sheets is required. Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instruments. Therefore, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The recent fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts



**New Orleans Brew, L.L.C.**  
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and circumstances and requires use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with this guidance, the Company groups its financial assets and financial liabilities generally measured at fair value in three levels:

Level 1 – Observable inputs such as quoted prices in active markets;

Level 2 – Inputs, other than the quoted prices in active markets that are observable either directly or indirectly; and

Level 3 – Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

At December 31, 2017 and December 25, 2016, the Company did not have any financial assets or liabilities to value.

**NOTE 10 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 28, 2018, and determined that there were no items for disclosure.

**EXHIBIT G**

**NEW ORLEANS BREW, L.L.C.**  
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## **EXHIBIT H**

### **STATE ADMINISTRATORS**

**CALIFORNIA:** California Department of Business Oversight, at any of its offices. 1515 K Street, Suite 200, Sacramento, California 95814-4052, Phone: (916) 445-7205

**FLORIDA:** Department of Agriculture and Consumer Services, Division of Consumer Services, City Centre Building, Suite 7200, 227 N. Bronough Street, Tallahassee, Florida 32301, Phone: (850) 410-3754

**HAWAII:** Hawaii Department of Commerce and Consumer Affairs, Business Registration Division, 335 Merchant St., Room 203, Honolulu, Hawaii 96813, Phone: (808) 586-2722

**ILLINOIS:** Illinois Attorney General's Office, Franchise Bureau, 500 South Second Street, Springfield, Illinois 62706, Phone: (217) 782-4465

**INDIANA:** Secretary of State, Franchise Section, 302 West Washington Street, Room E-111, Indianapolis, Indiana 46204, Phone: (317) 232-6681

**MARYLAND:** Office of the Attorney General, Securities Division, 200 St. Paul Place, Baltimore, Maryland 21202, Phone: (410) 576-6368

**MICHIGAN:** Michigan Department of Attorney General, Consumer Protection Division, Franchise Section, 525 W. Ottawa St., 1<sup>st</sup> Floor, Lansing, Michigan 48913, Phone: (517) 373-7117

**MINNESOTA:** Securities Unit, Minnesota Department of Commerce, 85 7<sup>th</sup> Place East, Suite 500, St. Paul, Minnesota 55101-2198, Phone: (651) 539-1600

**NEW YORK:** NYS Department of Law, Investor Protection Bureau, 28 Liberty Street, 21st Floor, New York, New York 10005, Phone: (212) 416-8236

**NORTH CAROLINA:** Business Opportunities, Department of the Secretary of State, P.O. Box 29622, Raleigh, North Carolina 27626, Phone: (919) 807-2156

**TEXAS:** Secretary of State, Statutory document Section, P.O. Box 12887, Austin, Texas 78711, Phone: (512) 475-1769

**VIRGINIA:** Virginia State Corporation Commission, Division of Securities and Retail Franchising, 1300 East Main Street, 9<sup>th</sup> Floor, Richmond, Virginia 23219, Phone: (804) 371-9051

**WASHINGTON:** State of Washington, Department of Financial Institutions, Securities Division, P.O. Box 9033, Olympia, Washington, 98501-9033 Phone: (360) 902-8760

**WISCONSIN:** Division of Securities, 345 W. Washington Avenue, 4<sup>th</sup> Floor, Madison, Wisconsin 53703, Phone: (608) 266-1064



**EXHIBIT I**

**FRANCHISEE DISCLOSURE ACKNOWLEDGMENT STATEMENT**

As you know, New Orleans Brew, L.L.C. d/b/a PJ's Coffee of New Orleans ("Franchisor", "PJ's", "we", "us" or "our") and you are preparing to enter into a franchise agreement (the "Franchise Agreement") for the establishment and operation of a PJ's franchise (the "Franchised Business"). The purpose of this Questionnaire is to determine whether any statements or promises were made to you by employees or authorized representatives of the Franchisor, or by employees or authorized representatives of a broker acting on behalf of the Franchisor ("Broker") that have not been authorized, or that were not disclosed in the Disclosure Document or that may be untrue, inaccurate or misleading. The Franchisor, through the use of this document, desires to ascertain (a) that the undersigned, individually and as a representative of any legal entity established to acquire the franchise rights, fully understands and comprehends that the purchase of a franchise is a business decision, complete with its associated risks, and (b) that you are not relying upon any oral statement, representations, promises or assurances during the negotiations for the purchase of the franchise which have not been authorized by Franchisor.

Any acknowledgement or representations of the franchisee which disclaim the occurrence and/or acknowledge the non-occurrence of acts that would constitute a violation of the Franchise Law are not intended to nor shall they act as a release, estoppels or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

In the event that you are intending to purchase an existing Franchised Business from an existing Franchisee, you may have received information from the transferring Franchisee, who is not an employee or representative of the Franchisor. The questions below do not apply to any communications that you had with the transferring Franchisee. Please review each of the following questions and statements carefully and provide honest and complete responses to each.

1. Are you seeking to enter into the Franchise Agreement in connection with a purchase or transfer of an existing Franchised Business from an existing Franchisee?

Yes \_\_\_\_\_ No \_\_\_\_\_

2. I had my first face-to-face meeting with a Franchisor representative on \_\_\_\_\_, 20\_\_.

3. Have you received and personally reviewed the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

4. Do you understand all of the information contained in the Franchise Agreement, each addendum, and/or related agreement provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

If no, what parts of the Franchise Agreement, any Addendum, and/or related agreement do you not understand? (Attach additional pages, if necessary.)

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5. Have you received and personally reviewed the Franchisor's Disclosure Document, including all attached exhibits, that was provided to you?

Yes \_\_\_\_\_ No \_\_\_\_\_

6. Did you sign a receipt for the Disclosure Document indicating the date you received it?

Yes \_\_\_\_\_ No \_\_\_\_\_

7. Do you understand all of the information contained in the Disclosure Document and any state-specific Addendum to the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, what parts of the Disclosure Document and/or Addendum do you not understand? (Attach additional pages, if necessary.)

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8. Have you discussed the benefits and risks of establishing and operating a Franchised Business with an attorney, accountant, or other professional advisor?

Yes \_\_\_\_\_ No \_\_\_\_\_

If No, do you wish to have more time to do so?

Yes \_\_\_\_\_ No \_\_\_\_\_

9. Do you understand that the success or failure of your Franchised Business will depend in large part upon your skills and abilities, competition from other businesses, interest rates, inflation, labor and supply costs, location, lease terms, your management capabilities and other economic, and business factors?

Yes \_\_\_\_\_ No \_\_\_\_\_

10. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the actual or potential revenues, profits or operating costs of any particular Franchised Business operated by the Franchisor or its franchisees (or of any group of such businesses), that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

11. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the amount of money you may earn in operating the franchised business that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

12. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the total amount of revenue the Franchised Business will generate, that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

13. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise regarding the costs you may incur in operating the Franchised Business that is contrary to or different from the information contained in the Disclosure Document?

Yes \_\_\_\_\_ No \_\_\_\_\_

14. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement or promise concerning the likelihood of success that you should or might expect to achieve from operating a Franchised Business?

Yes \_\_\_\_\_ No \_\_\_\_\_

15. Has any employee of a Broker or other person speaking on behalf of the Franchisor made any statement, promise or agreement concerning the advertising, marketing, training, support service or assistance that the Franchisor will furnish to you that is contrary to, or different from, the information contained in the Disclosure Document or franchise agreement?

Yes \_\_\_\_\_ No \_\_\_\_\_

16. Have you entered into any binding agreement with the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

17. Have you paid any money to the Franchisor concerning the purchase of this franchise prior to today?

Yes \_\_\_\_\_ No \_\_\_\_\_

18. Have you spoken to any other franchisee(s) of this system before deciding to purchase this franchise? If so, who? \_\_\_\_\_

If you have answered No to question 9, or Yes to any one of questions 10-17, please provide a full explanation of each answer in the following blank lines. (Attach additional pages, if necessary, and refer to them below.) If you have answered Yes to question 9, and No to each of questions 10-17, please leave the following lines blank.

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I signed the Franchise Agreement and Addendum (if any) on \_\_\_\_\_, 20\_\_\_\_, and acknowledge that no Agreement or Addendum is effective until signed and dated by the Franchisor.

Please understand that your responses to these questions are important to us and that we will rely on them. By signing this Questionnaire, you are representing that you have responded truthfully to the above questions. In addition, by signing this Questionnaire, you also acknowledge that:

A. You recognize and understand that business risks, which exist in connection with the purchase of any business, make the success or failure of the franchise subject to many variables, including among other things, your skills and abilities, the hours worked by you, competition, interest rates, the economy, inflation, franchise location, operation costs, lease terms and costs and the marketplace. You hereby acknowledge your awareness of and willingness to undertake these business risks.

B. You agree and state that the decision to enter into this business risk is in no manner predicated upon any oral representation, assurances, warranties, guarantees or promises made by Franchisor or any of its officers, employees or agents (including the Broker or any other broker) as to the likelihood of success of the franchise. Except as contained in the Disclosure Document, you acknowledge that you have not received any information from the Franchisor or any of its officers, employees or agents (including the Broker or any other broker) concerning actual, projected or forecasted franchise sales, profits or earnings. If you believe that you have received any information concerning actual, average, projected or forecasted franchise sales, profits or earnings other than those contained in the Disclosure Document, please describe those in the space provided below or write "None".

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C. You further acknowledge that the President of the United States of America has issued Executive Order 13224 (the "Executive Order") prohibiting transactions with terrorists and terrorist organizations and that the United States government has adopted, and in the future may adopt, other anti-terrorism measures (the "Anti-Terrorism Measures"). The Franchisor therefore requires certain certifications that the parties with whom it deals are not directly involved in terrorism. For that reason, you hereby certify that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, is:

- (i) a person or entity listed in the Annex to the Executive Order;
- (ii) a person or entity otherwise determined by the Executive Order to have committed acts of terrorism or to pose a significant risk of committing acts of terrorism;

- (iii) a person or entity who assists, sponsors, or supports terrorists or acts of terrorism;  
or
- (iv) owned or controlled by terrorists or sponsors of terrorism.

You further covenant that neither you nor any of your employees, agents or representatives, nor any other person or entity associated with you, will during the term of the Franchise Agreement become a person or entity described above or otherwise become a target of any Anti-Terrorism Measure.

