

## FRANCHISE DISCLOSURE DOCUMENT



**PEET'S COFFEE FRANCHISE, LLC**  
a Delaware limited liability company  
1400 Park Avenue,  
Emeryville, California 94608  
(510) 518-6101  
franchise@peets.com  
www.peets.com

We offer franchises for stores offering specialty coffee and espresso drinks, tea and other beverages, coffee beans, food items, and related products and merchandise under the Peet's Coffee® name. The total investment necessary to begin operation of a Peet's Coffee® franchise ranges from \$1,035,000 to \$1,697,000. This includes \$45,000 to \$50,000 that must be paid to franchisor or its affiliates. The total investment necessary to acquire an area development territory ranges from \$175,000 to \$262,500 (for 10 to 15 outlets). This includes \$175,000 to \$262,500 that must be paid to franchisor or its affiliates.

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

You may wish to receive your Disclosure Document in another format that is more convenient for you. To discuss the availability of disclosures in different formats, contact Robyn Quintal at 1400 Park Avenue, Emeryville, California 94608 and (510) 518-6101.

The terms of your contract will govern your franchise relationship. Don't rely on this 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: November 6, 2024**

## How to Use This Franchise Disclosure Document

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

QUESTION	WHERE TO FIND INFORMATION
<b>How much can I earn?</b>	Item 19 may give you information about outlet sales, costs, profits or losses. You should also try to obtain this information from others, like current and former franchisees. You can find their names and contact information in Item 20 or Exhibits D-1 and D-2.
<b>How much will I need to invest?</b>	Items 5 and 6 list fees you will be paying to the franchisor or at the franchisor's direction. Item 7 lists the initial investment to open. Item 8 describes the suppliers you must use.
<b>Does the franchisor have the financial ability to provide support to my business?</b>	Item 21 or Exhibit E includes financial statements. Review these statements carefully.
<b>Is the franchise system stable, growing, or shrinking?</b>	Item 20 summarizes the recent history of the number of company-owned and franchised outlets.
<b>Will my business be the only Peet's Coffee® business in my area?</b>	Item 12 and the "territory" provisions in the franchise agreement describe whether the franchisor and other franchisees can compete with you.
<b>Does the franchisor have a troubled legal history?</b>	Items 3 and 4 tell you whether the franchisor or its management have been involved in material litigation or bankruptcy proceedings.
<b>What's it like to be a Peet's Coffee® franchisee?</b>	Item 20 or Exhibits D-1 and D-2 lists current and former franchisees. You can contact them to ask about their experiences.
<b>What else should I know?</b>	These questions are only a few things you should look for. Review all 23 Items and all Exhibits in this disclosure document to better understand this franchise opportunity. See the table of contents.

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

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

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

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

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

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

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

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

## **Some States Require Registration**

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

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

## Special Risks to Consider About *This* Franchise

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

1. **Out-of-State Dispute Resolution.** The franchise agreement and area development agreement require you to resolve disputes with the franchisor by arbitration only in California. Out-of-state arbitration may force you to accept a less favorable settlement for disputes. It may also cost more to arbitrate with the franchisor in California than in your own state.

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

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

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

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

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

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

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

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

Any questions regarding this notice should be directed to:

State of Michigan  
Consumer Protection Division  
Attn: Franchise  
670 G. Mennen Williams Building  
525 West Ottawa  
Lansing, Michigan 48933  
Telephone Number: (517) 373-7117

Note: We believe that paragraph (f) is preempted by federal law and cannot preclude us from enforcing these arbitration provisions. We will seek to enforce this section as written.

**THE MICHIGAN NOTICE APPLIES ONLY TO FRANCHISEES WHO ARE RESIDENTS OF MICHIGAN OR LOCATE THEIR FRANCHISES IN MICHIGAN.**

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

**The Franchisor**

To simplify the language in this franchise disclosure document (this “Disclosure Document”), “franchisor,” “we,” “us,” or “our” means Peet’s Coffee Franchise, LLC, the franchisor. “You” means the person or entity who buys the franchise from us. If you are a corporation, partnership, limited liability company, or other business entity, your owners will have to guarantee your obligations and be bound by the provisions of the Franchise Agreement (as defined below) and Area Development Agreement (as defined below) and other agreements as described in this Disclosure Document.

We are a Delaware limited liability company. We began offering franchises of the type described in this Disclosure Document in November 2024. We do business under our corporate name and as “Peet’s Coffee.” Our principal business address is 1400 Park Avenue, Emeryville, California 94608, and our phone number is (510) 518-6101. We do not own or operate any Peet’s Stores (defined below), though our affiliates do. We do not offer franchises in any other lines of business. We do not conduct any business activities other than described in this Disclosure Document. We do not have any predecessors.

A list of the names and addresses of our agents for service of process is attached to this Disclosure Document as Exhibit A.

**Our Parents**

Our immediate parent is Peet’s Coffee, Inc. (“PCI”). PCI owns the Marks (as defined below) and provides trademark license rights in the Marks to us, enabling us to license those Marks to franchisees. PCI is also a designated supplier to franchisees for certain products and merchandise, including proprietary coffee beans and tea, beverage menu ingredients, branded paper goods, condiments, smallwares, and branded merchandise and packaged food. PCI has owned and operated Peet’s Stores since 1996. PCI has offered and sold licenses (by exemption) for Peet’s Stores since 2001. PCI has not granted franchises or licenses for any concepts other than Peet’s Stores. As of December 31, 2023, in the United States, 56 licensed Peet’s Stores operated under contract with PCI, primarily in non-traditional locations. As of September 30, 2024, 10 licensed Peet’s Stores in the United Arab Emirates and 7 licensed Peet’s Stores in the Kingdom of Saudi Arabia operated under contract with PCI.

PCI’s is majority-owned by Peet’s Coffee & Tea, LLC (“PCT”), which is in turn majority-owned by Peet’s Coffee & Tea HoldCo, Inc. (“HoldCo”), which is in turn wholly-owned by New Oak 2 B.V. (“New Oak”), which is in turn wholly-owned by JDE Peet’s N.V. (“JDEP”). JDEP is a public company traded in the Netherlands. PCI, PCT, and HoldCo each share our principal address. New Oak and JDEP share the principal address of Oosterdoksstraat 80 1011 DK Amsterdam, Netherlands. None of PCT, HoldCo, New Oak, or JDEP own or operate any Peet’s Stores.

**Affiliated Franchise Programs**

We are under common control with the following entities which offer franchises:

Caribou Coffee Development Company, Inc. has offered franchises for shops featuring coffee and coffee-based caffeinated beverages, teas, baked goods, and other food and beverage offerings shop under the “Caribou Coffee” name since 2006. As of December 26, 2023, there were 147 franchised or licensed “Caribou Coffee” coffee shops in operation. Caribou Coffee



Development Company, Inc. has its principal place of business at 3900 Lakebreeze Avenue N., Minneapolis, Minnesota 55429.

Bruegger's Enterprises, Inc. has offered franchises for stores featuring bagels, coffee, tea and other café and bakery products and beverages under the "Bruegger's" and "Bruegger's Bagels" names since 2003. As of December 26, 2023, there were 49 franchised "Bruegger's Bagels" stores in operation. Bruegger's Enterprises, Inc. has its principal place of business at 1720 S. Bellaire St. Suite Skybox, Denver, Colorado 80222

Einstein Bros. Bagels Franchise Corporation has offered franchises for restaurants featuring fresh-baked bagels, cream cheese and other spreads, specialty coffees and teas, baked sweets and snacks, creative lunches, and other food and beverage offerings under the "Einstein Bros." name since 2016, prior to which a predecessor offered such franchises from 2006 to 2016. As of December 26, 2023, there were 56 franchised and 289 licensed "Einstein Bros." restaurants in operation. Einstein Bros. Bagels Franchise Corporation has its principal place of business at 555 Zang Street, Suite 300, Lakewood, Colorado 80228.

Jacobs Douwe Egberts BR Comercialização de Cafés Ltda. has offered subfranchises for retail coffee stores featuring coffees, teas, baked goods, sandwiches and other beverages and food products under the "Café do Ponto" and "Casa Pilao" names and service marks since 1998. As of December 31, 2023, there were 39 subfranchised "Café do Ponto" locations and 15 "Casa Pilao" subfranchised locations in operation. Jacobs Douwe Egberts BR Comercialização de Cafés Ltda. has its principal place of business at Av. Tamboré, 267, Loja 14, Térreo, CEP. 06460-000, Barueri, Estado de São Paulo, Brazil.

Krispy Kreme Doughnut Corporation has offered franchises for shops featuring a variety of doughnuts, beverages, and other related products and services under the "Krispy Kreme" name since the 1950s. As of December 31, 2023, there were 121 franchised "Krispy Kreme" stores in operation. Krispy Kreme Doughnut Corporation has its principal place of business at 370 Knollwood Street, Winston-Salem, North Carolina 27103.

Manhattan Bagel Company, Inc. has offered franchises for restaurants featuring bagels and cream cheese, coffee, soups, salads, sandwiches, sweets, and other food and beverage offerings under the "Manhattan Bagel" name since 1987. As of December 26, 2023, there were 68 franchised "Manhattan Bagel" restaurants in operation. Manhattan Bagel Company, Inc. has its principal place of business at 1720 S. Bellaire St. Suite Skybox, Denver, Colorado 80222.

Panera, LLC has offered "Panera" franchises for restaurants featuring fresh bakery goods, sandwiches, soups, salads, pasta dishes, custom-roasted coffee and other café beverages, and other food and beverage offerings under the "Panera Bread" since 1993, and as of December 27, 2023, there were 1,112 franchised "Panera Bread" restaurants in operation in the U.S. Panera Bread (BC) ULC has offered "Panera" franchises in the Canada since 2007, and as of December 26, 2023, there were 9 franchised "Panera Bread" restaurants in operation in Canada. Panera, LLC has its principal place of business at 1400 South Highway Drive, Suite 100, Fenton, Missouri 63026. Panera Bread (BC) ULC, a has its principal place of business at 5625 Timberlea Boulevard, Mississauga, Ontario, Canada.

Pret Intermediate Company, Inc. has offered franchises for restaurants featuring fresh food, coffee, and other beverage offerings under the "Pret A Manger" name since 1986. As of December 31, 2023, there were 181 franchised "Pret A Manger" restaurants in operation. Pret

Intermediate Company, Inc. has its principal place of business at 75B, 10 Bressenden Place, London, SW1E 5DH, United Kingdom.

Old Town Kopitiam Sdn Bhd has offered franchises in Asia for cafes offering coffee, teas, baked goods and other beverage and food products under the “Old Town White Coffee” name since 2009. As of December 31, 2023, there were 132 franchised “Old Town White Coffee” cafes in operation. Old Town Kopitiam Sdn Bhd has its principal place of business at Lot 896, Jalan Subang 10, Taman Perindustrian Subang, 47600 Subang Jaya, Selangor, Malaysia.