Sign here if you are taking the franchise as a

Sign here if you are taking the franchise as an

CORPORATION, LIMITED LIABILITY  
COMPANY OR PARTNERSHIP

INDIVIDUAL

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Legal Entity

Print Name \_\_\_\_\_

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

\_\_\_\_\_  
Signature

Print Name \_\_\_\_\_

Print Name \_\_\_\_\_

Title \_\_\_\_\_

\_\_\_\_\_  
Signature

Print Name \_\_\_\_\_

**EXHIBIT J**

**FRANCHISEES/LOCATIONS OF STORES**

<b>NAMES OF CURRENT FRANCHISEES &amp; LOCATIONS AS OF MARCH 31, 2020</b>					
<b>STATE</b>	<b>FRANCHISEE</b>	<b>ADDRESS</b>	<b>TELEPHONE</b>	<b>TRADITIONAL / NON-TRADITIONAL</b>	<b>DRIVE-THRU / NO DRIVE-THRU</b>
<b>ARKANSAS</b>					
AR	EAB Coffee, LLC Attn: Peter Dunn	106 East Main St., Ste. 103 Eldorado, AR 71730	870-875-1409	Traditional	No Drive-thru
<b>COLORADO</b>					
CO	R & J Coffee, LLC Attn: Renee Prutch	922 E. Hailey Lane Pueblo West, CO 81007	719-647-2848	Traditional	Drive-thru
<b>GEORGIA</b>					
GA	T & C Coffee, LLC <sup>2</sup> Attn: Charlie Sampey	1010 Market Street Greensboro, GA 30642	762-555-1187	Traditional	Drive-thru
<b>LOUISIANA</b>					
LA	21 Brew LLC <sup>2</sup> Attn: Paul Ballard	70456 HWY 21, Ste. 1 Covington, LA 70433	985-875-7894	Traditional	Drive-thru
LA	B.E.D. Café, LLC Attn: Thomas Boudreaux	5300 Tchoupitoulas St. New Orleans, LA 70115	504-895-2007	Traditional	No Drive-thru
LA	Ballard Pearson, LLC <sup>2</sup> Paul Ballard	73015 Hwy 25, Ste. F Covington, LA 70435	985-892-1202	Traditional	Drive-thru
LA	Bean Town, LLC <sup>2</sup> Attn: Donna Miller	14282 W. University Ave., Ste. A Hammond, LA 70401	985-542-5515	Traditional	Drive-thru
LA	Bean Town, LLC <sup>2</sup> Attn: Donna Miller	224 W. Thomas Hammond, LA 70401	985-345-1533	Traditional	No Drive-thru
LA	Brew Boys LLC <sup>2</sup> Attn: Paul Ballard	1665 Dove Park Rd. Mandeville, LA 70471	985-898-5282	Traditional	Drive-thru
LA	Campus Brew LLC <sup>2</sup> Attn: Paul Ballard	Tulane University 6501 Willow St., New Orleans, LA 70117	504-862-8063	Non-Traditional	No Drive-thru
LA	Campus Brew LLC <sup>2</sup> Attn: Paul Ballard	Tulane University 6823 St. Charles Ave., New Orleans, LA 70117	504-865-5705	Non-Traditional	No Drive-thru
LA	Bellinaloo Coffee, LLC Attn: Cherie White	1545 Lapalco Blvd, Bldg. E-1A Harvey, LA 70058	504-368-6600	Traditional	No Drive-thru
LA	TAM Coffee, LLC <sup>2</sup>	3070 Holiday Drive	504-392-4280	Traditional	Drive-thru

	Attn: Andrew Jones	New Orleans, LA 70131			
LA	GRM LLC Attn: Richard Robbins	6600 Franklin Ave., Ste. B-1 New Orleans, LA 70122	504-282-0898	Traditional	No Drive-thru
LA	Irish Brew, LLC Attn: Brett Pearson	Clearview Mall 4436 Veterans Blvd., Ste. 8, Metairie, LA 70006	504-883-5516	Non-Traditional	No Drive-thru
LA	East Gause Coffee, LLC <sup>2</sup> Attn: Barry Prendergast	2040 E Gause Blvd, Ste. 1 Slidell, LA 70461	985-649-6270	Traditional	Drive-thru
LA	Clearview Royal Lessee, LLC Attn: John Kline	Royal St. Charles Hotel 135 St. Charles Ave., New Orleans, LA 70130	504-207-8909	Non-Traditional	No Drive-thru
LA	MA Partnership, LLC Attn: Michael Pierce	5359 Mounes St. Harahan, LA 70123	504-731-2905	Traditional	Drive-thru
LA	Maple Brew LLC <sup>2</sup> Attn: Paul Ballard	7624 Maple St. New Orleans, LA 70118	504-861-5335	Traditional	No Drive-thru
LA	Marketplace Brew LLC <sup>2</sup> Attn: Paul Ballard	70325 Hwy 1077 Ste. A-1 Covington, LA 70433	985-845-8411	Traditional	Drive-thru
LA	Gumbo Miller, LLC <sup>2</sup> Attn: Aubry Miller	5432 Magazine St. New Orleans, LA 70115	504-895-2202	Traditional	No Drive-thru
LA	Nola Brew LLC Attn: Brent Jouandot	2200 David Dr. Metairie, LA	504-883-3883	Traditional	No Drive-thru
LA	Plan 22 LLC Attn: Eleanor Fisher	4480 Hwy 22 Mandeville, LA 70471	985-624-9015	Traditional	No Drive-thru
LA	R & N Red Stick Coffee Company Attn: Stephanie Redmann	100 Lafayette St. Baton Rouge, LA 70801	225-381-0055	Traditional	No Drive-thru
LA	Caffeinated, LLC Attn: Amanda Bennett	1913 SW Railroad Ave. Hammond, LA 70430	985-549-1620	Traditional	Drive-thru
LA	JTJK Coffee, LLC <sup>2</sup> Attn: Barry Prendergast	1600 N Hwy 190, Ste. 7 Covington, LA 70433	985-871-9236	Traditional	No Drive-thru
LA	Robins LLC Attn: Tom Lewis	150 Ormond Center Ct. Destrahan, LA 70047	985-764-7573	Traditional	Drive-thru
LA	S & S Wingery, LLC Attn: Kelly Songy	2015 E. Judge Perez Chalmette, LA 70043	504-279-5307	Traditional	Drive-thru
LA	Saterlee Development, LLC Attn: Anthony Saterlee	10158 Jefferson Hwy River Ridge, LA 70123	504-738-7797	Traditional	No Drive-thru
LA	Sodexo America, LLC <sup>2</sup> Attn: Phoebe Cook	Tulane University Library 7001 Freret St. New Orleans, LA 70117	504-862-3086	Non-Traditional	No Drive-thru

LA	21 Brew, LLC <sup>2</sup> Attn: Ruby Ann Oxford	St. Tammany Parish Hospital 1202 S. Tyler St., Covington, LA	985-892-8242	Non-Traditional	No Drive-thru
LA	RDT Coffee, LLC <sup>2</sup> Attn: Roxanne Tillotson	7614 Hwy 23 Suite F Belle Chase, LA 70037	504-393-0858	Traditional	No Drive-thru
LA	TAM Poydras, LLC <sup>2</sup> Attn: Andrew Jones	1515 Poydras St., Ste. 400 New Orleans, LA 70112	504-875-2443	Traditional	No Drive-thru
LA	Bean Town, LLC <sup>2</sup> Attn: Donna Miller	Northoaks Hospital 15790 Paul Vega MD, Hammond, LA 70360	985-230-6061	Non-Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Baptist Hospital 4429 Clara St., New Orleans, LA 70115	504-894-2701	Non-Traditional	No Drive-thru
LA	Magnolia Hospitality, LLC <sup>2</sup> Attn: Corrado Giacona	300 Canal St., Ste. R New Orleans, LA 70130	504-210-0392	Non-Traditional	No Drive-thru
LA	L'auberge Du Lac Casino Attn: Sean Malone	LDL Casino Baton Rouge, LA 70820	225-490-7358	Non-Traditional	No Drive-thru
LA	Jeremy Griffen Attn: Jeremy Griffen	1311 St. Charles St. Houma, LA 70360	985-873-4141	Traditional	Drive-thru
LA	Claiborne Fresh Market <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 8115 S. Claiborne Ave., New Orleans, LA 70118	504-488-0536	Non-Traditional	No Drive-thru
LA	Harrison Fresh Market <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 801 Harrison Ave., New Orleans, LA 70124	504-293-1201	Non-Traditional	No Drive-thru
LA	M. Robert Enterprises <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 153 Robert E. Lee Blvd., New Orleans, LA 70124	504-282-3428	Non-Traditional	No Drive-thru
LA	ML Robert II, LLC <sup>2</sup> Attn: Marc Robert III	Roberts Fresh Market 5016 W. Esplanade Ave., Metairie, LA 70006	504-885-7005	Non-Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Medical Center 2500 Belle Chase Hwy., Gretna, LA 70056	504-392-3131	Non-Traditional	No Drive-thru
LA	Jackson Square Coffee, LLC <sup>2</sup> Attn: Roy Bruno	630 Chartres St. New Orleans, LA 70116	504-267-4545	Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Medical Center 1514 Jefferson Hwy., New Orleans, LA 70121	504-842-3000	Non-Traditional	No Drive-thru
LA	MMAD Coffee, LLC <sup>2</sup> Attn: Mateusz Dabrowski	402 West Highway 30, Suite A Gonzales, LA 70737	225-644-5955	Traditional	Drive-thru
LA	Jun Da, LLC <sup>2</sup>	5555 Canal Blvd.	504-309-3398	Traditional	



	Attn: Shuai Wang	New Orleans, LA 70124			No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	LSUHS Shreveport 1501 Kings Hwy., Shreveport, LA 71103	318-675-4560	Non-Traditional	No Drive-thru
LA	SSP America Attn: Robert Cotton	Baton Rouge Regional Airport (Pre-Security) 9430 Jackie Cochran Dr., Baton Rouge, LA 70807	225-354-3448	Non-Traditional	No Drive-thru
LA	RDT Coffee II, LLC <sup>2</sup> Attn: Roxanne Tillotson	Diaz Convenience Store 4400 Clearview Pkwy., Metairie, LA 70006	504-779-2976	Non-Traditional	Drive-thru
LA	SSP America <sup>2</sup> Attn: Robert Cotton	Baton Rouge Regional Airport (Post-Security) 9430 Jackie Cochran Dr., Baton Rouge, LA 70807	225-354-3448	Non-Traditional	No Drive-thru
LA	Heathbrou, LLC Attn: Aaron Broussard	3625 Nelson Rd., Suite E Lake Charles, LA 70605	337-429-2561	Traditional	Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Medical Center 180 W. Esplanade Ave., Kenner LA 70065	985-875-2828	Non-Traditional	No Drive-thru
LA	Aramark <sup>2</sup> Attn: Philip Martin	University Medical Center 2000 Canal St., New Orleans, LA, 70112	504-201-9349	Non-Traditional	No Drive-thru
LA	Aramark <sup>2</sup> Attn: Corie Gardener	Touro Medical Center 1401 Foucher St., New Orleans, LA 70115	504-897-7011	Non-Traditional	No Drive-thru
LA	Decatur Brew, LLC <sup>2</sup> Attn: Roy Bruno	501 Decatur St. New Orleans, LA 70130	504-207-4100	Traditional	No Drive-thru
LA	T & C Coffee, LLC <sup>2</sup> Attn: Charlie Sampey	820 West Oak St Amite, LA 70422	504-392-4280	Traditional	Drive-thru
LA	INAR, LLC <sup>2</sup> Attn: Barry Prendergast	61103 Airport Rd Suite 7 Slidell, LA 70460	985-847-9470	Traditional	No Drive-thru
LA	Lavigne Plaza, LLC Attn: Chip Lavigne	Blue Harbor 2963 Hwy 190, Mandeville, LA 70471	985-674-1565	Traditional	Drive-thru
LA	Stone Creek Club & Spa, LLC Attn: Scott Gutterman	Stone Creek Club & Spa, LLC 1201 Ochsner Blvd., Covington, LA 70433	985-801-7135	Non-Traditional	No Drive-thru
LA	Where's The Watermelon, LLC <sup>2</sup> Attn: Aubry Miller	2140 Magazine Street New Orleans, LA 70817	504-355-2934	Traditional	No Drive-thru
LA	Griffin Hospitality, LLC <sup>2</sup> Attn: Jeremy Griffin	200 E. Bayou Road Thibodaux, LA 70301	985-492-1207	Traditional	Drive-thru
LA	PJ's Coffee of Laplace, LLC	1808 West Airline Hwy B	985-359-7575	Traditional	No Drive-thru

	Attn: Wayne Vicknair	LaPlace, LA 70068			
LA	Bruno Brew, LLC <sup>2</sup> Attn: Roy Bruno	800 Metairie Rd. Ste. V Metairie, LA 70005	504-828-1460	Traditional	No Drive-thru
LA	Bruno Brew, LLC <sup>2</sup> Attn: Roy Bruno	509 Veterans Blvd. Metairie, LA 70005	504-841-0990	Traditional	Drive-thru
LA	KL & AM Holdings, LLC <sup>2</sup> Attn: Aubry Miller	20103 Old Scenic Hwy. Zachary, LA 70791	225-570-2268	Traditional	Drive-thru
LA	Marketfare St. Claude, LLC <sup>2</sup> Attn: Marc Robert	Roberts Fresh Market 2222 St. Claude Ave., New Orleans, LA 70117	504-262-888	Non-Traditional	No Drive-thru
LA	Ripple Bayou Beans, LLC Attn: Shelly Johnston	15089 LA-73 Prairieville, LA 70769	225-744-1713	Traditional	No Drive-thru
LA	Lagniappe Coffee, LLC Attn: Brandy Craft	2119 Airline Drive, Suite 100 Bossier City, LA 71111	318-588-5188	Traditional	Drive-thru
LA	840 Coffee Co, LLC Attn: John Georges	New Orleans Advocate 840 St. Charles Ave., New Orleans, LA 70130	504-266-2145	Non-Traditional	No Drive-thru
LA	Sodexo America, LLC <sup>2</sup> Attn: Jeffery Burnham	Tulane University - Freeman School of Business 7 McAlister Drive, New Orleans, LA 70118	503-862-8152	Non-Traditional	No Drive-thru
LA	Capcorn, LLC Attn: Richard Capdeboscq	The Riverwalk 500 Port of New Orleans Place, NOLA 70130	504-218-5698	Non-Traditional	No Drive-thru
LA	Aramark <sup>2</sup> Attn: Philip Martin	West Jefferson Medical Center 1101 Medical Center Blvd., Marrero, LA 70006	504-349-1156	Non-Traditional	No Drive-thru
LA	Ballard Brew, LLC <sup>2</sup> Attn: Paul Ballard	Ochsner Health Center - Covington 1000 Ochsner Blvd., Covington, LA 70433	985-302-5470	Non-Traditional	No Drive-thru
LA	Jun Da, LLC <sup>2</sup> Attn: Shuai (Sean) Wang	Kenner 2240 Veterans Blvd. Kenner, LA 70062	504-305-0305	Traditional	Drive-thru
LA	St. Paul's School Attn:	St. Paul's School 917 S Jahnke Ave. Covington, LA 70433	985-892-3200	Non-Traditional	No Drive-thru
LA	JAG Investment Group, LLC <sup>2</sup> Attn: Andrew Jones	East Houma 1128 Grand Caillou Rd. Houma, LA 70363	985-262-0622	Traditional	Drive-thru
LA	Crescent City Coffee, LLC Attn: Stephanie Chamblis	New Orleans East 5733 Read Blvd. New Orleans, LA 70127	504-354-8622	Traditional	Drive-thru

LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	Ochsner Baton Rouge 10310 The Grove Blvd Baton Rouge, LA 70836	225-761-5200	Non-Traditional	No Drive-thru
LA	St. Scholastica Academy Attn:	St. Scholastica Academy 122 S Massachusetts St, Covington, LA 70433	985-892-2540	Non-Traditional	No Drive-thru
LA	Compass Group, LLC <sup>2</sup> Attn: Jason Hewlett	University of New Orleans 2000 Lakeshore Dr. New Orleans, LA 70148	N/A	Non-Traditional	No Drive-thru
LA	TAM Carondelet, LLC <sup>2</sup> Attn: Andrew Jones	Drip Affogato Bar 703 Carondelet St, New Orleans, LA 70113	504-313-1611	Non-Traditional	No Drive-thru
LA	Armstrong Airport Concessions, LLC Attn: Delaware North	New Orleans Airport - Concourse C 1 Terminal Dr.- Main Terminal, Kenner, LA 70062	N/A	Non-Traditional	No Drive-thru
LA	Walker High School Attn: Jason St. Pierre	12646 Burgess Avenue Walker, LA 70785	335-664-4825	Non-Traditional	No Drive-thru
<b>MARYLAND</b>					
MD	Venus, LLC <sup>2</sup> Attn: Shaq Quershi	8621 Georgia Ave., Ste A-2 Silver Spring, MD 20910	240-863-3810	Traditional	No Drive-thru
<b>MISSISSIPPI</b>					
MS	Three Cups of Coffee, LLC <sup>2</sup> Attn: Barry Prendergast	117 North Main St., Ste. A Picayune, MS 39466	601-799-4901	Traditional	No Drive-thru
MS	Praise Properties LLC Attn: Pat Brumfield	1213 Delaware Ave. McComb, MS 39648	601-249-2735	Traditional	Drive-thru
MS	Gulfport Food Systems, LLC Attn: Maria Mena	Gulfport Outlet Mall 10000 Factory Shops Blvd., Ste. FC-10, Gulfport, MS 39053	228-8716020	Non-Traditional	No Drive-thru
MS	TMS Enterprises, LLC Attn: Tanya Surla	Stennis Space Center Building 1100, Room N180B	228-688-1197	Non-Traditional	No Drive-thru
MS	James & Catherine MacPhaille	2017 Main Street Bay St. Louis, MS 39520	228-231-1942	Traditional	Drive-thru
MS	Coast Coffee, LLC <sup>2</sup> Attn: David LeBron	14100 Cook Road Biloxi, MS 39532	228-215-1510	Traditional	Drive-thru
MS	Central Avenue Coffee, LLC <sup>2</sup> Attn: David LeBron	10439 D'Iberville Blvd. D'Iberville, MS 39532	228-207-4509	Traditional	Drive-thru
MS	Brooke Stampley <sup>2</sup> Paul Sanders <sup>2</sup>	6106 US-98 Hattiesburg, MS 39402		Traditional	Drive-thru
MS	Jackson Brew, LLC <sup>2</sup> Attn: Jack Stanton	3100 Old Canton Road, Suite 100 Jackson, MS 39216	601-566-1400	Traditional	Drive-thru

MS	PJ's Coffee of Meridian, LLC <sup>2</sup> Attn: Farheen Lala	5145 Hwy 39 Meridian, MS 39301		Traditional	Drive-thru
<b>SOUTH CAROLINA</b>					
SC	Sodexo America, LLC <sup>2</sup> Attn:	Medical University South Carolina 171 Ashley Avenue, MUSC	843-792-0393	Non-Traditional	No Drive-thru
<b>TENNESSEE</b>					
TN	IGWT Coffee, LLC <sup>2</sup> Attn: JC Chavarria	Philips Plaza Building 414 Union St., #105, Nashville, TN 37219	615-953-7997	Traditional	No Drive-thru
<b>TEXAS</b>					
TX	One Price Triton, LLC Attn: Mike Price	11930 Barker Cypress Rd., Ste 800 Cypress, TX 77433	832-653-6235	Traditional	Drive-thru
TX	JKSAM & Sons, LLC Attn: Kyra Sam	12640 Broadway St., Ste 102 Pearland, TX 77584	832-406-7350	Traditional	Drive-thru
<b>KUWAIT</b>					
KU	Hesham Abdulla Alroumi	Block 10 Plot 288 Abu Al Hassaniya Kuwait, Abu Al Hassaniya	65-9-987-0622	Traditional	No Drive-thru
<b>VIETNAM</b>					
VN	TR Group International Pte. Ltd. Attn: Rick Yvanovich	72 70, Le Thanh Ton (Vincom Mall B1) Ho Chi Min City, District 1, Vietnam	84-8-382-6900	Non-Traditional	No Drive-thru
VN	TR Group International Pte. Ltd. Attn: Rick Yvanovich	145-147 Nguyen Co Thach, An Loi Dong Ward, District 2, Vietnam	84-8-382-6900	Non-Traditional	No Drive-thru
VN	TR Group International Pte. Ltd. Attn: Rick Yvanovich	British International School 101 Thao Dien Street District 2 Ho Chi Minh City	84-8-382-6900	Non-Traditional	No Drive-thru

**FRANCHISEES WHO HAVE NOT YET OPENED  
AS OF MARCH 31, 2020**

STATE	LOCATION/CITY	NAME OF FRANCHISEE	PHONE NUMBER
<b>ALABAMA (4)</b>			
AL	Spanish Fort, AL	Eastern Shore Coffee, LLC <sup>2</sup> - Harry Dodich	251-648-3855
AL	Mobile, AL	Eastern Shore Coffee, LLC <sup>2</sup> - Harry Dodich	251-648-3855
AL	Mobile, AL	Eastern Shore Coffee, LLC <sup>2</sup> - Harry Dodich	251-648-3855

AL	Tuscaloosa, AL	Armellino Italian Ices Co. - Bill Getchel	631-848-6737
<b>ARKANSAS (1)</b>			
AR	Stuttgart, AR	Eric & Rebecca Seyller	870-674-8622
<b>CALIFORNIA (1)</b>			
CA	Carmichael, CA	Danny Phung	916-505-6575
<b>FLORIDA (1)</b>			
FL	Bradenton, FL	George Qassis	732-330-3265
<b>GEORGIA (5)</b>			
GA	Alpharetta, GA	The Social Gaming Experience, LLC - Kenya Harris	334-324-8791
GA	Lawrenceville, GA	Muneeb Arif	770-826-2713
GA	Columbus, GA	P2 Brew, LLC <sup>2</sup> - Paul Amos	706-577-5808
GA	Columbus, GA	P2 Brew, LLC <sup>2</sup> - Paul Amos	706-577-5809
GA	Columbus, GA	P2 Brew, LLC <sup>2</sup> - Paul Amos	706-577-5810
<b>LOUISIANA (13)</b>			
LA	Ponchatoula, LA	Beantown, LLC <sup>2</sup> - Donna Miller	985-969-0104
LA	Baton Rouge, LA	LA Roasters, LLC <sup>2</sup> - Andrew Jones	404-427-0366
LA	Baton Rouge, LA	LA Roasters, LLC <sup>2</sup> - Andrew Jones	404-427-0367
LA	Baton Rouge, LA	LA Roasters, LLC <sup>2</sup> - Andrew Jones	404-427-0368
LA	Houma, LA	JAG Investments, LLC <sup>2</sup> - Andrew Jones	404-427-0369
LA	Walker, LA	Walker Needs Coffee, LLC <sup>2</sup> - Aubry Miller	504-234-0282
LA	Lafayette, LA	Allen & Julie Cummings <sup>2</sup>	985-778-3313
LA	Lafayette, LA	Allen & Julie Cummings <sup>2</sup>	985-778-3313