12 OZ Coffee Joint Srl has offered franchises in Europe for cafes offering coffee, teas, baked goods and other beverage and food products under the “12 OZ” name since 2021. As of December 31, 2023, there were 4 franchised “12 OZ” cafes in operation. 12 OZ Coffee Joint Srl has its principal place of business at Via Borgogna 3, Milano, Italy.

None of the affiliates described above have owned, operated, or offered franchises for Peet’s Stores. Other than as described above, neither we nor any of our affiliates offers franchises for any other concept, though we and they may do so in the future. Except as described above, we do not have any parents, predecessors, or other affiliates required to be disclosed in Item 1.

### **The Franchise We Offer**

We offer and grant franchises for coffee shops offering specialty coffee and espresso drinks, tea and other beverages, coffee beans, food items, and related products and merchandise (each, a “Peet’s Store”). Peet’s Stores operate under the name Peet’s Coffee® and other trademarks, service marks, logos, and commercial symbols we periodically authorize (the “Marks”). Peet’s Stores are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, and specifications, all of which we may be improve, further develop, or otherwise modify from time to time (together, the “System”). We call the Peet’s Store that you will operate “your Store.” You must comply with all of the mandatory standards, specifications, operating procedures, and rules that we periodically prescribe for operating a Peet’s Store (“System Standards”).

You must sign a franchise agreement with us to acquire the right to develop, own and operate a Peet’s Store (the “Franchise Agreement”) using the Marks and the System at a site selected by you and approved by us (the “Premises”). Our current form of Franchise Agreement is attached to this Disclosure Document as Exhibit B-1. The franchise offered under this Disclosure Document is for a traditional Peet’s Store with drive-thru. You may not develop any other model of Peet’s Store other than a traditional Peet’s Store with drive-thru without our authorization.

We currently offer Franchise Agreements only to persons who have acquired an area development territory under an area development agreement (the “Area Development Agreement”). Under the Area Development Agreement, you would obtain certain territorial protections within a specified geographic territory (the “Development Area”) to develop and open Peet’s Stores according to an agreed upon schedule (the “Development Schedule”). Our current form of Area Development Agreement is attached to this Disclosure Document as Exhibit B-2. The Area Development Agreement does not grant you the right to develop or open a Peet’s Store at any specific location within the Development Area. To develop a Peet’s Store within the Development Area, you must submit an application and site report for our approval, and if approved, you must sign our then-current form of Franchise Agreement for that Peet’s Store. We and you will agree on the Development Area and Development Schedule before you sign the Area Development Agreement.

## **Market Competition**

Your Store will offer products and services to the general public and compete with other beverage and food service businesses. The market for coffee shops is well-established and highly competitive. You can expect to compete in your market with locally-owned businesses and national and regional chains, including shops and cafés that serve specialty coffee, tea, coffee beans, and/or other beverages and food items, as well as other Peet's Stores, and other coffee shops operated by our affiliates and their licensees and franchisees. Your competition may also include cafés and similar restaurants, grocery stores, convenience stores, and coffee shops that offer similar products to those offered at Peet's Stores. You will compete on the basis of factors such as price, service, convenience, food quality and variety, presentation, location, and advertising. You will be competing both for customers and for real estate locations. Your business may also be affected by other factors, such as changes in consumer taste, economic conditions, population, and travel patterns. Peet's Stores are typically not seasonal.

## **Laws and Regulations**

Certain aspects of a food service business are heavily regulated by federal, state and local laws, rules and ordinances. The U.S. Food and Drug Administration, the U.S. Department of Agriculture, and various state and local departments of health and other agencies have laws and regulations concerning the preparation of food, display of nutrition facts, minimum wage, and health and safety conditions. State and local agencies routinely conduct inspections for compliance. You must also comply with laws applicable to businesses in your area generally, including compensation of employees, business licensure, zoning, real estate and occupational permitting, construction permitting, accessibility for persons with disabilities, sales and use tax, health and safety, and emergency orders related to public health or safety. There may be other laws applicable to your business.

## **ITEM 2** **BUSINESS EXPERIENCE**

### **Eric Lauterbach – President**

Mr. Lauterbach has served as our President in Emeryville, California since our formation in September 2024. Mr. Lauterbach has also served in multiple roles with our affiliates in Emeryville, California since May 2015, including: (i) President of Consumer Division of PCI from May 2015 to December 2019, (ii) President and Chief Operating Officer of PCI from December 2019 to April 2022, (iii) President, Chief Executive Officer, and Director of PCI from April 2022 to present, (iv) President of PCT since April 2022, and a member of the Board of Managers for PCT from July 2024 to present, and (v) President and Director of HoldCo from April 2022 to present.

### **Kristin A. Ashurst – Secretary and General Counsel**

Ms. Ashurst has been our Corporate Secretary in Emeryville, California since our formation in September 2024. Ms. Ashurst has also served in multiple roles with our affiliates in Emeryville, California since March 2016, including: (i) General Counsel, Corporate Secretary of PCI from March 2016 to present, and Director of PCI from October 2018 to present, (ii) Corporate Secretary of PCT from March 2016 to present, and a member of the Board of Managers from July 2024 to present, and (iii) Corporate Secretary and Director of HoldCo from September 2019 to present.

### **Joris Knauf – Treasurer and Chief Financial Officer**

Mr. Knauf has been our Treasurer in Emeryville, California since our formation in September 2024. Mr. Knauf served in multiple roles with our affiliates since September 2019, including: (i) Chief Financial Officer of PCI from February 2024 to present, and Treasurer of PCI and PCT since March 2024, each in Emeryville, California, (ii) Director of PCI since March 2024 and a member of the Board of Managers of PCT since July 2024, each in Emeryville, California; and (iii) Global Group Controller of JDEP in Amsterdam, Netherlands from September 2019 to March 2024.

### **Gordon Bitter – Senior Vice President, Retail**

Mr. Bitter has been the Senior Vice President of Retail of PCI since May 2023 and for us since our formation in September 2024, in each case in Emeryville, California. Prior to that, Mr. Bitter was the Vice President of Strategic Growth of Centific Technologies in Redmond, Washington from January 2022 to April 2023, and Senior Global Program Director of Lionbridge Technologies in Bellevue, Washington from June 2019 to January 2022.

### **Robyn Quintal – Senior Director, Business Development**

Ms. Quintal has served in multiple roles with us and our affiliates since August 2004, including most recently: (i) Senior Director of Business Development of PCI since from January 2024 to present, and of us since our formation in September 2024, and (ii) Senior Director of Operations of PCI from November 2019 to December 2023. Ms. Quintal has served all roles from Emeryville, California.

## **ITEM 3 LITIGATION**

No litigation is required to be disclosed in this Item.

## **ITEM 4 BANKRUPTCY**

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

## **ITEM 5 INITIAL FEES**

### **Initial Franchise Fee**

You must pay us an initial franchisee fee of \$35,000 upon signing the Franchise Agreement. The initial franchise fee is uniformly imposed, payable in a lump sum, and non-refundable.

### **Opening Inventory and Supplies**

You must purchase certain initial inventory from our parent PCI, including proprietary coffee beans and tea, beverage menu ingredients, branded paper goods, condiments, smallwares, and branded merchandise and packaged food. We estimate that the cost of these purchases from PCI prior to opening your Store will range from \$10,000 to \$15,000. The cost of these purchases will depend on the size and specifications of your Store, the cost of taxes and shipping in your area, the quantity of products

you order, and market conditions. The cost of the initial coffee, supplies, and inventory you purchase from PCI is fully earned when paid, payable on placing each order, and non-refundable.

### **Development Fee**

If you are signing an Area Development Agreement, you must pay an area development fee (the “Development Fee”) equal to \$17,500 multiplied by the number of Peet’s Stores in your Development Schedule. We credit the Development Fee, in \$17,500 increments, toward the initial franchise fee that is due under each Franchise Agreement signed to develop a Peet’s Store. We estimate a Development Fee of \$175,000 to \$262,500 based on a Development Schedule of 10 to 15 Peet’s Stores.

## **ITEM 6** **OTHER FEES**

<b>Type of Fee</b>	<b>Amount</b>	<b>Due Date</b>	<b>Remarks <sup>1, 2</sup></b>
Royalty	6% of Gross Sales <sup>3</sup>	Monthly	“Gross Sales” is defined in the notes to this table disclosed below.
Brand Fund Contribution	Not currently assessed	Monthly	If we establish the Brand Fund (as defined in Item 11), you must contribute to the Brand Fund in the amount we designate, provided that the aggregate of the Brand Fund Contribution (defined in Item 11) and the Local Advertising Expenditure (defined in Item 11) will not exceed 5% of your Store’s Gross Sales (the “Marketing Expenditure Cap”).
Local Advertising Expenditure	0.5% of Gross Sales	Monthly	You must spend an amount that we designate from time to time to advertise and promote your Store. We may change the amount of your Local Advertising Expenditure with notice to you subject to the Marketing Expenditure Cap. We may require you to pay this amount to us or our affiliates to conduct local marketing in your area.
Technology Fee	\$500 per month	Monthly	This fee is for technology that we or our affiliates develop or license to you and for other maintenance, support, and technology development services that we or our affiliates provide, including services associated with your Computer System and/or any System Website (as both terms are defined in Item 11). The amount of this fee is subject to increase up to 10% per year on a compounding basis.
Ongoing Inventory and Supplies Fees	Price of such inventory and supplies you purchase	As incurred	Throughout the term of the Franchise Agreement, you must purchase all Proprietary Blends and branded paper goods, condiments, smallwares for beverage preparation, and branded merchandise and packaged food from PCI.
Interest on Late Payment	Lesser of 1.5% per month or the highest commercial contract rate allowed by law	As incurred	All amounts which you owe us for any reason will bear interest accruing as of their due dates.

Type of Fee	Amount	Due Date	Remarks <sup>1, 2</sup>
Transfer Fee	50% of then-current standard initial franchise fee	As incurred, prior to transfer	You must pay this fee as one of the conditions of transferring your Store, and/or your Franchise Agreement (except that no transfer fee is due if the transfer is from an individual to a wholly-owned and controlled entity, or if the transfer is from a deceased owner to a surviving spouse; provided in each case, other conditions may apply and you must still reimburse us for our costs of processing the transfer, including legal fees).
Renewal Fee	50% of then-current standard initial franchise fee	As incurred, prior to renewal	You must pay this fee as one of the conditions of obtaining a successor franchise upon the expiration of the Franchise Agreement.
Additional Training Fee	\$500 per day per person plus reimbursement of our direct costs including travel	As incurred	You must pay our training fee if: (a) we approve you to send additional attendees to the Initial Training Program (defined in Item 11); (b) we agree to provide additional training for any persons after completion of the Initial Training Program; (c) we provide the Initial Training Program to any new General Manager (defined in Item 15); (c) we require you or Mandatory Trainees (defined in Item 11) to attend additional training because you are not complying with System Standards; or (d) you request any other additional or special guidance. The amount of this fee is subject to increase by up to 10% per year on a compounding basis.
Non-Approved Product or Vendor Testing	Reimbursement of our costs and expenses	As incurred	We may charge you a fee if you ask us to evaluate any vendors or products that we have not previously approved.
Insurance	Amount equal to the premiums, plus costs and expenses incurred by us	As incurred	If you fail or refuse to obtain and maintain the insurance we specify, we may (but are not required to) obtain such insurance for you and your Store on your behalf, and you must reimburse us for our costs for doing so.
Quality Inspection Testing & Mystery Shoppers	Reimbursement of our costs and expenses	As incurred	You must reimburse us for the cost of any quality assurance testing or mystery shoppers that we engage to inspect your Store.
Audit Fee	Reimbursement of our costs and expenses	Within 15 days of report receipt	If any audit of your Gross Sales is necessary due to your failure to furnish reports on a timely basis, or if our examination reveals an understatement exceeding 2% of the amount that you actually reported to us, you must reimburse us for the costs of the audit, including fees of attorneys and accountants and the travel expenses, room and board, and compensation of our employees.