LA	Lafayette, LA	Allen & Julie Cummings <sup>2</sup>	985-778-3313
LA	Ruston, LA	Kristy & Robert Mounts	318-512-6384
LA	New Orleans, LA	Ash Salem	504-655-8719
LA	Baton Rouge, LA	Al & Dina Perkins <sup>2</sup>	225-907-4370
LA	Baton Rouge, LA	Al & Dina Perkins <sup>2</sup>	225-907-4370
<b>MARYLAND (5)</b>			
MD	Bowie, MD	TMT Holding Co. - Michael Harris	240-423-2328
MD	Bowie, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2329
MD	Annapolis, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
MD	College Park, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
MD	Hyattsville, MD	TMT Holding Co. <sup>2</sup> - Michael Harris	240-423-2328
<b>MISSOURI (1)</b>			
MO	Platte City, MO	Dundee's Brew, LLC - Jill Nelson	913-370-3922
<b>MISSISSIPPI (11)</b>			
MS	Hattiesburg, MS	Paul Sanders and Brooke Stampley <sup>2</sup>	985-630-7162
MS	Hattiesburg, MS	Paul Sanders and Brooke Stampley <sup>2</sup>	985-630-7164
MS	Ocean Springs, MS	Coast Coffee, LLC <sup>2</sup> - David LeBron	228-229-0689
MS	Biloxi, MS	Coast Coffee, LLC <sup>2</sup> - David LeBron	228-229-0690
MS	Gulfport, MS	Coast Coffee, LLC <sup>2</sup> - David LeBron	228-229-0691
MS	Brookhaven, MS	John & Angela Lambert	601-695-2039
MS	Meridian, MS	Farheen Lala <sup>2</sup>	602-686-2636

MS	Meridian, MS	Farheen Lala <sup>2</sup>	602-686-2637
MS	Jackson, MS	John Stanton <sup>2</sup>	504-858-5800
MS	Jackson, MS	John Stanton <sup>2</sup>	504-858-5801
MS	Ocean Springs, MS	Ronnie Ali & Brianne Whitney	707-319-5068
<b>NORTH CAROLINA (1)</b>			
NC	Charlotte, NC	Raheel & Asil Quershi	917-992-6611
<b>NEW JERSEY (2)</b>			
NJ	Watchung, NJ	The Family Bean, LLC - Islam Badr	201-744-7962
NJ	Montville, NJ	Goran & Divna Popovski	973-342-5014
<b>SOUTH CAROLINA (2)</b>			
SC	Ridgeland, SC	Lucky 8 Coffee, LLC - Linda Johnson	843-619-1911
SC	Rock Hill, SC	Jeff Hateley	949-899-3835
<b>TEXAS (24)</b>			
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6004
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6005
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6006
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6007
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6008
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6009
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6010
TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6011

TX	Houston, TX	One Price Triton, LLC <sup>2</sup> - Mike Price	281-468-6012
TX	Helotes, TX	P & M Coffee, LLC - Philip Sebastian	210-912-5996
TX	San Antonio, TX	Martin & Deborah Bomba <sup>2</sup>	210-287-9694
TX	Round Rock, TX	Martin & Deborah Bomba <sup>2</sup>	210-287-9695
TX	Austin, TX	Martin & Deborah Bomba <sup>2</sup>	210-287-9696
TX	Monahans, TX	Ever & Marielena Saenz	432-260-9737
TX	Spring, TX	Paul Picard <sup>2</sup>	713-302-5251
TX	Houston, TX	Paul Picard <sup>2</sup>	713-302-5252
TX	Houston, TX	Paul Picard <sup>2</sup>	713-302-5253
TX	Fort Worth, TX	Mark & Barbara Null	817-773-8310
TX	Amarillo, TX	Cathy & Joel Meyers	806-445-4139
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3361
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3362
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3363
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3364
TX	Dallas, TX	HRK Management PJs1, LLC <sup>2</sup> - Ridham Bhatt	201-572-3365
TX	Dallas, TX	Eight28 Enterprises, LLC - Brittany Willis	504-812-5642
<b>VIRGINIA (4)</b>			
VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6031
VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6032



VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6033
VA	Richmond, VA	Venus, LLC <sup>2</sup> - Shaq Qureshi	703-868-6034

**FRANCHISEES WHO HAVE LEFT THE SYSTEM  
AS OF MARCH 31, 2020**

<b>STATE</b>	<b>FRANCHISEE</b>	<b>LAST KNOWN ADDRESS</b>	<b>LAST KNOWN TELEPHONE</b>
LA	Bruno Brew, LLC <sup>2</sup> Attn: Roy Bruno	622 Canal St. New Orleans, LA	504-561-8552
LA	Armstrong Airport Concessions, LLC <sup>2</sup> Attn: Delaware North	New Orleans Airport - Concourse C 900 Airline Dr. Kenner, LA 70062	504-463-5550
LA	Armstrong Airport Concessions, LLC <sup>2</sup> Attn: Delaware North	New Orleans Airport - Concourse B 900 Airline Dr. Kenner, LA 70062	504-466-2154
LA	Armstrong Airport Concessions, LLC <sup>2</sup> Attn: Sayed Mekhemar	New Orleans Airport - Concourse D 900 Airline Drive, Kenner, LA 70062	504-463-5500

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**EXHIBIT K**

**GENERAL RELEASE AGREEMENT**

This General Release is entered into this \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_ by and between \_\_\_\_\_ (“Franchisor”) and \_\_\_\_\_ (“Franchisee”) pursuant to the Franchise Agreement between such parties.

Franchisee hereby acquits, releases, exonerates, covenants not to sue, and forever discharges Franchisor of and from any and all past, present, and future claims, demands, losses, causes of action, damages, costs, rights of reimbursement, loss of earnings, loss of services, and compensation whatsoever, which Franchisee now has or may hereinafter accrue on account of or in any way growing out of the Franchise Agreement or any association, relationship or rights relating thereto of resulting therefrom.

This General Release also applies to, and shall inure to the benefit of, Franchisor’s past, present, and future directors, officers, shareholders, parent companies, agents, servants, employees, insurers, subcontractors, subsidiaries, affiliates, partners, predecessors, successors, assigns, heirs, executors, administrators, attorneys, and all other firms or corporations which any of the former have been, are now or may hereafter be affiliated. This General Release is also binding upon Franchisee’s respective heirs, executors, administrators, successors, assigns, and subrogees.

Franchisee agrees to assume full and sole responsibility for the payment and satisfaction of any and all past, present, and future claims, liens and subrogation rights made or asserted by any third party (including, but not limited to, governmental agencies). Franchisee further agrees to indemnify, protect, defend, and save harmless Franchisor from all claims, liens and subrogation rights made or asserted by any third party. It is Franchisee’s express intent that this General Release completely releases and discharges Franchisor from all liability in connection with or arising out of the Franchise Agreement or any association, relationship or rights relating thereto or resulting therefrom, including, but not limited to, liability to any person, entity, or party for contribution, indemnity, or subrogation.

Franchisee represents and warrants that no other person or entity has, or has had, an interest in any claim Franchisee may have against Franchisor, other than those specifically identified and released herein, and that no other relative(s) of Franchisee is entitled to recovery against Franchisor under any theory of recovery.

IN WITNESS WHEREOF, Franchisee has executed this General Release in the State of \_\_\_\_\_ as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

**FRANCHISEE(S):**

**FRANCHISOR:**

**NEW ORLEANS BREW, LLC**

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

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

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT L**

**PJ'S CONTINGENT ASSIGNMENT OF LEASE**

This Contingent Assignment of Lease ("Agreement") is made and entered into as of the date set forth below by and among the following parties:

LESSOR: \_\_\_\_\_ LESSEE: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

FRANCHISOR: New Orleans Brew, L.L.C. d/b/a  
PJ's Coffee of New Orleans (hereinafter "PJ's")  
180 New Camellia Boulevard, Suite 100  
Covington, LA 70433

**RECITALS**

WHEREAS, under the terms of the lease agreement entered into or intended to be entered into between Lessor and Lessee, ("Lease Agreement"), Lessor has agreed to lease to Lessee certain premises (the "Premises") and PJ's has accepted the Premises as a suitable location for Lessee's PJ's Unit, subject to the terms and conditions set forth herein, located at the following street address:

\_\_\_\_\_  
\_\_\_\_\_

NOW, THEREFORE, in consideration of the mutual covenants herein contained and other good and valuable consideration, including the acceptance by Franchisor of the Premises as a location for a PJ's Unit, the parties hereby agree as follows:

1. Notices. Lessor agrees to furnish Franchisor with copies of any and all letters and notices to Lessee pertaining to any default by Lessee under the Lease at the same time and in the same manner as any such notice is sent to Lessee. Lessee agrees to furnish Franchisor prompt written notice of any and all amendments, waivers, extensions, renewals or other modifications to the Lease. All notices hereunder shall be mailed or delivered to the addresses set forth above, unless changed from time to time by any party through written notice mailed or delivered to the other parties.

2. Assignment. In the event of termination or expiration of the Franchise Agreement or Lessee's default under the Lease, Lessee shall, at Franchisor's option, assign to Franchisor any and all interest of Lessee in the Lease, including any rights to renew the Lease or to sublease the Premises; and Lessor hereby consents to such assignment, subject to the following conditions:

(a) Franchisor shall notify Lessee and Lessor in writing (the "Election Notice") within thirty-five (35) days after termination or expiration of the Franchise Agreement, or Franchisor's receipt of any notice of default by Lessee under the Lease, if Franchisor elects to accept assignment of the Lease. Upon receipt of an Election Notice by Lessee and Lessor, Franchisor shall have the right as between Lessee and Franchisor to the Premises. Upon receipt of an Election Notice by Lessee from Franchisor, Lessee hereby grants, assigns, transfers and sets over to Franchisor all rights, title and interest in and to the Lease Agreement and the Premises leased thereunder and hereby abandons any existing leasehold improvements. Franchisor failure to accept assignment of the Lease upon any default of Lessee under the Lease which has

been subsequently cured by Lessee shall not be deemed a waiver of Franchisor's future right to accept such assignment in the event of any future default of Lessee;

(b) Lessee agrees to take any and all actions necessary under the Lease Agreement to effectuate assignment of the Lease Agreement to Franchisor;

(c) Lessor agrees to the assignment of the Lease Agreement from Lessee to Franchisor upon Lessor's receipt of an Election Notice and agrees to take any and all present and/or future action reasonably necessary to assist Franchisor, when and as requested, in effecting the assignment of the lease to PJ's; provided, however, that Lessor shall not be required to bear any expense thereof;

(d) If Franchisor elects to accept assignment of the Lease, Franchisor shall take possession of the Premises as soon as reasonably possible, but no later than 30 days after receipt of the Election Notice by Lessor, and Franchisor shall commence payment of rent and other customary and reasonable charges under the Lease as of the date of receipt of the Election Notice by Lessor;

(e) If Franchisor elects to accept assignment of the Lease, it shall commence payment of rent and any other charges due under the Lease retroactive to date of the giving of election notice. If, at the time Landlord receives the election notice hereunder, there are any past due rents or other charges under the Lease, Franchisor shall only be obliged to pay to Landlord the sum of one (1) month's rent and other charges in order to accept assignment of the Lease. Upon accepting same, Landlord shall be estopped and precluded from holding Franchisor responsible for any past defaults of Tenant under the lease that predate Landlord's receipt of the election notice pursuant to this contingent assignment.

(f) Nothing herein shall affect Lessor's right to require Lessee to remain liable as a guarantor for the remaining term of the Lease, to recover from Lessee any and all amounts due under the Lease or to exercise any rights of Lessor against Lessee as provided under the Lease.

3. Assignment to Third Party. At any time after receipt of the Election Notice by Lessor, Franchisor may request to assign its lease, or sublease the Premises, to a third-party franchisee of Franchisor for the purpose of continuing to operate the PJ's Unit at the Premises. Lessor agrees not to unreasonably withhold its consent to any such assignment or sublease and any such request shall be in accordance with the terms of the lease relating to assignment/sublease.

4. Entry by Franchisor. Lessee acknowledges that Lessee has agreed under the Franchise Agreement that Franchisor and its employees or agents shall have the right to enter the PJ's Unit operated by Lessee at the Premises at any reasonable time for the purpose of conducting inspections, protecting Franchisor proprietary marks, and correcting deficiencies of Lessee. Lessor and Lessee hereby agree not to interfere with or prevent such entry by Franchisor, its employees or agents.

5. De-Identification. Lessee acknowledges that in the event the Franchise Agreement expires or is terminated, Lessee is obligated under the Franchise Agreement to take certain steps to de-identify the location as a PJ's Unit operated by Lessee. Lessor agrees to cooperate with Franchisor in allowing Franchisor to de-identify the Premises, including allowing Franchisor, its employees and agents to enter and remove signs, decor and materials bearing or displaying any marks, designs or logos of PJ's; provided, however, that Lessor shall not be required to bear any expense thereof. Lessee agrees that if Lessee fails to de-identify the Premises promptly upon termination or expiration as required under the Franchise Agreement, PJ's may cause all required de-identification to be completed at Lessee's expense.

6. General Provisions.

(a) This Agreement shall run with the land and be binding upon the parties hereto and their successors, assigns, heirs, executors, and administrators. The rights and obligations herein contained shall continue notwithstanding changes in the persons or entities that may hold any leasehold or ownership in the land or building. Any party hereto may record this agreement or a memorandum hereof.

(b) Any party hereto may seek equitable relief, including without limitation injunctive relief or specific performance, for actual or threatened violation or non-performance of this Agreement by any other party. Such remedies shall be in addition to all other rights provided for under law or other agreements between any of the parties. The prevailing party in any action shall be entitled to recover its legal fees together with court costs and expenses of litigation.

(c) This Agreement is directed to a specific Lease Agreement set forth herein, but the Lessee, Lessor and Franchisor agree that this Agreement is applicable to any extensions, renewals or other options of Lessee with respect to the Lease Agreement and the Premises, as well as being applicable to any subsequent lease agreements between Lessee and Lessor concerning the PJ's Unit with respect to the Premises.

(d) Nothing contained in this Agreement shall affect any term or condition in the Franchise Agreement between Lessee and Franchisor. Nothing herein shall be deemed to constitute a guaranty or endorsement by Franchisor of the terms and conditions of the Lease between Lessor and Lessee. In the event that Franchisor, in its sole discretion, determines not to accept assignment of the Lease as permitted hereunder, neither Lessor nor Lessee shall have any claims against Franchisor. No terms or conditions contained in the Lease shall be binding on Franchisor unless and until it elects to accept assignment of the Lease hereunder.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_

LESSOR:

BY: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

LESSEE:

BY: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

FRANCHISOR: NEW ORLEANS BREW, LLC

BY: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Date: \_\_\_\_\_

**EXHIBIT M**

**NEW ORLEANS BREW, LLC  
FRANCHISE DISCLOSURE DOCUMENT  
STATE SPECIFIC ADDENDA**

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**CONTAINING ADDITIONAL INFORMATION**  
**REQUIRED BY THE STATE OF CALIFORNIA**

**NEW ORLEANS BREW, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT (“FDD”)**  
**CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE**  
**COMMISSION AND THE STATE OF CALIFORNIA.**  
**THIS ADDENDUM TO THE FDD CONTAINS INFORMATION**  
**REQUIRED EXCLUSIVELY BY THE STATE OF CALIFORNIA**  
**AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

\*\*\*\*\*

**THE INFORMATION CONTAINED HEREIN MUST BE**  
**REVIEWED IN CONJUNCTION WITH THE FDD**

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF CALIFORNIA**

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1. ADDENDUM TO NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF CALIFORNIA



**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF CALIFORNIA**

In recognition of the requirements of the California Franchise Investment Law, Cal. Corporations Code Sections 31000 et seq. the Franchise Disclosure Document for NEW ORLEANS BREW, LLC for use in the State of California shall be amended as follows:

SECTION 31125 OF THE CALIFORNIA CORPORATION 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 A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

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.

See the cover page of the Disclosure Document for our URL address. FRANCHISOR'S 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.

Item 3 of the FDD is supplemented to include the following:

Neither the franchisor, any person or franchise broker in Item 2 of the FDD 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 U.S.C.A. 8.78(a) et seq., suspending or expelling such persons from membership in such association or exchange.

Item 17 of the FDD shall be supplemented to include the following:

You must sign a general release of claims if you renew or transfer your franchise. California Corporations Code Section 31512 provides that any condition, stipulation or provision purporting to bind any person acquiring any franchise to waive compliance with any provision of that law or any rule or order there under is void. Section 31512 voids a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 20010 voids a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 through 20043)).

The Franchise Agreement requires application of the laws and forum of Louisiana. These provisions may not be enforceable under California law.

California Corporations Code, Section 31125 requires us to give you a Disclosure Document, approved by the Department of Business Oversight prior to a solicitation of a proposed material modification of an existing franchise.

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 California law, California law will control.

The franchise agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages are unenforceable.

The franchise agreement requires binding arbitration to occur at American Arbitration Association's office in New Orleans, Louisiana, with each party bearing its own costs (including, but not limited to, attorney's fees, expert witness fees, and other costs incurred in connection with arbitration). Prospective franchisees are encouraged to consult with private 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 a Franchise Agreement restricting venue to a forum outside the State of California.

Prospective franchisees are encouraged to consult private legal counsel to determine the applicability of 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 a franchise agreement restricting venue to a forum outside the State of California.

If the franchise agreement requires waiver of compliance with California franchise law, that provision is void.

The franchise agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A Sec. 101 *et seq.*).

The franchise agreement contains a covenant not to compete which extends beyond the termination of the franchise. This provision may not be enforceable under California law.

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO THE FDD AND FRANCHISE AGREEMENT**  
**CONTAINING ADDITIONAL INFORMATION**  
**REQUIRED BY THE STATE OF ILLINOIS**

**NEW ORLEANS BREW, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT (“FDD”)**  
**CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE**  
**COMMISSION AND THE STATE OF WASHINGTON.**  
**THIS ADDENDUM TO THE FDD AND FRANCHISE AGREEMENT**  
**CONTAINS INFORMATION**  
**REQUIRED EXCLUSIVELY BY THE STATE OF ILLINOIS**  
**AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

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**THE INFORMATION CONTAINED HEREIN MUST BE**  
**REVIEWED IN CONJUNCTION WITH THE FDD AND THE FRANCHISE AGREEMENT**

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO THE FDD AND FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF ILLINOIS**

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1. ADDENDUM TO THE NEW ORLEANS BREW, LLC FDD AND FRANCHISE AGREEMENT  
REQUIRED BY THE STATE OF ILLINOIS

**ILLINOIS ADDENDUM TO THE FDD AND FRANCHISE AGREEMENT**

Illinois law governs the Franchise Agreement(s).

In conformance with Section 4 of the Illinois Franchise Disclosure Act, any provision in a franchise agreement that designates jurisdiction and venue in a forum outside of the State of Illinois is void. However, a franchise agreement may provide for arbitration to take place outside of Illinois.

Your rights upon Termination and Non-Renewal are set forth in sections 19 and 20 of the Illinois Franchise Disclosure Act.

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.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Franchisor: New Orleans Brew, L.L.C.

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

Franchisee:

By: \_\_\_\_\_  
Print Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**CONTAINING ADDITIONAL INFORMATION**  
**REQUIRED BY THE STATE OF INDIANA**

**NEW ORLEANS BREW, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT (“FDD”)**  
**CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE**  
**COMMISSION AND THE STATE OF INDIANA.**  
**THIS ADDENDUM TO THE FDD CONTAINS INFORMATION**  
**REQUIRED EXCLUSIVELY BY THE STATE OF INDIANA**  
**AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

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**THE INFORMATION CONTAINED HEREIN MUST BE**  
**REVIEWED IN CONJUNCTION WITH THE FDD**

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF INDIANA**

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1. ADDENDUM TO NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT  
REQUIRED BY THE STATE OF INDIANA

**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF INDIANA**

For franchises and franchisees subject to the Indiana Franchise Disclosure Law and the Indiana Deceptive Franchise Practices Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the New Orleans Brew, LLC Franchise Disclosure Document (“FDD”).

Item 8. Item 8 of the FDD is amended to include the following disclosure:

The Indiana Deceptive Franchise Practices Law Ind. Code §23-2-2.7-1(4) prohibits provisions in a franchise agreement subject to Indiana Law which allow the franchisor to obtain money, goods, services, or any other benefit from any other with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than for compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee. To the extent that any provision of the Franchise Agreement conflicts with Indiana Law, Indiana Law will control.

The Indiana Deceptive Franchise Practices Law (“Law”), Ind. Code §23-2-2.7-2(6) makes it unlawful for any franchisor to obtain money, goods, services, or any other benefit for any other person with whom the franchisee does business, on account of, or in relation to, the transaction between the franchisee and the other person, other than compensation for services rendered by the franchisor, unless the benefit is promptly accounted for, and transmitted to the franchisee. To the extent that any of New Orleans Brew, LLC’s business practices conflicts with Indiana Law, Indiana Law will control.

Item 12. Item 12 of the disclosure document is amended to include the following disclosure:

Ind. Code §23-2-2.7-1(2) prohibits any provision in the Agreement which allows New Orleans Brew, LLC to establish a franchisor-owned outlet engaged in a substantially identical business to that of the franchised business within the exclusive territory. Ind. Code §23-2-2.7-2(4) prohibits any franchisor who has entered into any franchise agreement with a franchisee who is either a resident of Indiana or a nonresident operating a franchise in Indiana from establishing a franchisor-owned outlet engaged in a substantially identical business to that of the franchised business within the territory. To the extent that any provision of the Franchise Agreement or New Orleans Brew, LLC’s business practices conflict with Indiana law, Indiana law will control.

Item 17. Item 17 of the disclosure document is amended to include the following disclosure:

Indiana prohibits the franchisor from requiring its franchisees to prospectively assent to a release, assignment, novation, waiver, or estoppels which purports to relieve any person from liability.

To the extent that you are required to execute a release in favor of New Orleans Brew LLC, such release shall exclude liabilities arising under the Indiana Deceptive Franchise Practices Law, Ind. Code §23-2-2.7-1.

Ind. Code §23-2-2.7-2(3) makes it unlawful for a franchisor to deny the surviving spouse, heirs, or estate of a deceased franchisee the opportunity to participate in ownership of the franchise under a valid franchise agreement for a reasonable time after the death of the franchisee, provided that the surviving



spouse, heirs or estate maintains all standards and obligations of the franchise. To the extent that the Franchise Agreement requires a surviving spouse, heirs, or an estate representative to assume liability under the Franchise Agreement and to complete training, the Franchise Agreement has been amended in accordance with Indiana law to provide that all such conditions must be met within 6 months of the franchisee's date of death.

Ind. Code §23-2-2.7-1(10) prohibits any provision in the Agreement which limits litigation brought for breach of the Franchise Agreement in any manner whatsoever. To the extent that any provision of the Franchise Agreement conflicts with Indiana law, Indiana law will control.

The choice of law provision contained in the Franchise Agreement should not be considered a waiver of any right conferred upon you by the provisions of the Indiana Franchise Disclosure Law or the Indiana Deceptive Franchise Practices law with respect to the offer and sale of a franchise and the franchise relationship. Notwithstanding anything in this Agreement to the contrary, the Franchise Agreement shall be governed by the Indiana Franchise Disclosure Law Ind. Code §23-2-2.5 and the Indiana Deceptive Franchise Practices Law Ind. Code §23-2-2.7.