Type of Fee	Amount	Due Date	Remarks <sup>1, 2</sup>
Interim Operations Fee	Gross Sales exceeding the expenses of your Store, plus reimbursement of costs and expenses	As incurred	Due if we operate your Store on an interim basis: (1) if you abandon or fail actively to operate your Store for a period of more than 7 consecutive days; (2) at any time after the death or disability of you (if you are conducting business as an individual) or your Managing Owner, if your Store is at any time not being managed properly; or (3) the Franchise Agreement expires or is terminated and we are transitioning your Store to us or another person we designate.
Indemnification	Reimbursement of our damages and costs and expenses	As incurred	You must reimburse us, our affiliates, and each of our and their respective affiliates, owners, directors, managers, officers, employees, agents, successors, and assignees, if any of us are held liable for claims related to the operation of your Store, actions, errors or omissions of you or your representatives, or your breach of the Franchise Agreement or Area Development Agreement. The costs we incur may include fees for accountants, arbitrators, attorneys, and expert witnesses; investigation costs; court costs; and travel and living expenses amongst others.
Costs and Attorneys' Fees	Reimbursement of our costs and expenses	As incurred	If we are the prevailing party in any dispute proceeding between you and us, you must pay our damages, costs, and expenses, including arbitration and court costs and reasonable attorneys' fees.
Tax Reimbursement	Reimbursement of our costs and expenses	As incurred	You are responsible for paying all taxes for your Store, and you must reimburse us for any taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.
Lost Revenue Damages	Net present value of your Royalty and Brand Fund contributions for the lesser of 3 years or the remainder of term of the franchise	Within 5 days after termination	If we terminate the Franchise Agreement because of your default or you terminate without cause, you must pay us lost revenue damages. The calculation of lost revenue damages will be based on your average monthly Gross Sales during the preceding 12 months, or if you have been operating your Store for less than 12 months, on the average monthly Gross Sales of all Peet's Stores during the year immediately preceding the termination date.
Deficiency Correction	Reimbursement of our costs and expenses	As incurred	If you fail to take any of the required actions upon termination or expiration of your Franchise Agreement, including removing signs and otherwise de-identifying the Premises, we may correct such deficiencies and you must reimburse our costs.

Type of Fee	Amount	Due Date	Remarks <sup>1, 2</sup>
Development Non-Compliance Fee	6% of average monthly Gross Sales of all Peet's Stores in prior year	As incurred	If you fail to open any Peet's Store by the deadline specified in your Development Schedule, then in addition to our other rights and remedies under the Area Development Agreement, we may charge you the non-compliance fee for each month you fail to open such Peet's Store, prorated for partial months.

**Explanatory Notes:**

1. Except as described in this Item 6, all fees are imposed and collected by and payable to us, though we may transfer these rights to our affiliates. These fees are non-refundable and uniformly imposed. All amounts paid to us and our affiliates must be in United States Dollars (\$).

2. You must pay us all amounts in the manner we periodically prescribe. Currently, we require all payments to be made through electronic debit of your business account on or before their due dates or the next business day if the due date is a national holiday or a weekend day. You must sign and deliver to us any documents we require for such electronic debits of your account. You must ensure that funds are available in your designated account to cover our withdrawals. We may change the timing, frequency, and intervals of any payments from time to time, but with no less than 30 days' prior written notice to you. If you fail to report Gross Sales, if we cease to have access to your Computer System, or if your Store is closed without our authorization for any period of time, then for any fees under the Franchise Agreement which are calculated based on Gross Sales, we may debit your account for 110% of the average Gross Sales for the last 3 reported months of operations of your Store. If the amounts that we debit from your account on the basis of any understatement are less than the amounts you actually owe us once we have determined the true and correct Gross Sales, we will debit your account for the balance on the day we specify. If the amounts that we debit from your account on the basis of any understatement are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

3. "Gross Sales" means all revenue that you derive from operating your Store, whether from cash, check, vouchers, tickets, or other comparable forms of payment, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority. If we authorize or require participation in online group-bought deals, gift certificate or gift card programs, or other similar programs, the payments you receive for those online group-bought deals, gift certificates or gift cards will be included in Gross Sales in accordance with our then-current guidelines for calculating Gross Sales. Gross Sales also include all insurance proceeds you receive for loss of business and loss of revenue, due to a casualty to or similar event at your Store.



**ITEM 7**  
**ESTIMATED INITIAL INVESTMENT**

**YOUR ESTIMATED INITIAL INVESTMENT**  
**(Franchise Agreement)**

Type of Expenditure	Amount		Method of Payment <sup>1</sup>	When Due	To Whom Payment is Made
	Low	High			
Initial Franchise Fee	\$35,000	\$35,000	Lump sum	Upon signing Franchise Agreement	Us
Real Estate (3 Months' Rent and Security Deposit) <sup>2</sup>	\$30,000	\$50,000	As incurred	As incurred	Landlord
Other Security and Utility Deposits	\$10,000	\$20,000	As incurred	As incurred	Unaffiliated third parties (e.g., utility companies, landlord)
Leasehold Improvements <sup>3</sup>	\$385,000	\$770,000	As incurred	Before opening	Unaffiliated third parties
Computer System and Technology <sup>4</sup>	\$60,000	\$90,000	As incurred	Before opening	Approved third-party suppliers
Initial Inventory and Supplies <sup>5</sup>	\$15,000	\$20,000	As incurred	Before opening	Our Affiliate and unaffiliated third parties
Furniture, Fixtures & Equipment <sup>6</sup>	\$260,000	\$350,000	As incurred	Before opening	Approved third-party suppliers
Signage	\$45,000	\$70,000	As incurred	Before opening	Approved third-party suppliers
Professional Fees and Licenses <sup>7</sup>	\$70,000	\$110,000	As incurred	As incurred	Unaffiliated third parties
Insurance <sup>8</sup>	\$7,000	\$10,000	As incurred	As incurred	Unaffiliated third parties
Initial Training Program — Mandatory Trainees <sup>9</sup>	\$5,000	\$12,000	As incurred	Before opening	Unaffiliated third parties (e.g., hotels, airlines, restaurants)
Grand Opening Advertising <sup>10</sup>	\$3,000	\$10,000	As incurred	Before opening	Unaffiliated third parties

Type of Expenditure	Amount		Method of Payment <sup>1</sup>	When Due	To Whom Payment is Made
	Low	High			
Additional Funds – First 3 Months of Operation <sup>11</sup>	\$110,000	\$150,000	As incurred	As incurred	Unaffiliated and approved third-party suppliers (e.g., employees)
<b>TOTAL ESTIMATED INITIAL INVESTMENT</b> <sup>12</sup>	<b>\$1,035,000</b>	<b>\$1,697,000</b>			

**Explanatory Notes:**

1. General. Except as otherwise provided, the amounts payable to us or our affiliates in this table are not refundable under any circumstances. All amounts payable to third parties will be paid under the terms of your agreement with these respective third parties. We do not offer financing directly or indirectly for any part of the initial investment.

2. Real Estate. The estimate above is for three months of rent and an estimated security deposit under the Lease equal to one month's rent. The cost of leasing or acquiring your Premises will depend upon the market in which the proposed site is located. A suitable space for a Peet's Store will be approximately 1,400 to 2,400 square feet. Local market conditions, changes in the economy and inflation will also contribute to your occupancy costs. The location of the parcel of real property, its relationship to and the nature of any adjoining uses, and its accessibility will affect both its size and price. Some lease agreements require the lessee to pay (in addition to rent) for maintenance, insurance, taxes and any other charges or expenses for the land and building or they may require that the lessee reimburse the lessor for its proportionate share of these payments (plus interest), all of which are not included in the provided estimates, and you must negotiate with your landlord.

3. Leasehold Improvements. Leasehold improvements include electrical, plumbing, carpentry, flooring, walls and ceiling, general construction and administration costs as well as other costs associated with initial construction and site improvements of your Premises. The provided estimates do not account for any tenant improvement allowances you may negotiate with your landlord. The cost of leasehold improvements will also depend on the brands purchased, local market conditions, the condition of your Premises, the extent of remodeling required, and other factors.

4. Computer System and Technology. The estimate provided includes your purchase of your Computer System and a monthly subscription for our designated point-of-sale software for the first three months (see Item 11). The total cost of your Computer System will depend on whether you already own any components that must be purchased, freight and installation costs, connectivity services in your area, applicable state and local taxes, and other factors. We have not included the cost of a personal computer in the provided estimates, as we assume you will already own one.

5. Initial Inventory and Supplies. The estimates provided are to obtain (a) initial inventory from PCI prior to the opening of your Store, which will include proprietary coffee beans and tea, beverage menu ingredients, branded paper goods, condiments, smallwares, and branded merchandise and packaged food (estimated to be \$10,000 to \$15,000), and (b) initial inventory from designated third parties for baked goods, grab and go refrigerated food, assorted breakfast foods, cold dairy, and bottled

beverages (estimated to be \$5,000). The cost of initial inventory will depend on shipping and freight prices, the cost of raw materials, your geographic market, and similar factors.

6. *Furniture, Fixtures, & Equipment.* This estimate includes the cost of furniture, fixtures, equipment, and other similar supplies for your Store, including drive-thru equipment, kitchen and coffee equipment, preparation tables, serving counters, customer tables, artwork, lighting, audio and security systems, and décor items. This cost will depend on the brands purchased, local market conditions, the size of your Store and other factors.

7. *Professional Fees and Licenses.* The provided estimate includes your legal and professional fees, architect fees, and licenses and permits. The amount of professional fees you incur will depend on the number of representatives you engage, the experience and sophistication of those representatives, and the geographic market in which you operate. The amount of fees you will incur for licenses and permits will depend on the location of your Store and the local requirements.