Indiana franchisees are allowed access to Indiana courts. Any provision in the Franchise Agreement which designates jurisdiction or venue or requires the franchisee to agree to jurisdiction or venue in a forum outside of Indiana with respect to any matter governed by the Indiana Deceptive Franchise Practices Law and Indiana Franchise Disclosure Law is void.

The post term covenant not to compete is limited to your non-exclusive area under the Franchise Agreement pursuant to Ind. Code §23-2-2.7-1(9).

**NEW ORLEANS BREW, LLC**  
**AMENDMENT TO THE FRANCHISE AGREEMENT AND**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**CONTAINING ADDITIONAL INFORMATION**  
**REQUIRED BY THE STATE OF MARYLAND**

**NEW ORLEANS BREW, LLC**  
**FRANCHISE DISCLOSURE DOCUMENT (“FDD”)**  
**CONTAINS INFORMATION REQUIRED BY BOTH THE FEDERAL TRADE**  
**COMMISSION AND THE STATE OF MARYLAND.**  
**THIS ADDENDUM TO THE FDD CONTAINS INFORMATION**  
**REQUIRED EXCLUSIVELY BY THE STATE OF MARYLAND**  
**AND IS BEING PROVIDED TO YOU AT THE SAME TIME AS THE FDD.**

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**THE INFORMATION CONTAINED HEREIN MUST BE**  
**REVIEWED IN CONJUNCTION WITH THE FDD**

**NEW ORLEANS BREW, LLC**  
**AMENDMENT TO FRANCHISE AGREEMENT AND**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

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**AMENDMENT TO**  
**NEW ORLEANS BREW, LLC FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This Amendment shall apply to residents of this State and franchises to be located in the State of Maryland and shall be for the purpose of complying with Maryland statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

1. Franchisor has obtained a Franchisor Surety Bond with the Gray Casualty & Surety Company. The Franchisor Surety Bond shall remain in full force and effect until any franchisees signed are opened.
2. Any general release required as a condition of renewal, sale, assignment and/or transfer shall not apply to any release from liability under the Maryland Franchise Registration and Disclosure Law. Article 13 of the Franchise Agreement is amended accordingly.
3. Any provision in the Franchise Agreement which terminates the Franchise Agreement upon the bankruptcy of the franchisee may not be enforceable under Title 11, United States Code Section 101.
4. A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.
5. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.
6. All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law.

**SIGNATURE PAGE TO FOLLOW**

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_.

Franchisor: New Orleans Brew, L.L.C.

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

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

Franchisee:

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

Print Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF MARYLAND**

This Addendum shall apply to residents of this State and franchises to be located in the State of Maryland. For franchises and franchisees subject to the Maryland Franchise Registration and Disclosure Law, the following information replaces or supplements, as the case may be, the corresponding disclosures in the main body of the text of the New Orleans Brew, LLC Franchise Disclosure Document:

Item 5

Franchisor has obtained a Franchisor Surety Bond with the Gray Casualty & Surety Company. The Franchisor Surety Bond shall remain in full force and effect until any franchisees signed are opened.

Item 17

The general release required as a condition of renewal, sale, and/or assignment/transfer shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

Termination of the franchise agreement upon bankruptcy of the franchisee may not be enforceable under federal bankruptcy law (11 U.S.C. Section 101 *et seq.*).

A franchisee may bring a lawsuit in Maryland for claims under the Maryland Franchise Registration and Disclosure Law.

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within three (3) years after the grant of the franchise.

All representations requiring prospective franchisees to assent to a release, estoppel or waiver of liability are not intended to nor shall they act as a release, estoppel or waiver of any liability incurred under the Maryland Franchise Registration and Disclosure Law. The franchisee disclosure acknowledgement statement is hereby amended.

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE DISCLOSURE DOCUMENT**  
**CONTAINING ADDITIONAL INFORMATION**  
**REQUIRED BY THE STATE OF MICHIGAN**

**NEW ORLEANS BREW, LLC**  
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**COMMISSION AND THE STATE OF MICHIGAN.**  
**THIS ADDENDUM TO THE FDD CONTAINS INFORMATION**  
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1. NOTICE REQUIRED BY THE STATE OF MICHIGAN



**MICHIGAN DISCLOSURE NOTICE PURSUANT TO MCL 445.1508**

**The State of Michigan prohibits certain unfair provisions that are sometimes in franchise documents. If any of the following provisions are in the franchise documents, the provisions are void and cannot be enforced against you.**

Each of the following provisions is void and unenforceable if contained in any documents relating to a franchisee:

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

(iii) The unwillingness of the proposed transferee to agree in writing to comply with all lawful obligations.

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

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

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

**The fact that the Notice of Intent is on file with the attorney general in Michigan does not constitute approval, recommendation, or endorsement by the attorney general of the franchise offering.**

Any questions regarding this notice should be directed to:

Michigan Department of Attorney General  
G. Mennen Williams Building, 7<sup>th</sup> Floor  
525 W. Ottawa St.  
P.O. Box 30212  
Lansing, MI 48909  
Telephone: (517) 373-1110

**NEW ORLEANS BREW, LLC**  
**AMENDMENT TO FRANCHISE AGREEMENT AND**  
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**AMENDMENT TO**  
**NEW ORLEANS BREW, LLC FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF MINNESOTA**

This Amendment shall pertain to those franchises sold in the State of Minnesota and shall be for the purpose of complying with Minnesota statutes and regulations. Notwithstanding anything which may be contained in the body of the Franchise Agreement to the contrary, the Franchise Agreement shall be amended as follows:

The Minnesota Department of Commerce requires that we indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that their use of our Marks infringes upon the trademark rights of the third party. We will not indemnify any franchisee against the consequences of their use of our Marks except in accordance with the requirements of the Franchise Agreement, and as the condition to an indemnification, the franchisee must provide notice to us of any such claim immediately and tender the defense of the claim to us. If we accept tender of defense, we have the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

With respect to franchises governed by Minnesota law, New Orleans Brew, LLC will comply with Minnesota Statute Section 80C.14. Subd. 3 – 5, which requires (except in certain specified cases) (1) 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.

Minnesota Rule 2860.4400D prohibits us from requiring you to assent to a release, assignment, novation, or waiver that would relieve any person from liability imposed by Minnesota Statute §§ 80C.01 - 80C.22.

Minnesota Rule 2860.4400J, among other things, prohibits us from requiring you to waive your rights to a jury trial or to consent to liquidated damages, termination penalties, or judgment notes.

\_\_\_\_\_  
Franchisee's Initials/ Date

\_\_\_\_\_  
Franchisor's Initials/Date

**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT**  
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For franchises and franchisees subject to the Minnesota Franchise Act, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the New Orleans Brew, LLC Franchise Disclosure Document.

Item 13

The Minnesota Department of Commerce requires that we indemnify Minnesota franchisees against liability to third parties resulting from claims by third parties that their use of our Marks infringes upon the trademark rights of the third party. We will not indemnify any franchisee against the consequences of their use of our Marks except in accordance with the requirements of the Franchise Agreement, and as the condition to an indemnification, the franchisee must provide notice to us of any such claim immediately and tender the defense of the claim to us. If we accept tender of defense, we have the right to manage the defense of the claim, including the right to compromise, settle or otherwise resolve the claim, or to determine whether to appeal a final determination of the claim.

Item 17

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring litigation to be conducted outside of Minnesota. In addition, nothing in the Disclosure Document shall abrogate or reduce any of your rights as provided for in Minn. Stat. Sec. 80C, or your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

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**NEW ORLEANS BREW, LLC**  
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REQUIRED BY THE STATE OF NEW YORK



**STATEMENT REQUIRED BY THE STATE OF NEW YORK**

THE FRANCHISOR MAY, IF IT CHOOSES, NEGOTIATE WITH YOU ABOUT ITEMS COVERED IN THE PROSPECTUS. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS PROSPECTUS.

**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF NEW YORK**

1. The following information is added to the cover page of the Franchise Disclosure Document:

**INFORMATION COMPARING FRANCHISORS IS AVAILABLE. CALL THE STATE ADMINISTRATORS LISTED IN EXHIBIT A OR YOUR PUBLIC LIBRARY FOR SOURCES OF 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 THAT ANYTHING IN THE FRANCHISE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NYS DEPARTMENT OF LAW, INVESTOR PROTECTION BUREAU, 28 LIBERTY STREET, 21<sup>ST</sup> FLOOR, NEW YORK, NEW YORK 10005.**

**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 WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS FRANCHISE DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provided above, with regard 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, which are 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 10-year period 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.

3. The following is added to the end of Item 4:

Neither the franchisor, its affiliate, its predecessor, officers, or general partner during the 10-year period immediately before the date of the offering circular: (a) filed as debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code; (b) obtained a discharge of its debts under the bankruptcy code; or (c) was a principal officer of a company or a general partner in a partnership that either filed as a debtor (or had filed against it) a petition to start an action under the U.S. Bankruptcy Code or that obtained a discharge of its debts under the U.S. Bankruptcy Code during or within 1 year after that officer or general partner of the franchisor held this position in the company or partnership.

4. The following is added to the end of Item 5:

The initial franchise fee constitutes part of our general operating funds and will be used as such in our discretion.

5. The following is added to the end of the “Summary” sections of Item 17(c), titled “**Requirements for 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; it being the intent of this proviso that the non-waiver provisions of General Business Law Sections 687.4 and 687.5 be satisfied.

6. The following language replaces the “Summary” section of Item 17(d), titled “**Termination by franchisee**”:

You may terminate the agreement on any grounds available by law.

7. The following is added to the end of the “Summary” section of Item 17(j), titled “**Assignment of contract by franchisor**”:

However, no assignment will be made except to an assignee who in good faith and judgment of the franchisor, is willing and financially able to assume the franchisor’s obligations under the Franchise Agreement.

8. 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 upon the franchisee by Article 33 of the General Business Law of the State of New York.

**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE AGREEMENT**  
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**NEW ORLEANS BREW, LLC**  
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**NEW ORLEANS BREW, LLC**  
**ADDENDUM TO FRANCHISE AGREEMENT**  
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2. ADDENDUM TO NEW ORLEANS BREW, LLC FRANCHISE AGREEMENT REQUIRED BY THE STATE OF WASHINGTON

**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF WASHINGTON**

The State of Washington has a statute, RCW 19.100.180 which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise. There may also be court decisions which may supersede the franchise agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration involving a franchise purchased in Washington, the arbitration site shall be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration, or as determined by the arbitrator.

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW shall prevail.

A release or waiver of rights executed by a franchisee shall 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 which 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 the franchisor's reasonable estimated or actual costs in effecting a transfer.

The undersigned does hereby acknowledge receipt of this addendum.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_.

\_\_\_\_\_  
New Orleans Brew, LLC

\_\_\_\_\_  
Prospective Franchisee

**NEW ORLEANS BREW, LLC**  
**AMENDMENT TO FRANCHISE AGREEMENT AND**  
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**AMENDMENT TO**  
**NEW ORLEANS BREW, LLC FRANCHISE AGREEMENT**  
**REQUIRED BY THE STATE OF WISCONSIN**

This Amendment shall pertain to franchises sold in the State of Wisconsin and shall be for the purpose of complying with the Wisconsin Fair Dealership Law. Notwithstanding anything which may be contained in the body of the Franchise Agreement to be contrary, the Agreement shall be amended as follows:

The Wisconsin Fair Dealership Law (Wis. Stats. Ch. 135, *et seq.*) supersedes any provisions of this Agreement or a related document between Franchisor and Franchisee inconsistent with the Law.