8. *Insurance.* The estimate for insurance premiums is for one year of premiums, as many insurance companies require lump sum payment in advance. Your landlord may also require additional insurance above our minimum requirements, which is not accounted for in the provided estimates.

9. *Initial Training Program—Mandatory Trainees.* You must pay for the transportation, food, lodging, and other expenses that you will incur for your Mandatory Trainees (defined in Item 11) to attend our Initial Training Program. These expenses may vary based on the distance travelled and the standard of living your attendees desire. If you wish to obtain training for any additional employees, or that is beyond the scope of our Initial Training Program, additional training fees may apply. The provided estimates do not account for any additional training fees.

10. *Grand Opening Advertising.* You must spend at least \$3,000 for a grand opening advertising program for your Store. You must spend this amount in addition to all other amounts you must spend on advertising specified in the Franchise Agreement. However, you may elect to spend more than the minimum amount on your grand opening marketing program. The amount you spend will depend on several factors, including the local market conditions, brand awareness in the surrounding community, the amount of competition in your area, and other factors.

11. *Additional Funds – First 3 Months of Operation.* This item estimates your initial start-up expenses (other than the items identified separately in the table) for your Store's first 3 months of operation, including inventory and supplies, payroll and benefits, maintenance and repair, cash shortages, as well as other costs for the continued operation of your Store.

12. *Total Estimated Initial Investment.* The estimated initial investment figures shown above are based on PCI's experience in owning and operating Peet's Stores with drive-thrus in California. The estimated initial investment figures provided in this table assume that you (or your Managing Owner) are not paid any salary or wages. The estimate does not include the costs associated with any financing.

**YOUR ESTIMATED INITIAL INVESTMENT**  
**(Area Development Agreement)**

TYPE OF EXPENDITURE	AMOUNT	METHOD OF PAYMENT	WHEN DUE	TO WHOM PAYMENT IS TO BE MADE
Development Fee <sup>1</sup>	\$175,000 to \$262,500	Lump Sum	On Execution of Area Development Agreement	Us
<b>TOTAL ESTIMATED INITIAL INVESTMENT<sup>2</sup></b>	\$175,000 to \$262,500			

**Explanatory Notes**

1. The actual amount of the Development Fee will depend on the number of Peet's Stores you agree to develop under the Development Schedule as the Development Fee is equal to \$17,500 times the number of Peet's Stores you agree to open. For example, if you agree to open 10 Peet's Stores, the Development Fee would be \$175,000; if you agree to open 15 Peet's Stores, the Development Fee would be \$262,500. We apply this fee, in \$17,500 increments, toward the initial franchise fee due under each Franchise Agreement signed in accordance with the Area Development Agreement. We estimate that area developers would develop between 10 and 15 Peet's Stores.

2. This is the investment necessary to execute an Area Development Agreement, which allows you to obtain certain territorial protections for future development. You must sign our then-current Franchise Agreement for the development of each Peet's Store in your Development Area, and satisfy the development obligations outlined in that Franchise Agreement. See the chart entitled "Your Estimated Initial Investment – Franchise Agreement" for information about the current estimated initial investment under that agreement.

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

**Specifications for Products, Services and Suppliers**

We have developed and may continue to develop System Standards for types, models and brands of required fixtures, furniture, equipment, components of the Computer System, furnishings, signs, and other operating assets, inventory, products, materials, and services used by Peet's Stores. We may require you to purchase and use only the products and services meeting our System Standards. We may also require you to purchase the products and services only from suppliers that we have designated or approved. We or our affiliates may be an exclusive or approved supplier of products and services.

Our standards and specifications for products and services and criteria for suppliers are not currently issued to franchisees or approved suppliers. We may condition our approval of a product or supplier on requirements relating to product quality, prices, consistency, reliability, financial capability, labor relations, customer relations, frequency of delivery, concentration of purchases, standards of service or other criteria. If you would like us to consider approving a vendor that is not already approved by us, you must submit your request in writing before purchasing any items or services from such vendor.

We will make all determinations about whether to approve an alternative vendor based on our then-current criteria, which may change periodically. Currently, we estimate that we will provide notice of our decision to approve or disapprove an alternative supplier within 60 days of receiving the request and all necessary materials for evaluation. We may also refuse to consider and/or approve any alternative vendor for any reason whatsoever. We may charge you a fee if you ask us to evaluate any proposed alternative vendors (currently, the fee is equal to reimbursement of our costs and expenses). We may revoke our approval of any vendor at any time by providing written notice to you. You may not contract with any alternative vendors without receiving our prior approval.

You must purchase your entire initial and ongoing inventory and supply of coffee and tea products and certain other ingredients ("Proprietary Blends") from our affiliate PCI. You must at all times ensure that you have Proprietary Blends available at your Store in sufficient quantity to meet anticipated demand, including during peak periods. If any shortages arise, PCI will allocate its supply of Proprietary Blends among Peet's Stores and other channels of distribution in its sole discretion. You must comply with all of PCI's instructions and policies for ordering Proprietary Blends, which it may modify periodically, and which may include auto-ordering policies. The cost of Proprietary Blends may fluctuate at any time and periodically. PCI may modify any such pricing for Proprietary Blends with 60 days' notice to you. All purchases of Proprietary Blends will be subject to PCI's then-current terms and conditions and credit policies. PCI reserves the right to refuse orders or deny shipment of any Proprietary Blends if you have any past due balance to PCI or to us or our affiliates.

You must purchase: (i) Proprietary Blends, branded paper goods, condiments, smallwares, and branded merchandise and packaged food from our affiliate PCI; (ii) the Computer System (including back of house, front of house, and drive-thru software and hardware), machinery (such as a coffee and espresso machines, water filter, ice machine, and refrigerator), serving counters, customer tables, drive-thru items, menu displays, artwork, lighting, smallwares, paper supplies, furniture, lighting, tile and other fixtures, furnishings and equipment from our exclusive designated suppliers; and (iii) your other inventory (including any baked goods, pre-packaged food, and ready to drink beverages), equipment, supplies from suppliers we have approved. We may add, remove, and/or otherwise modify our designated and approved suppliers at any time.

We had no franchisees as of the issuance date of this Disclosure Document, and therefore no revenue was collected by us or our affiliates from the sale of products or services to our franchisees in our most recently completed fiscal year. Other than as described in this Item 8, neither we nor our affiliates are suppliers of any required products or services to franchisees, though we may be in the future.

Collectively, the purchases you obtain according to our specifications or from approved or designated suppliers will represent approximately 95% of your total purchases to establish your Store and 95% of your total purchases to operate your Store.

### **Insurance**

You must maintain in force at your sole expense insurance policies for your Store as required under applicable law and your Lease, and in minimum types and amounts of coverage we require. Currently, our requirements include (i) commercial general liability insurance with a limit of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate, with coverage including bodily injury, property damage, products liability, foodborne illness, completed operations, independent contractors, personal and advertising liability, contractual, and with sublimits of \$100,000 for cyber coverage and \$100,000 for crime coverage; (ii) commercial umbrella insurance with limits which bring the total of all primary underlying coverages to not less than \$2,000,000 per occurrence, \$2,000,000 per location

general aggregate, and \$2,000,000 products liability aggregate; (iii) employment practices liability insurance with a limit of not less than \$1,000,000; (iv) workers' compensation insurance with the statutory minimum coverage amounts, in accordance with laws applicable in the state in which your Store is operated; (v) automobile liability insurance in an amount not less than \$1,000,000 for coverage of all owned, non-owned, and hired vehicles; and (vi) property insurance providing all risk coverage/all risk perils on all assets including but not limited to the building, furniture, fixtures, equipment, inventory, and supplies used in the operation of your franchised business at 100% of its replacement cost value, and not less than 50% of your Gross Sales or 12 months actual loss sustained basis and include extended period of indemnity for 180 days; including Royalties.

We may periodically change the minimum amounts of coverage required under these insurance policies or require different or additional insurance coverages (including reasonable excess liability insurance) at any time to reflect inflation, identification of new risks, changes in law or standards of liability, higher damage awards or other relevant changes in circumstances. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate). Each insurance policy must name us and any affiliates we designate as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation or expiration. Each insurance policy must contain a waiver of all subrogation rights against us and any of our affiliates or other designees we specify. You must routinely furnish us copies of your certificates of insurance or other evidence of your maintaining this insurance coverage and paying premiums.

### **Purchase Arrangements, Material Benefits, and Revenue**

We may periodically negotiate purchase arrangements with suppliers of products and services to franchisees, including price terms, though we have not currently done so. In the future, you may be required to purchase products or services at a price or on other terms we have negotiated in advance. As of the issuance date of this Disclosure Document, we have not established purchasing or distribution cooperatives, though we may do so in the future. We do not currently provide material benefits to franchisees for purchasing particular products or services or for using particular approved suppliers.

We and/or our affiliates may derive revenue in the form of rebates, vendor promotions, or other consideration from suppliers based on your purchases and leases of certain products and services, though currently neither we nor our affiliates do so.

As of the issuance date of this Disclosure Document, none of our officers own any interest in any of the approved suppliers, other than in PCI.

**ITEM 9**  
**FRANCHISEE'S OBLIGATIONS**

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

<b>Obligation</b>	<b>Section in Agreement</b>	<b>Item in Disclosure Document</b>
(a) Site selection and acquisition/lease	Franchise Agreement - Sections 2.A and 2.B	Item 11
	Area Development Agreement – Section 2	
(b) Pre-opening purchases/leases	Franchise Agreement - Sections 2.B and 2.C	Item 5, 7, 8, and 11
	Area Development Agreement – N/A	
(c) Site development and other pre-opening requirements	Franchise Agreement - Section 2	Items 7, 8, and 11
	Area Development Agreement – Section 2	
(d) Initial and ongoing training	Franchise Agreement - Section 4	Items 6, 7, and 11
	Area Development Agreement – N/A	
(e) Opening	Franchise Agreement - Sections 2.C	Item 11
	Area Development Agreement – N/A	
(f) Fees	Franchise Agreement - Section 3	Items 5, 6, 7, and 11
	Area Development Agreement – Sections 2.A and 2.C	
(g) Compliance with standards and policies/operating manual	Franchise Agreement - Sections 4.C, 4.D and 8	Items 8, 11, and 16
	Area Development Agreement – N/A	
(h) Trademarks and proprietary information	Franchise Agreement - Sections 5 and 6	Items 13 and 14

Obligation	Section in Agreement	Item in Disclosure Document
	Area Development Agreement – Section 3.A	
(i) Restrictions on products/services offered	Franchise Agreement - Sections 8.C, 8.E, and 8.H	Items 8, 11, 12, and 16
	Area Development Agreement – N/A	
(j) Warranty and customer service requirements	Franchise Agreement - Sections 8.F	Item 11
	Area Development Agreement – N/A	
(k) Territorial development and sales quotas	Franchise Agreement - Section 1.E	Item 1
	Area Development Agreement – Section 1.D	
(l) On-going product/service purchases	Franchise Agreement - Sections 8.E and 8.F	Items 6 and 8
	Area Development Agreement – N/A	
(m) Maintenance, appearance and remodeling requirements	Franchise Agreement - Sections 8.A, 8.B and 11.A	Items 6, 8, 11, and 17
	Area Development Agreement – N/A	
(n) Insurance	Franchise Agreement - Section 8.G	Items 7 and 8
	Area Development Agreement – N/A	
(o) Advertising	Franchise Agreement - Section 9	Items 6, 7, 8, and 11
	Area Development Agreement – N/A	
(p) Indemnification	Franchise Agreement - Sections 16.D	Item 6
	Area Development Agreement – Section 6.C	
(q) Owner’s participation/management/staffing	Franchise Agreement - Sections 1.C and 8.D	Items 11 and 15



Obligation	Section in Agreement	Item in Disclosure Document
	Area Development Agreement – Section 1.C	
(r) Records and reports	Franchise Agreement - Section 10	Item 6
	Area Development Agreement – Section 2.E	
(s) Inspections and audits	Franchise Agreement - Section 11	Items 6 and 11
	Area Development Agreement – N/A	
(t) Transfer	Franchise Agreement - Section 12	Item 17
	Area Development Agreement – Section 4	
(u) Renewal	Franchise Agreement - Section 13	Item 17
	Area Development Agreement – N/A	
(v) Post-termination obligations	Franchise Agreement - Section 15	Item 17
	Area Development Agreement – Section 5	
(w) Non-competition covenants	Franchise Agreement - Sections 7.A and 15.C	Item 17
	Area Development Agreement – Sections 3.B and 5.D	
(x) Dispute resolution	Franchise Agreement - Section 17	Item 17
	Area Development Agreement – Section 7	
(y) Guaranty and assumption of obligations	Franchise Agreement - Section 1.C and Attachment B	Item 15
	Area Development Agreement – Section 1.C and Attachment C	

## **ITEM 10**

### **FINANCING**

We do not offer direct or indirect financing. We do not guarantee your promissory notes, mortgages, leases or other obligations.

## **ITEM 11**

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

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

#### **Our Pre-Opening Obligations**

Before you open a Peet's Store, we or our affiliates will provide you the following assistance:

1. If you have not received approval for a premises for your Store upon signing your agreement, review and approve or disapprove sites you propose for the development of your Store (Area Development Agreement, Section 2.C; Franchise Agreement – Section 2.A)
2. Review and approve or disapprove the construction plans and specifications for your Store. Other than the Proprietary Blends and the initial inventory and supplies sold by PCI, we do not directly provide, deliver, or install any equipment, signs, fixtures, opening inventory, and supplies for our franchisees (Franchise Agreement – Section 2.B)
3. If you are opening your first Peet's Store, or the General Manager of your Store has not already completed the Initial Training Program, provide the Initial Training Program to your Mandatory Trainees (Franchise Agreement – Section 4.A)
4. If you are developing your first Peet's Store or opening your Store with a new General Manager, provide on-site opening support in connection with the grand opening of your Store (Franchise Agreement – Section 4.C)
5. Make our Manuals available to you (Franchise Agreement – Section 4.E)
6. Approve or disapprove of your grand opening advertising program (Franchise Agreement – Section 9.A)
7. Review and either approve or disapprove your Store to open for business (Franchise Agreement Section 2.C)

#### **Site Selection**

We expect that you will operate your Store from a Premises identified by you and approved by us before you sign your Franchise Agreement. If you have not yet located a site for the Premises when you sign the Franchise Agreement, you must select a suitable site and obtain our approval of that site as your Premises. You must send us all of the information we require for the proposed site. We will make all determinations about whether to approve a site based on our then-current criteria, including visibility, size, layout, adjacent uses, parking, demographics, local competition, and other factors we periodically determine. Currently, we estimate that we will provide notice of our decision to approve

or disapprove a proposed site within 30 days of receiving the request. Currently, neither we nor our affiliates generally own the sites for Peet's Stores and lease those sites to franchisees. You must execute a lease, sublease or other document ("Lease") that we approve to secure possession of the Premises for your Store. We may condition our approval of the Lease on the inclusion of certain terms we believe are necessary to ensure the protection and continuity of the System. You must secure site approval for a Premises within 90 days of signing your Franchise Agreement, and sign a Lease for that site within 90 days after you obtain site approval, otherwise we may terminate your Franchise Agreement.

### **Opening Requirements**

We estimate that you will begin operating your Store by the earlier of: (i) 180 days after the Lease is executed, or (ii) the first anniversary of the date you sign the Franchise Agreement. We may terminate the Franchise Agreement if you fail to open your Store by such deadlines. The date that you open your Store for business (your "Opening Date") will depend on several factors, including when: (a) your Mandatory Trainees complete our Initial Training Program to our satisfaction; (b) you obtain our approval of a lease for your Store; (c) you complete the build-out of the Premises in accordance with approved plans, including obtaining all required permits and licenses, and conforming the Premises to local ordinances and business codes; (d) you install all operating assets, including components of the Computer System; (e) you obtain all pre-opening inventory, supplies, and insurance we designate; and (f) you meet all of our other criteria to our satisfaction before you begin operating your Store.

### **Assistance During the Operation of Your Store**

During your operation of your Store, we or our designees will:

1. Subject to limitations on scheduling, availability, and similar resources, provide you with periodic advice regarding the operation of your Store, including ongoing training opportunities that we require or you request us to provide (Franchise Agreement – Section 4.D)
2. Continue to make our Manuals available to you (Franchise Agreement – Section 4.E)
3. Let you use our Marks and certain copyrighted and copyrightable materials in connection with the operation of your Store (Franchise Agreement – Section 5)
4. Sell you the Proprietary Blends subject to inventory (Franchise Agreement – Section 8.D)
5. Approve or disapprove alternative vendors (Franchise Agreement – Section 8.F)
6. If we implement the Brand Fund, administer the Brand Fund pursuant to the terms of the Franchise Agreement (Franchise Agreement – Section 9.B)
7. Approve or disapprove advertising materials you submit to us prior to use (Franchise Agreement – Section 9.C)
8. Periodically set a maximum or minimum price that you may charge for products and services offered by your Store. We may also require you to comply with an advertising policy which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. (Franchise Agreement – Section 8.I) (See Item 16)

## **Manuals**

We will make our System Standards and other suggested specifications, standards and procedures, and information for the operation of Peet's Stores available to you during the term of the Franchise Agreement, which may include one or more separate manuals, newsletters, memos, or bulletins, as well as any audio or video content, and/or other content available through or distributed by any Online Presence or other electronic or digital means (collectively, the "Manuals"). The current tables of contents of the Manuals are attached to this Disclosure Document as Exhibit C. There are currently 352 pages in our Manuals.

## **Advertising and Promotion**

*Grand Opening Advertising.* You must spend at least \$3,000 for a grand opening marketing program for your Store beginning 60 days before your Opening Date and ending no later than 60 days after your Opening Date. You must spend this amount in addition to all other amounts you must spend on advertising under the Franchise Agreement. The amount you spend on grand opening advertising will not count towards your Local Advertising Expenditure (defined below). You must submit a plan for your grand opening marketing program to us for our approval before your expected Opening Date, and to complete all grand opening marketing pursuant to the plan we have approved. You must also use any media, materials, programs, and strategies that we require in connection with the grand opening advertising program.

*Brand Fund.* We do not currently maintain any advertising fund for our franchise system. However, we may in the future elect to establish a brand fund (the "Brand Fund") to administer certain advertising, marketing, and public relations programs for the System, the Peet's Coffee® brand, and the promotion of Peet's Stores generally. If we establish the Brand Fund, you must contribute to the Brand Fund (the "Brand Fund Contribution") in the amounts we periodically specify, provided that the aggregate amount of the Brand Fund Contribution and the Local Advertising Expenditure will not at any time exceed the Marketing Expenditure Cap.

If we establish the Brand Fund, there is no guarantee that you or your Store will benefit from Brand Fund expenditures directly or in proportion to your Brand Fund Contribution. We are not required to spend any amount on marketing within any particular market. If we establish the Brand Fund, we will have exclusive control over all programs and services administered by the Brand Fund, including over the creative concepts, materials, and campaigns and their geographic market, media placement and allocation. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any website, domain name, email address, social media account, username, other online presence or presence on any electronic, virtual, or digital medium of any kind (each an "Online Presence") or other software or applications; administering national, regional, digital, or local advertising and marketing campaigns and/or programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the brand, and/or Peet's Stores. We may also use the Brand Fund to pay for the Brand Fund's administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time.

We will account for the Brand Fund separately from our other funds. However, neither we nor any of our affiliates has any fiduciary obligation to you or any other person for administering the Brand Fund. The Brand Fund may spend in any year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may administer the Brand Fund through a separate entity, and such entity will have all of the rights and duties specified in this Section. We may use collection agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Brand Fund. We will prepare an annual, unaudited statement of Brand Fund Contributions and expenses and give you the statement on written request, within 120 days after the end of each fiscal year, but not less than 30 days' notice from you of such request.

We may reduce or suspend Brand Fund Contributions and/or operations of the Brand Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund and associated Brand Fund Contributions. If we terminate the Brand Fund, we will spend the remaining balance of the monies in the Brand Fund in accordance with our System Standards until such amounts are exhausted. We may elect to maintain multiple Brand Funds, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds.

We do not have any franchisees as of the issuance date of this Disclosure Document, and therefore we did not collect any Brand Fund Contributions or spend any amounts from any Brand Fund on media production, media placement, administration, or to solicit new franchise sales in our most recently completed fiscal year. We did not collect any Brand Fund Contributions from corporate-owned Peet's Stores in our prior fiscal year. Peet's Stores owned by us, our affiliates, and our affiliates' licensees are not required to contribute to the Brand Fund at the same rate as franchise-owned Peet's Stores.

*Local Advertising Expenditure.* In addition to the grand opening marketing program and, if applicable, Brand Fund Contributions, you are required to spend an amount we periodically designate (currently, 0.5% of Gross Sales) (the "Local Advertising Expenditure") to conduct local advertising for your Store. Subject to the Marketing Expenditure Cap, we may change the amount of your Local Advertising Expenditure from time to time with notice to you. You must send us, in the manner we prescribe, an accounting of your expenditures for local advertising at the intervals and on the dates that we designate from time to time. We may require you to pay the Local Advertising Expenditure to us or our affiliates to conduct local marketing in your area.

You are solely responsible for conducting all local advertising for your Store. However, you must satisfy our System Standards for all advertising for your Store or using the Marks or the System, which may include the requirement that you advertise and market your Store in any advertising medium we determine, use forms of advertisement we approve, and/or list your Store with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require.