\_\_\_\_\_  
Franchisee's Initials/Date

\_\_\_\_\_  
Franchisor's Initials/Date

**ADDENDUM TO**  
**NEW ORLEANS BREW, LLC FRANCHISE DISCLOSURE DOCUMENT**  
**REQUIRED BY THE STATE OF WISCONSIN**

For franchises and Franchisees subject to the Wisconsin Fair Dealership Law, the following information supersedes or supplements, as the case may be, the corresponding disclosures in the main body of the text of the New Orleans Brew, LLC's Wisconsin Franchise Disclosure Document.

Item 17

For Wisconsin Franchisees, the Wisconsin Fair Dealership Law (Wis. Stats., Ch. 135, *et seq.*) supersedes any provisions of the Franchise Agreement or a related contract between Franchisor and Franchisee inconsistent with the Law.

**EXHIBIT N**  
**MULTI-UNIT OPTION AGREEMENT**

This Multi-Unit Option Agreement (“Agreement”) made this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_ (“Effective Date”), by and between New Orleans Brew, LLC, a Louisiana limited liability company d/b/a PJ’s Coffee of New Orleans, located at 180 New Camellia Boulevard, Suite 100, Covington, Louisiana 70433 (“Franchisor”), and \_\_\_\_\_ with a mailing address of: \_\_\_\_\_ (the “Franchisee”):

**Background**

- A. Franchisee and the Franchisor have entered into a Franchise Agreement (“Franchise Agreement”) for the right to establish and operate one (1) PJ’s Unit, and Franchisee has paid Franchisor the Initial Franchise Fee of \$ \_\_\_\_\_.
- B. Franchisor offers qualified franchisees the right and option to establish and operate additional PJ’s Units during the term of the option period (defined below) and otherwise upon the terms and conditions of this Agreement.
- C. Franchisee wishes to purchase an option to establish and operate additional PJ’s Units under the terms and conditions set forth herein.
- D. Franchisor wishes to grant Franchisee the right to purchase the option to establish and operate additional PJ’s Units under the terms and conditions set forth herein.

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

**Agreement**

- 1. **Grant of Option and Option Fee.** In consideration of Franchisee’s payment to Franchisor the sum of \_\_\_\_\_ (“Option Fee”), which is due and payable upon Franchisee’s execution of this Agreement, Franchisor grants Franchisee the option to establish and operate \_\_\_\_\_ additional PJ’s Unit(s) under the terms and conditions of this Agreement (the “Option”). This Option Fee is deemed fully earned upon payment and is nonrefundable.
- 2. **Eligibility.** Franchisee shall be an existing, qualified Franchisee in good standing with the Franchisor.
- 3. **Term.** Subject to any right of earlier termination as provided for herein, Franchisee shall be granted the Option for a term of no longer than \_\_\_\_\_ years, subject to the conditions herein (“Term”). The Term shall commence on the Effective Date and shall terminate immediately upon the occurrence of any of the following events (1) Franchisee’s execution of the Franchise Agreement to establish and operate a \_\_\_\_\_ PJ’s Unit in the Development Area; or (2) \_\_\_\_\_ years from the Effective Date of this Agreement, whichever should first occur.
- 4. **Option Period.** Franchisee shall not execute a lease for any additional PJ’s Unit(s) prior to exercising Franchisee’s option, pursuant to Section 6 below. Franchisee shall establish and operate PJ’s Units in accordance with the Development Schedule (Exhibit B) within the Development Area (Exhibit A).
  - 4.1. For purposes of determining compliance with the Development Schedule, only the PJ’s Units

actually open or in active stages of development, including site selection, as of the last day of the Option Period will be counted toward the number of PJ's Units required to be open and continuously operating for the applicable period.

- 4.2. Franchisee acknowledges and recognizes that the Development Schedule is fair and reasonable for the development of PJ's Units in the Development Area and is an accurate reflection of market demand without over saturation of Franchisor's proprietary services offered under the System. If Franchisee fails to establish and open PJ's Units as set forth in the Development Schedule, Franchisee no longer has an option for those additional PJ's Units for which Franchisee has not opened, unless Franchisee requests an extension of the Option Period in writing which will be approved at Franchisor's sole discretion.
5. **Development Area.** Franchisee shall have the right to develop PJ's Units in accordance with Development Schedule within the Development Area defined on Exhibit A, pursuant to the terms and conditions defined in this Agreement.
  - 5.1. Franchisee acknowledges that during the Term of this Agreement, Franchisor may award and develop Traditional PJ's Units within the Development Area. "Traditional PJ's Units" are defined as PJ's Units located within free-standing buildings, strip malls, multi-tenant developments, or the like, which feature street-level storefront entrances.
  - 5.2. Franchisee acknowledges that during the Term of this Agreement, Franchisor may award and develop Non-traditional PJ's Units within the Development Area. "Non-traditional PJ's Units" include, without limitation, PJ's Units located within (1) military bases or government facilities; (2) public transportation facilities; (3) sports facilities or arenas, including race tracks; (4) student unions or other similar buildings on college or university campuses; (5) amusement and theme parks; (6) community and special events; (7) hotels, casinos, and resorts; (8) airports; (9) hospitals; (10) shopping malls; or (11) corporate dining facilities. "Non-traditional PJ's Units" may or may not be established and operated pursuant to a franchise agreement. Franchisee acknowledges that Franchisor may perform this act freely and without paying Franchisee any compensation.
    - 5.2.1. Notwithstanding the foregoing, Franchisee and Franchisor acknowledge that should an opportunity be presented for Franchisee to establish and operate a Non-traditional PJ's Unit within the Development Area, Franchisee may do so pursuant to the terms and conditions of this Agreement.
    - 5.2.2. Franchisee acknowledges that although Franchisor may offer Franchisee the opportunity to establish and operate the Non-traditional PJ's Unit, the owner/operator of the facility that houses the Non-traditional PJ's Unit may reserve the right to approve Franchisee. Franchisee acknowledges that Franchisee indemnifies and holds Franchisor harmless as it relates to any acceptance or rejection of Franchisee by the owner/operator of the facility that houses the Non-traditional PJ's Unit. Franchisee acknowledges that Franchisor is not responsible for any actions performed by or decisions of any such third party and Franchisee is not entitled to any compensation related hereto.
    - 5.2.3. Franchisee further acknowledges that a Non-traditional PJ's Unit may be established and operated by the institution or entity where the Non-traditional PJ's Unit is located (e.g. the military base where the Non-traditional PJ's Unit is located), or it may be established by the institution/entity and operated by a third party, or some other non-traditional arrangement. In any such event, Franchisee shall have no right to establish

and operate such a Non-traditional PJ's Unit. Franchisee acknowledges that Franchisor may perform this act freely and without paying Franchisee any compensation.

- 5.3. Franchisee acknowledges that Franchisor has the exclusive right to offer, sell or distribute any products or services associated with the System (now or in the future) under the Marks or any other trademarks, service marks or trade names or through any distribution channel or method, all without paying Franchisee any compensation. The distribution channels or methods include, without limitation, grocery stores, club stores, convenience stores, wholesale, business or industry locations (e.g. manufacturing site, office building), military installations, military commissaries, or the internet, including but not limited to sales through Franchisor's website(s).
- 5.4. Franchisee further acknowledges and agrees that Franchisor and our affiliates have the right to grant other franchises or develop and operate company or affiliate-owned PJ's Units at any location anywhere outside of the Development Area. Franchisee acknowledges that Franchisor may perform this act freely and without paying Franchisee any compensation.
6. **Exercise of Option.** In order to exercise the Option for each additional PJ's Unit, Franchisee must satisfy all of the following conditions, upon the exercise of each Option:
  - 6.1. Execute a new and then-current franchise agreement ("Additional Franchise Agreement(s)") for each Additional PJ's Units, subject to the terms and conditions thereof;
  - 6.2. Franchisee is not in default under this Agreement, or any other agreement with Franchisor and/or its affiliates, including any other franchise agreement or development agreement, and has fully and faithfully performed all of Franchisee's material obligations under any such agreements throughout their respective terms;
  - 6.3. Neither this Agreement, Franchisee's Franchise Agreement or any other agreement with you has expired or been terminated by Franchisor and/or its affiliate;
  - 6.4. Franchisee has timely paid any fees or other monies due to Franchisor as and when they become due under the terms of the Franchise Agreement(s) or any other agreement with Franchisor, including interest or principal due under any note payable to Franchisor;
  - 6.5. There has been no change in the effective control of Franchisee (by way of change in share ownership, membership or partnership interest, or otherwise) without Franchisor's written consent; and
  - 6.6. Franchisee or Franchisees designated manager has successfully completed Franchisor's required training programs.

Franchisee's Option may be applied only to opening a new PJ's Unit and may not be applied to already existing locations.

## 7. **Termination; Default.**

- 7.1. If Franchisee is placed in default for any reason, Franchisor may, at its option, and without waiving any rights hereunder or any other rights available at law or in equity, including its rights to damages, terminate this Agreement and all of Franchisee's rights hereunder effectively immediately upon the date Franchisor gives written notice of termination or upon

such other date as may be set forth in such notice of termination or in those instances set forth below, automatically upon the occurrence of, or the lapse of the specified period following an event of default. From the date of such termination or expiration of this Agreement, Franchisee shall have no rights under this Agreement and shall have no rights to operate in the Development Area.

7.2. The occurrence of any one or more of the following events shall constitute an event of default and grounds for termination of this Agreement by Franchisor:

7.2.1. If Franchisee fails to open or cause to be open a PJ's Unit pursuant to the Development Schedule as set forth in Exhibit B;

7.2.2. If Franchisee makes, or has made, any materially false statement report to Franchisor in connection with this Agreement, or any other agreement;

7.2.3. If Franchisee receives from Franchisor two (2) or more notices to cure under the Franchise Agreement during any twelve (12) month period;

7.2.4. If Franchisee violates any covenant of confidentiality or non-disclosure under the Franchise Agreement;

7.2.5. If Franchisee or any person owning an interest in Franchisee is tried or convicted of a felony; or

7.2.6. If Franchisee or any person owning an interest in Franchisee files for bankruptcy protection in any court of competent jurisdiction.

8. **Post-Termination Rights, Obligations and Covenants.** Franchisee shall not, in any communication to any other representative or third party, disparage Franchisor or interfere with any contract to which Franchisor is a party.

9. **Sale or Assignment.** Franchisee's rights under this Agreement are personal and any right granted herein may not be sold, transferred, or assigned. Notwithstanding, if Franchisee is an individual or a partnership, Franchisee has the right to assign Franchisee's rights under this Agreement to a corporation or limited liability company upon the same terms and conditions as provided in Section 13.1 (vi) of the Franchise Agreement. Franchisor has the right to assign this Agreement in whole or in part in its sole discretion.

10. **Time of the Essence.** Time is of the essence with respect to any time fixed for performance of any requirement set forth in this Agreement.

11. **Acknowledgment.** Franchisee acknowledges that this Agreement is not a franchise agreement and does not confer upon you any rights to use the Franchisor Proprietary Marks or the System. Franchisee has no right under this Agreement to sublicense or subfranchise others to operate a business or store or use the System or the Marks.

12. **Notices.** All notices, requests and reports to be given under this Agreement are to be in writing, and delivered by either hand, e-mail with a confirming receipt, overnight mail, or certified mail, return receipt requested, prepaid, to the addresses set forth above (which may be changed by written notice).

13. **Governing Law.** This Agreement shall be deemed to have been made in the State of Louisiana and shall be construed according to the laws of Louisiana without regard to its conflict of laws, La. CC Arts. 3515 et seq., and any amendments and/or revisions thereto.
14. **Dispute Resolution.** All claims and disputes arising under or relating to this Agreement are to be settled by binding arbitration in the state of Louisiana or another location mutually agreeable to the parties. The arbitration shall be conducted on a confidential basis pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Any decision or award as a result of any such arbitration proceeding shall be in writing and shall provide an explanation for all conclusions of law and fact. Any such arbitration shall be conducted by an arbitrator experienced in franchise law and shall include a written record of the arbitration hearing. The parties reserve the right to object to any individual who shall be employed by or affiliated with a competing organization or entity. An award of arbitration may be confirmed in a court of competent jurisdiction. This franchise agreement provides that disputes are resolved through arbitration. A Maryland franchise regulation states that it is unfair or deceptive practice to require a franchisee to waive its right to file a lawsuit in Maryland claiming a violation of the Maryland Franchise Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

The terms of this Section 14 shall survive termination, expiration or cancellation of this Agreement.

15. **Third Party Beneficiaries.** Franchisor's officers, directors, shareholders, agents, employees and/or affiliates are express third party beneficiaries of this Agreement and the mediation and arbitration provisions contained herein, each having authority to specifically enforce the right to mediate and arbitrate claims asserted against such person(s) by Franchisee.
16. **Injunctive Relief.** Nothing contained in this Agreement herein shall prevent Franchisor from applying to or obtaining from any court having jurisdiction, without bond, a writ of attachment, temporary injunction, preliminary injunction and/or other emergency relief available to safeguard and protect Franchisor's interest prior to the filing of any arbitration proceeding or pending the trial or handing down of a decision or award pursuant to any arbitration proceeding conducted hereunder.
17. **Jurisdiction and Venue.** With respect to any proceeding not subject to arbitration, the parties agree that any action at law or in equity instituted against either party to this Agreement shall be commenced only in the 22nd Judicial District for the Parish of St. Tammany, Louisiana or the United States District Court for the Eastern District of Louisiana at Franchisor's discretion.
18. **Jury Trial Waiver.** With respect to any proceeding not subject to arbitration, the parties hereby agree to waive trial by jury in any action, proceeding or counterclaim, whether at law or equity, regardless of which party brings suit. This waiver shall apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Franchisee's purchase from Franchisor of the franchise, option and/or any goods or services.
19. **Waiver of Punitive Damages.** Franchisee waives to the fullest extent permitted by law, any right to or claim for any punitive, exemplary, incidental, indirect, special or consequential damages (including, without limitation, lost profits) which Franchisee may have against Franchisor, its affiliates, successors or assigns, arising out of any cause whatsoever (whether such cause be based in contract, negligence, strict liability, other tort or otherwise) and agree that in the event of a dispute, recovery shall be limited to actual damages. If any other term of this Agreement is found or determined to be unconscionable or unenforceable for any reason, the foregoing provisions shall

continue in full force and effect, including, without limitation, the waiver of any right to claim any consequential damages.

20. **Class Action Waiver.** Franchisee hereby agrees to waive any class action proceeding or counterclaim against Franchisor, its affiliates, successors or assigns, whether at law or equity, regardless of which party brings suit. This waiver shall apply to any matter whatsoever between the parties hereto which arises out of or is related in any way to this Agreement, the performance of either party, and/or Franchisee's purchase from Franchisor, its affiliates, successors or assigns of the franchise and/or any goods or services.
21. **Attorneys' Fees.** If either party institutes any judicial or arbitration proceeding to enforce any monetary or non-monetary obligation or interpret the terms of this Agreement, each party will bear its own attorneys' fees incurred in connection with any judicial or arbitration proceeding.
22. **Non-waiver.** Franchisor's failure to insist upon strict compliance with any provision of this Agreement shall not be a waiver of Franchisor's right to do so, any law, custom, usage or rule to the contrary notwithstanding. Delay or omission by Franchisor respecting any breach or default shall not affect Franchisor's rights respecting any subsequent breaches or defaults. All rights and remedies granted in this Agreement shall be cumulative. Franchisor's election to exercise any remedy available by law or contract shall not be deemed a waiver or preclude exercise of any other remedy.
23. **Severability.** The parties agree that if any provisions of this Agreement may be construed in two ways, one of which would render the provision illegal or otherwise voidable or unenforceable and the other which would render it valid and enforceable, such provision shall have the meaning, which renders it valid and enforceable. The language of all provisions of this Agreement shall be construed according to fair meaning and not strictly construed against either party. The provisions of this Agreement are severable, and this Agreement shall be interpreted and enforced as if all completely invalid or unenforceable provisions were not contained herein, and partially valid and enforceable provisions shall be enforced to the extent that they are valid and enforceable. If any material provision of this Agreement shall be stricken or declared invalid, the parties agree to negotiate mutually acceptable substitute provisions. In the event that the parties are unable to agree upon such provisions, Franchisor reserves the right to terminate this Agreement.
24. **Construction of Language.** Any term defined in the Franchise Agreement which is not defined in this Agreement will be ascribed the meaning given to it in the Franchise Agreement. The language of this Agreement will be construed according to its fair meaning, and not strictly for or against either party. All words in this Agreement refer to whatever number or gender the context requires. If more than one party or person is referred to as you, their obligations and liabilities must be joint and several. Headings are for reference purposes and do not control interpretation.
25. **Successors.** References to "Franchisor" or "Franchisee" include the respective parties' successors, assigns or transferees, subject to the limitations of Section 6 of this Agreement.
26. **Additional Documentation.** Franchisee must from time to time, subsequent to the date first set forth above, at Franchisor's request and without further consideration, execute and deliver such other documentation or agreement and take such other action as Franchisor may reasonably require in order to effectuate the transactions contemplated in this Agreement. In the event that Franchisee fails to comply with the provisions of this Section, Franchisee hereby appoints Franchisor as Franchisee's attorney-in-fact to execute any and all documents on Franchisee's behalf, reasonably



necessary to effectuate the transactions contemplated herein.

27. **No Right to Offset.** Franchisee may not withhold all or any part of any payment to Franchisor or any of its affiliates on the grounds of the alleged nonperformance of Franchisor or any of its affiliates or as an offset against any amount Franchisor or any of its affiliates may owe or allegedly owe you under this Agreement or any related agreements.
28. **Entire Agreement.** This Agreement contains the entire agreement between the parties concerning the purchase and operation of additional PJ's Units; no promises, inducements or representations (other than those in the Franchise Disclosure Document) have been made, nor shall any be of any force or effect, or binding on the parties. Nothing in this or any related agreement, however, is intended to disclaim the representations Franchisor made in the franchise disclosure document that Franchisor furnished the franchisee. Modifications of this Agreement must be in writing and signed by both parties. Franchisor reserves the right to change Franchisor's policies, procedures, standards, specifications or manuals at Franchisor's discretion. In the event of a conflict between this Agreement and any Additional Franchise Agreement(s), the terms, conditions and intent of this Agreement shall control.

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

**WITNESSES:**

**FRANCHISEE:**

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Name:

\_\_\_\_\_  
Print Name:

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

**FRANCHISOR:**  
NEW ORLEANS BREW, LLC

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name:

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title:

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

**MULTI-UNIT OPTION AGREEMENT  
EXHIBIT A**

**DEVELOPMENT AREA**

The Development Area referred to in this Agreement shall be the geographic area described as follows:

The Development Area is defined as \_\_\_\_\_.

**FRANCHISEE:**

\_\_\_\_\_  
Name:

**MULTI-UNIT OPTION AGREEMENT  
EXHIBIT B**

**DEVELOPMENT SCHEDULE**

Option Period	Minimum Number of PJ's Units to be opened during the Option Period Term	Cumulative Number of PJ's Units Operational at the end of the Option Period Term
Effective Date	0	0
Within 12 months of Effective Date		
Within 24 months of Effective Date		
Within 36 months of Effective Date		
Within 48 months of Effective Date		
Within 60 months of Effective Date		

**FRANCHISEE:**

\_\_\_\_\_  
Name:

**EXHIBIT O**  
**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 New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans offers you a franchise, New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement or make payment with the franchisor or an affiliate in connection with the proposed franchise sale.

However, New York law requires New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans to provide the Franchise Disclosure Document at the earlier of the first personal meeting held to discuss the franchise sale or 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.

If Franchisor 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 and state law may have occurred and should be reported to the Federal Trade Commission, Washington, D.C. 20580 and the appropriate state agency identified in Exhibit H.

The name, principal business address, and telephone number of each franchise seller offering the franchise is as follows:

Ryan Stansbury, 180 New Camellia Boulevard, Suite 100, Covington, LA 70433, (985) 792-5899

David Mesa, Jr., 180 New Camellia Boulevard, Suite 100, Covington, LA 70433, (985) 792-5776

The issuance date of this Franchise Disclosure Document is April 10, 2020.

We authorize the respective agents identified in Exhibit E to receive service of process for us in the particular states.

I received a Disclosure Document from New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans dated April 10, 2020, that included the following Exhibits:

- A. Franchise Agreement
- B. Confidentiality and Nondisclosure Agreement
- C. Guaranty Agreement
- D. Direct Debit Authorization Form
- E. Agents for Service of Process
- F. Financial Statements
- G. Manuals– Table of Contents
- H. State Administrators
- I. Franchise Disclosure Acknowledgment Statement
- J. List of Existing Franchisees and Franchisees How Have Left the System
- K. General Release
- L. Contingent Assignment of Lease
- M. State Specific Addenda
- N. Multi-Unit Option Agreement
- O. Receipts

SIGNATURE PAGE TO FOLLOW.

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

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

\_\_\_\_\_  
(Name of corporation or LLC)

\_\_\_\_\_  
(Signature)

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

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

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

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

\_\_\_\_\_  
(Signature)

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

Address of corporation, LLC, or individual(s): \_\_\_\_\_

You may return the signed receipt either by signing, dating, and mailing it to New Orleans Brew, L.L.C. d/b/a PJ's Coffee of New Orleans at 180 New Camellia Boulevard, Suite 100, Covington, LA 70433, or by faxing a copy of the signed and dated receipt to New Orleans Brew, L.L.C. d/b/a PJ's Coffee of New Orleans at (985) 792-1201.

**YOUR COPY- RETAIN FOR YOUR FILES**

## 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 New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans offers you a franchise, New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans must provide this Disclosure Document to you fourteen (14) calendar days before you sign a binding agreement or make payment with the franchisor or an affiliate in connection with the proposed franchise sale.

However, New York law requires New Orleans Brew, LLC d/b/a PJ's Coffee of New Orleans to provide the Franchise Disclosure Document to you at the earlier of the first meeting held to discuss the franchise sale or 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.

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- L. Contingent Assignment of Lease
- M. State Specific Addenda
- N. Multi-Unit Option Agreement
- O. Receipts

SIGNATURE PAGE TO FOLLOW.

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

PROSPECTIVE FRANCHISEE:

If a corporation or LLC:

If an individual:

\_\_\_\_\_  
(Name of corporation or LLC)

\_\_\_\_\_  
(Signature)

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

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

Its \_\_\_\_\_  
(Title)

\_\_\_\_\_  
(Signature)

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

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

\_\_\_\_\_  
(Signature)

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

Address of corporation, LLC, or individual(s): \_\_\_\_\_

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**FRANCHISOR COPY -  
PLEASE RETURN TO FRANCHISOR**