Your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe. At least 14 days before you use them, you must send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written approval within 14 days after we receive the materials, they are deemed to be disapproved. Once we approve the materials, you are permitted to use them. However, we may withdraw our approval at any time and for any reason. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

*System Websites and Online Presences.* We may establish and develop Online Presences to advertise, market, and promote Peet's Stores, the products and services that they offer and sell, or the Peet's Store franchise opportunity (each a "System Website"). We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Store on any System Website. If we provide you with a webpage or other Online Presence on any System Website, you must: (i) provide us the information and materials we request to develop, update, and modify the information about your Store on the System Website; and (ii) notify us whenever any information on the System Website about your Store is not accurate. We may require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current System Standards. We will have unrestricted access to and sole ownership of all such email accounts, and all documents, data, materials, and messages shared from or by such accounts.

Except as provided above, or as approved by us in writing or in the Manuals, you may not develop, maintain, or authorize any Online Presence that mentions your Store, links to any System Website, or displays any of the Marks. You may also not engage in any promotional or similar activities, or sell any products or services, whether directly or indirectly, through any Online Presence, without our prior written approval. If we approve the use of any such Online Presence in the operation of your Store, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on third-party websites and/or maintaining an online privacy policy. Unless we specify otherwise, we will own the rights to each such Online Presence. At our request, you must grant us access to each such Online Presence, and to take whatever action (including signing an assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

*Franchise Advisory Council.* We do not have a franchisee advisory council that advises us on advertising policies.

*Advertising Cooperatives.* We do not have any local or regional advertising cooperatives.

### **Computer System**

You must obtain and install the computer hardware, software, and point-of-sale system that we approve for Peet's Stores (collectively, the "Computer System"). We may modify System Standards for the Computer System periodically, including the designated or approved suppliers for the Computer System, and you must update your Computer System to comply with the modified System Standards promptly after you receive notice. There are no contractual limitations on the frequency and cost of this obligation, and we are not required to reimburse you for these costs. Currently, the Computer System is comprised of: 2 to 3 point-of sale terminals and cash drawers; 1 receipt printer per point-of-sale terminal; 1 payment terminal per point-of-sale terminal; 3 to 4 digital menu boards; 1 workstation for back of store manager access; 2 kitchen order management devices touch screens; a label printer for mobile orders; specific drive through equipment for order communication; and up to 3 drive-thru menu displays. Depending on the store design, up to 2 separate order kiosks to support customer self-service may be required. For both in-store and drive-thru stores, a license with one of our approved vendors for point-of-sale software; in-store payment and credit card processing software; music player and speakers; and certain software to support mobile orders, gift cards, loyalty programs, sales reporting, and inventory management. Additionally, you will be required to install the recommended network equipment to facilitate secure, PCI compliant integration with our Mobile Order App as well

as to provide in-store customers with wi-fi communications to the internet. We estimate the cost of acquiring and installing the Computer System will be \$60,000 to \$90,000.

We estimate the ongoing cost of maintaining and upgrading the Computer System to meet the then-current System Standards to be approximately \$16,000 to \$20,000 per year. This amount includes the monthly subscription and license fees that you must pay for the required point-of-sale software, and certain other required third-party subscriptions. We also have the right to charge you a technology fee as described in Item 6. Neither we nor our affiliates have any obligation to provide ongoing maintenance, repairs, upgrades, or updates to your Computer System.

You must use the Computer System to maintain certain sales and other financial data, customer information, and other information we designate. We will have unlimited, independent access to your Computer System at all times and you must ensure that we and our designees will have the right to collect and retain from the Computer System any and all data concerning your Store.

### **Initial and Ongoing Training**

***Initial Training Program.*** You (or if you are conducting business as an entity, your Managing Owner) and each General Manager (together, the “Mandatory Trainees”) must complete an initial training program conducted by us on the material aspects of operating a Peet’s Store (the “Initial Training Program”). We will control the substance and duration of our Initial Training Program, which will be held at a location and in a format of our choice, which may be virtually. You (or if you are conducting business as an entity, your Managing Owner) must complete the Initial Training Program before the Opening Date of your first Peet’s Store. Each General Manager must complete the Initial Training Program before the Opening Date of the first Peet’s Store that will be supervised by that General Manager. We may vary the contents or duration of the Initial Training Program among your Mandatory Trainees, based on their experience, role, responsibilities, and other factors we determine. We will also determine the timing, dates, and schedule of the Initial Training Program. All Mandatory Trainees must complete the Initial Training Program to our satisfaction prior to operating your Store. Scheduling of the training is based on the availability of the Mandatory Trainees, availability of space in the Initial Training Program, training facility availability and the projected Opening Date for your Store. If we determine that the Mandatory Trainees cannot successfully complete the Initial Training Program to our satisfaction, we may terminate the Franchise Agreement. You may invite additional attendees the Initial Training Program, if space allows, subject to our approval and subject to all attendees participating at once. For any additional trainees we approve, we may charge our then-current training fee (currently, \$500 per day per trainee, plus reimbursement of our costs).

You have the ultimate and exclusive responsibility for ensuring that all of your employees and personnel are appropriately trained to operate your Store in accordance with the Franchise Agreement and our System Standards, regardless of any training or support that we provide.

If you request additional training for any Mandatory Trainees that have completed the Initial Training Program (including any Mandatory Trainees that may have completed the Initial Training Program in connection with your development of a previous Peet’s Store), you must pay our then-current training fee for any such training that we provide (currently, \$500 per day per trainee, plus reimbursement of our costs). If the Mandatory Trainees complete our Initial Training Program to our satisfaction, and do not expressly and promptly request additional training after completion of the Initial Training Program, you and they will be deemed to have been sufficiently trained in the operation of a Peet’s Store.

We may require that your Mandatory Trainees attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate, including courses and programs provided by third-parties we designate. Besides attending these courses, we may require you (or if you are conducting business as an entity, your Managing Owner) and/or your General Manager(s) to attend an annual meeting of all Peet's Store franchise owners at a location we designate, if we host such a conference, which may be virtually. If you engage any new General Manager(s) during the term of the Franchise Agreement, such person(s) must satisfactorily complete our then-current Initial Training Program, and we may charge reasonable fees for such training (currently, \$500 per day per trainee, plus reimbursement of our costs and expenses).

You must pay all travel and living expenses (including, wages, transportation, food, lodging, and workers' compensation insurance) that you and your Mandatory Trainees or any other employee incurs during any and all meetings and/or training courses and programs. If any portion of the Initial Training Program is provided on-site at your Store, you are also responsible for the costs and expenses we incur in sending our trainer(s) to your Store, including travel, food, accommodations, and living expenses.

As of the date of this Disclosure Document, the Initial Training Program that we provide to new franchisees is comprised of the following components:

#### **TRAINING PROGRAM**

<b>Subject</b>	<b>Hours of Classroom Training</b>	<b>Hours of On-The-Job Training</b>	<b>Location</b>
Introduction to Peet's Coffee	6-8	0	Peet's Headquarters – Emeryville, CA
Brand Story + Identity	4-6	0	Peet's Certified Training Store in California
Introduction, Peet's History	1	0	
Customer Standards	2	4-6	
Product Standards	0	8-10	
Product Execution and Serving	0	20	
Cold Brew Standards	2	2	
Equipment Standards	0	25	
Point of Sale	0	2	
Stored Value Program	2	4	
Store Standards	0	4-6	
Marketing + Branding	0	3	
Analyzing Performance	0	4-6	
Audits + Escalations	0	2	
Training	1	8	
Tools	0	4-6	
Hands-On Operations	0	30-40	
<b>TOTAL</b>	<b>18-22</b>	<b>120-140</b>	

Our training team is led by Tawna Khamo, our Director of Licensed Operations, who has 16 years of experience with Peet's Coffee, and 18 years of experience with the subject matters being taught. Our training materials include the Manuals and other training and operations materials and manuals.



*On-Site Opening Support.* If you are developing your first Peet's Store or opening any Peet's Store with a new General Manager, we will send one or more of our representatives to assist you with its grand opening for 10 days. We will determine the identity and number of the representative(s) we send to your Store and the schedule for all such on-site opening support in our discretion (which may be before and/or after your Opening Date). You must reimburse all of our and our representatives' out-of-pocket costs for providing on-site opening support to you, including travel, food, accommodations, and living expenses. If you are developing your second or subsequent Peet's Store, we are not required to provide you with any on-site opening support. However, if you request such support or we determine that you need such support to bring your Store into compliance with System Standards, you must pay our then-current fee for any on-site opening support with which we provide you (currently, \$500 per day per trainee, plus reimbursement of our costs and expenses).

*General Guidance.* Subject to scheduling, availability, and similar resources, we will provide you periodic advice regarding the operation of your Store. If you request, and we provide, additional or special guidance, assistance, or training, we may charge you our then-current fee (currently, \$500 per day per trainee, plus reimbursement of our costs and expenses). We will not be required to send any of our personnel and/or representatives to your Store to provide any services on-site if, in our sole determination, it is unsafe to do so. We may also elect to conduct any or all support, inspections, training, or other services virtually. We may discontinue or modify any and all ongoing training or advice we provide during the term of the Franchise Agreement.

## **ITEM 12** **TERRITORY**

### **Area Development Agreement**

You will not receive an exclusive territory under the Area Development Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. However, as long as you are in compliance with your Area Development Agreement, all Franchise Agreements signed pursuant to the Area Development Agreement, and subject to the exclusions and limitations described below, neither we nor any of our affiliates will establish or operate or authorize any other person to establish or operate a Peet's Store in your Development Area. Otherwise, you have no territorial protection and we and our affiliates retain all rights to conduct business activities of any kind, including, the right to:

- (1) establish and operate, and allow others to establish and operate, other Peet's Stores using the Marks and the System, at any location outside the Development Area, on such terms and conditions we deem appropriate;
- (2) establish and operate, and allow others to establish and operate, any other type of business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Peet's Stores, under trade names, trademarks, service marks and commercial symbols other than the Marks, anywhere in the world, including in the Development Area;
- (3) establish, and allow others to establish businesses and distribution channels other than a Peet's Store (including selling products at retail, wholesale, or through the internet, catalog sales, telemarketing, direct marketing, e-commerce, product lines in other businesses, or through any other Online Presence), wherever located or operating, including in your

Development Area, regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, including businesses that operate under trade names, trademarks, service marks or commercial symbols that are similar to, the same, or competitive with the Marks, and/or that sell products or services that are similar to, the same, or competitive with, those that Peet's Stores customarily sell, and including the offer and sale of PEET'S COFFEE®-branded coffee or other products at other third-party businesses;

(4) establish and operate, and allow others to establish and operate, any Peet's Store, or other business using the Marks and/or the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Peet's Stores, at or through any nontraditional venues, including hospitals and healthcare facilities, college campuses, national parks, military bases, airports or transit centers, hotels and convention centers, or other businesses operated within any larger venue or closed market such as a stadium or entertainment center, at any location in the world, including in the Development Area; and

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Peet's Stores, at any location in the world, including in the Protected Territory (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world, including in the Development Area).

The size of your Development Area will depend on the number of Peet's Stores you agree to develop, the geography and demographics of the region, traffic patterns, competition, site availability, your experience, and other factors we establish periodically. You will know the size of the Development Area before you sign the Area Development Agreement.

If you fail to comply with the Development Schedule, in addition to our other remedies under the Area Development Agreement, we may terminate or reduce the size of your Development Area, and/or terminate the territorial protections that you have in some or all of your Development Area. Otherwise, continuation of your territorial rights under the Area Development Agreement does not depend on your achieving a certain sales volume, market penetration, or other contingency.

We are not required to pay you if we exercise any of the rights specified in this Item 12.

### Franchise Agreement

You will not receive an exclusive territory under the Franchise Agreement. You may face competition from other franchisees, from outlets that we own, or from other channels of distribution or competitive brands that we control. There are no minimum territorial boundaries granted to you. We and our affiliates, ourselves or through authorized third parties, retain the right to engage in any and all activities that we deem appropriate. We may use any channel of distribution, (including the Internet, catalog sales, telemarketing, and other direct marketing channels) to make sales anywhere, using the Marks or any other trademarks. We will not compensate you for soliciting or accepting orders from clients anywhere.

There are no limitations on your ability to solicit customers in any location, including through alternative distribution channels and/or catalog sales, telemarketing, or other direct marketing sales.

However, you may not engage in any promotional or similar activities, and/or sell any products or services, whether directly or indirectly, via the internet or other Online Presence without our approval. You may only operate your Store at the Premises. You may not relocate your Store to a location other than the Premises without our approval.

### Additional Franchise Rights

Unless you have signed an Area Development Agreement to develop multiple Peet's Stores under the terms and conditions contained in that Area Development Agreement, we do not grant any rights to obtain additional franchises. If you wish to obtain an additional franchise location, you must enter into a separate Franchise Agreement for that location.


### Affiliated Brands




Our following affiliates operate and/or offer franchised/licensed locations which may offer food and beverage products and services that are similar to those offered by Peet's Stores and/or which may be competitive with Peet's Stores: Stumptown Coffee Corp.; Intelligentsia Coffee Inc.; Caribou Coffee Development Company, Inc; Bruegger's Enterprises, Inc.; Einstein Bros. Bagels Franchise Corporation; Jacobs Douwe Egberts BR Comercialização de Cafés Ltda; Krispy Kreme Doughnut Corporation; Manhattan Bagel Company, Inc; Panera LLC and Penera Bread (BC) ULC; Pret Intermediate Company, Inc; Old Town Kopitiam Sdn Bhd; and 12 OZ Coffee Joint Srl. These affiliated entities and their franchisees/licensees may operate, or solicit or accept orders at any location, including within your Development Area, or near any Peet's Store you operate. If a conflict should arise between any Peet's Store and any other business operated or franchised by an affiliate of ours, we will analyze the conflict and take any action or no action as we deem appropriate. The principal business address of each of the affiliates above offering franchises is disclosed in Item 1. Stumptown Coffee Corp. has its principal place of business at 100 SE Salmon, Portland, Oregon 97214. Intelligentsia Coffee Inc. has its principal place of business at 7300 S. Central Avenue, Bedford Park, Illinois 60638. Each of our affiliates above currently operates from separate corporate offices and training facilities from us.

## **ITEM 13** **TRADEMARKS**

### **Principal Marks**

PCI owns the following Marks, which have been registered or have been applied for on the Principal Register of the U.S. Patent and Trademark Office:

Mark	Registration / Application Number	Registration / Application Date
	5,795,021	July 2, 2019

Mark	Registration / Application Number	Registration / Application Date
	6,283,390	March 2, 2021
	5,455,035	April 24, 2018
	5,360,818	December 19, 2017
PEET'S COFFEE (Worldmark)	5,556,395	September 4, 2018
PEET'S (Wordmark)	5,360,817	December 19, 2017

All required affidavits of use and renewals will be filed in a timely manner. There is presently no effective determination of the U.S. Patent and Trademark Office, the Trademark Trial & Appeal Board, the trademark administrator of any state or any court, nor any pending infringement, opposition or cancellation proceeding or any pending material litigation involving our principal Marks.

We license the Marks from PCI under a License Agreement dated September 30, 2024 (the "License Agreement"). The term of the License Agreement will continue for 99 years from its effective date unless terminated. The License Agreement may be terminated (resulting in the loss of our right to use and to sublicense the use of the Marks to you) by mutual agreement of the parties, or by PCI for a number of reasons, including if we default on any obligations, we are dissolved, make an assignment for the benefit of creditors, become insolvent, consent to appointment of a receiver, or our business is seized, or the parties cease to be affiliates. All rights in and goodwill from the use of the Marks accrue to PCI. Except as described above, no agreement significantly limits our rights to use or sublicense the Marks in a manner material to the franchise.

### **Your Use of the Marks and the System**

You will be granted a limited, non-exclusive license to use the Marks and the System for the term of the Franchise Agreement, strictly to operate your Store in compliance with the terms of the Franchise Agreement and the System Standards. You will have no right to sublicense or assign your right to use the Marks and the System. You must use and display the Marks in the manner we describe in the Manuals. You may not use any other trademarks, service marks, commercial symbols, other than the Marks, to identify or operate your Store. The Marks and the System may evolve over time, including after you sign the Franchise Agreement. If we decide to modify, substitute, add or discontinue the use of any Marks or the System, you must make the modifications and updates we specify and comply with all other directions we give regarding the use of the Marks and the System in connection with your Store within a reasonable time after receiving notice from us. We are not required to reimburse you for any costs or expenses associated with making such changes, promoting a modified or substitute Mark, or for any loss of revenue due to any modifications to the Marks or System.

## **Ownership, Infringement, and Claims**

The Marks and the System are owned by us and/or our affiliates. Your use of the Marks and the System and any goodwill established by that use are exclusively for the benefit of us and PCI, or our respective affiliates. The Franchise Agreement does not confer any goodwill or other interests in the Marks or the System upon you, other than the right to operate your Store under the Franchise Agreement. You will be prohibited from contesting or assisting any other person in contesting the validity of any registration for the Marks or the System, and/or the rights to the Marks and the System of us and PCI (as applicable) or any of our respective affiliates.

You will be required to notify us immediately of any apparent infringement or challenge to your use of the Marks or the System, or of any person's claim of any rights in the Marks or the System, and not to communicate with any person other than us, our affiliates and our and their attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliates may take the action we deem appropriate (including no action) and control exclusively any litigation or other legal or administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning the Marks or the System. You must sign any documents and take any other action that we deem necessary or advisable to protect and maintain our and our affiliates' (as applicable) interests in the Marks and the System. Neither we nor our affiliates will have any obligation to defend the Marks or the System from valid claims of prior use or of lawful concurrent use by others.

We will reimburse you for all costs and expenses that you incur in defending any trademark infringement proceeding disputing your authorized use of the Marks under the Franchise Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding, and are in compliance with your Franchise Agreement. If we or our affiliates choose to control the defense of any such proceeding, such person may choose its own legal counsel and other similar representatives, and it will not be liable to you or any of your affiliates or representatives for any costs or expenses incurred on the basis of any additional or separate legal counsel or similar representatives you or they retain.

We are not aware of any superior rights or infringing uses that could materially affect your use of the Marks in any state where your Store may be located.

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

We do not own any patents that are material to the franchise. We have not filed any patent applications that are material to the franchise.

We and/or our affiliates claim copyrights in the Manuals, System Websites, advertising materials, any or all of the design elements contained within the Marks, and other advertising or marketing materials used in operating Peet's Stores and the System. We have not registered these copyrights with the U.S. Copyright Office. You may use the copyrighted works only as we specify while operating your Store (and must stop using them if we so direct you). There currently are no effective adverse determinations regarding the copyrighted materials. We are not aware of any infringing uses of our copyrighted works which could materially affect your use of the copyrighted works. We need not protect or defend our copyrighted works. We may control any action involving the copyrighted works, even if you bring the matter to our attention. We need not participate in your defense nor indemnify you for damages or expenses in a proceeding involving the copyrighted works.

You and your owners and personnel may periodically be provided and/or have access to non-public information about the System and the operation of Peet's Stores, including your Store (the "Confidential Information"), including: (1) site selection criteria, market or demographic research, and/or other real estate reports; (2) training and operations materials and manuals, including recipes and the Manuals; (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Peet's Stores; (4) market research, promotional, marketing and advertising programs for Peet's Stores; (5) knowledge of specifications for, and vendors of, operating assets and other products, services and supplies; (6) any computer software or similar technology which is proprietary to the System, including any login credentials, source code, data, reports, and other printed materials generated by the software or similar technology; (7) knowledge of the operating results and financial performance of any Peet's Stores; (8) customer data, including personal information, analytic data regarding customer behavior, and opt-in/opt-out preferences; and (9) any other information designated as confidential or proprietary by us.

All Confidential Information is exclusively owned by us or our affiliates and is proprietary to our System (other than certain personal information relating to your employees and personnel, and/or certain other data that we do not have access to or are otherwise designated or restricted by us). You and your owners agree to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns to): (i) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of your Store in accordance with the Franchise Agreement; (ii) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish, and our and our representative's instructions; (iii) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Store in accordance with the Franchise Agreement (you will be responsible for any violation of this requirement by any person to whom you provide Confidential Information); (iv) not make unauthorized copies of any of our Confidential Information; (v) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of the Franchise Agreement (and we may designate or approve the form of confidentiality agreement that you will use); and (vi) at our request, destroy or return any of the Confidential Information. Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

As it relates to any "personally identifiable information" that constitutes part of our Confidential Information, you must also: (a) process, retain, use, collect, and disclose all personal information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes of practice issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (b) assist us with meeting our compliance obligations under all applicable laws, regulations, and orders relating to personal information, including the guidance and codes of practice issued by industry or regulatory agencies; and (c) promptly notify us of any communication

or request from any customer or other person to access, correct, delete, opt-out of, or limit activities relating to any personal information.

All improvements, developments, derivative works, feedback, enhancements, or modifications to any component of the franchise system, including any new or modified systems of operation, and any information or materials made or created by you, your employees or your representatives, whether developed separately or in conjunction with us, will become part of the System and be owned by us and our affiliates. If you, your employees, or your representatives are deemed to have any interest in such intellectual property, you must assign all right, title and interest in and to such innovations to us and agree to obtain the same from your personnel and representatives.

## **ITEM 15**

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

You must identify one of your owners who is a natural person with at least 10% ownership interest and voting power in you and who will have authority and signatory power on your behalf (the “Managing Owner”) to supervise the business you conduct under the Franchise Agreement. Your Managing Owner must be authorized to deal with us in all matters whatsoever which may arise with respect to the Franchise Agreement. You must obtain our written consent prior to changing the Managing Owner.

You (or if you are conducting business as an entity, your Managing Owner) are solely responsible for the management, direction, and control of your Store. You (or your Managing Owner) must supervise the management and operation of your Store and continuously exert best efforts to promote and enhance your Store. Your Store must also be managed at all times by one or more managers who have completed our then-current Initial Training Program (each a “General Manager”). Your General Manager(s) must work full-time to supervise the day-to-day operations of your Store, and must complete the Initial Training Program to our satisfaction. A General Manager may manage multiple Peet’s Stores and is not required to have any ownership interest in you.

If you are a legal business entity, each of your direct and indirect owners must execute a guaranty in the form personally to be bound, jointly and severally, by all provisions of the Franchise Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached as Attachment B to the Franchise Agreement. If any owner is an individual, his or her spouse must consent in writing to that owner’s execution of the guaranty.

## **ITEM 16**

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

#### **Products and Services**

You must: (1) offer and sell from your Store all of the products and services that we periodically specify from time to time; (2) not offer or sell at your Store, the Premises, or any other location any products or services we have not authorized; and (3) discontinue selling and offering for sale any products or services that we at any time disapprove. You will offer for sale and sell at your Store authorized products and services only in the manner (including days and hours of operation) and at the locations we have prescribed, including that you will not sell any products or services wholesale or through alternative channels of distribution without our express approval. We may authorize one or more Peet’s Stores to offer additional, different, or modified attractions, products, or services, and we are under no obligation to authorize every Peet’s Store to offer the same products or services. We may condition

our approval for any such products or services on our then-current criteria, and/or additional terms and conditions that we establish. If we at any time (including after our initial approval) determine that you fail to meet our System Standards for offering or selling any products or services, we may permanently or temporarily terminate your right to offer or sell such products or services.

If we modify our System Standards for the products and services that we require your Store to offer and sell, you must immediately bring your Store into compliance with our System Standards for such products or services, including by purchasing or leasing any necessary operating assets, making any required changes to signage and advertising materials, and updating your Computers System to include any software, hardware or other equipment necessary to offer such products or services. If we at any time require or permit you to offer delivery, catering and/or any other off-site products or services, we reserve the right to limit the geographic area in which you may offer such services, and we may modify that geographic area from time to time, in our sole discretion.

### **Proprietary Blends**

You may not under any circumstances offer or sell any coffee and tea beverages, coffee and tea retail products, or other coffee and tea products of any kind other than the Proprietary Blends sold by PCI.

### **Pricing Requirements**

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by Peet's Stores. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

## **ITEM 17**

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

#### **THE FRANCHISE RELATIONSHIP**

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

<b>Provision</b>	<b>Section in Agreement</b>	<b>Summary</b>
(a) Length of the franchise term	Franchise Agreement – Section 1.B	Begins the date of signing the Franchise Agreement and expires 10 years from your Store's Opening Date.
	Area Development Agreement – Section 1.B	The term ends on the earlier of (i) the opening of the last Peet's Store required under the Development Schedule, or (ii) the last day of the last development period.
(b) Renewal or extension of	Franchise Agreement – Section 13	If you satisfy the conditions in the Franchise Agreement, you may renew your franchise for two successive term of 5 years each.



Provision	Section in Agreement	Summary
the term	Area Development Agreement	Not Applicable
(c) Requirements for franchisee to renew or extend	Franchise Agreement – Section 13	You must meet the following conditions to qualify for a renewal franchise: (i) give us notice 180 to 365 days before expiration; (ii) substantially comply with the Franchise Agreement during its term; (iii) maintain possession of the Premises for at least as long as the full term of the renewal franchise; (iv) take all steps we identify to bring your Store into full compliance with our then-current standards and image, which may include conducting a material remodel or renovation, as we determine; (v) pay us a renewal fee; (vi) for at least 60 days prior to electing to obtain a renewal franchise, remain in full compliance with the Franchise Agreement and all System Standards; (vii) sign our then-current Franchise Agreement, the terms of which may be materially different from your current Franchise Agreement; (viii) sign a general release (subject to state law); and (ix) we are offering franchises for Peet's Stores in your geographic market at the time you seek to obtain a renewal franchise.
	Area Development Agreement	Not Applicable
(d) Termination by franchisee	Franchise Agreement –Section 14.B	You may terminate the Franchise Agreement if you are in full compliance with the applicable agreement, we materially breach the Franchise Agreement, and we do not cure the default within 30 days after notice from you, or, if we cannot correct the failure within 30 days, we fail to give you reasonable evidence of our effort to correct the failure within 30 days after you deliver notice to us (subject to state law). Termination is effective an additional 30 days after you deliver to us written notice of termination.
	Area Development Agreement – Section 5.A	You may terminate the Franchise Agreement if you are in full compliance with the applicable agreement, we materially breach the Franchise Agreement, and we do not cure the default within 30 days after notice from you, or, if we cannot correct the failure within 30 days, we fail to give you reasonable evidence of our effort to correct the failure within 30 days after you deliver notice to us (subject to state law). Termination is effective an additional 30 days after you deliver to us written notice of termination.
(e) Termination by franchisor without cause	Franchise Agreement –Not Applicable	We may not terminate the Franchise Agreement without cause.
	Area Development Agreement – Not Applicable	We may not terminate the Area Development Agreement without cause.
(f) Termination by franchisor with cause	Franchise Agreement – Section 14.C	We may terminate the Franchise Agreement if you or your owners commit one of several violations.
	Area Development Agreement – Section 5.C	We may terminate the Area Development Agreement if you or your owners commit one or several violations.

Provision	Section in Agreement	Summary
(g) “Cause” defined — curable defaults	Franchise Agreement – Section 14.C	10 days to pay past due amounts owed to us or our affiliates; applicable cure period to pay past due amounts owed third-parties; 72 hours to cure violations of law, ordinance, rule or regulation of a governmental agency; 10 days to cure any deficiencies in insurance requirements; 30 days to cure an attachment, seizure, warrant, writ, or levy on your Store, or to vacate any order appointing a receiver, trustee, or liquidator on your Store or its assets; 15 days to cure failures identified in quality assurance audit, mystery shopper visit, or other inspection; 24 hours to cease selling any coffee or tea products at or from your Store other than the Proprietary Blends; 48 hours to cure failure to maintain sufficient inventory of Proprietary Blends; and 30 days to cure a breach of any other provision or obligation under the Franchise Agreement or any agreement between you (and your affiliates) and us (and our affiliates) (subject to state law).
	Area Development Agreement – Section 5.C	72 hours to cure violations of law, ordinance, rule or regulation of a governmental agency; 10 days to pay past due amounts owed to us or our affiliates; 30 days to cure an attachment, seizure, warrant, writ, or levy on your business, or to vacate any order appointing a receiver, trustee, or liquidator on your business’s assets; and 30 days to cure a breach of any other provision or obligation under the Area Development Agreement or any agreement between you (and your affiliates) and us (and our affiliates) (subject to state law).
(h) “Cause” defined — non-curable defaults	Franchise Agreement – Sections 14.A and 14.C	Material misrepresentations or omissions; failure to obtain site or lease approval by the specified deadlines, or failure to open your Store for business by the specified deadline; your Mandatory Trainees do not successfully complete the Initial Training Program; abandonment or failure to operate your Store for more than 7 consecutive days, or you provide us with notice of your intent to close or abandon your Store; felony; breach of restrictive covenants or confidentiality or intellectual property covenants; unapproved transfer; default or termination of Lease or loss of your right to occupy the Premises; failure to pay taxes due; understatement of Gross Sales 3 or more times; 3 or more breaches within 12 months, or 2 or more of the same breach within 12 months, regardless of cure; immediate health or safety risk; and assignment for benefit of creditors or bankruptcy; engage in conduct which negatively impacts or injures the goodwill of the Marks, the System, and/or Peet’s Stores.
	Area Development Agreement – Section 5.B	Material misrepresentations or omissions; failure to satisfy development schedule; abandonment; ceasing or threatening to cease development, or to make good faith progress in exercising your development rights; unapproved transfers; conviction or pleading guilty or no contest to felony; 3 or more breaches within 12 months; assignment for benefit of creditors or bankruptcy.

Provision	Section in Agreement	Summary
(i) Franchisee's obligations on termination / non-renewal	Franchise Agreement – Section 15	Pay all amounts owed; close your Store for business; cease using the Marks; cease identifying yourself as a current or former franchise owner or Peet's Store; remove all materials and signage bearing the Marks and remove all proprietary trade dress to de-identify the Premises; cease using contact information and Online Presences and transfer controls to us; return or destroy all items, forms, and material contain the Marks and return or destroy Confidential Information (including the Manuals and any and all customer data or other information from your Computer System); comply with all other System Standards and applicable laws for closure and de-identification; and provide us evidence of compliance with all obligations. You must also pay us lost revenue damages if we terminate the Franchise Agreement for your breach, or you terminate the Franchise Agreement other than as permitted under the Franchise Agreement.
	Area Development Agreement – Section 5.D	Cease to conduct business, exercise development rights, and search for sites for Peet's Stores; cease identifying yourself as an area developer; return to us or destroy any and all Confidential Information; comply with all other System Standards and all applicable laws; and pay all amounts owing to us up to the date of termination.
(j) Assignment of contract by franchisor	Franchise Agreement – Section 12.A	There is no restriction on our right to assign.
	Area Development Agreement – Section 4.A	There is no restriction on our right to assign.
(k) "Transfer" by franchisee — defined	Franchise Agreement – Section 12.B	"Transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law of: (i) the Franchise Agreement or any rights under or interest in the Franchise Agreement, (ii) your Store or substantially all of its assets, or (iii) any direct or indirect ownership interest in you, if you operate as an entity.
	Area Development Agreement – Section 4.B	"Transfer" includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law of: (i) the Area Development Agreement or any rights under or interest in the Franchise Agreement, (ii) the development rights, or (iii) any direct or indirect ownership interest in you, if you operate as an entity.
(l) Franchisor approval of	Franchise Agreement – Sections 12.B and 12.C	You may not make or initiate a transfer without our prior written approval, in accordance with the standards provided in the Franchise Agreement.

Provision	Section in Agreement	Summary
transfer by franchisee	Area Development Agreement – Sections 4.C and 4.D	You may not make or initiate a transfer without our prior written approval, in accordance with the standards provided in the Area Development Agreement.
(m) Conditions for franchisor approval of transfer	Franchise Agreement – Section 12.C	You submit an application for transfer and provide all information we request; the transfer and transferee must satisfy our criteria; you and your owners must be in compliance with your agreements with us; you provide us the documents we request about the transfer; you must execute all documents we require, including a general release (subject to state law); transferee and its personnel successfully complete our then-current Initial Training Program; all necessary actions under the Lease are completed; you correct existing deficiencies of your Store; transferee signs our then-current franchise agreement, guaranty, and other documents, the provisions of which may differ materially from those contained in the Franchise Agreement; you pay a transfer fee; and you provide evidence of appropriate transfer of operations.
	Area Development Agreement – Section 4.C	You submit an application for transfer and provide all information we request; the transfer and transferee must satisfy our criteria; you and your owners must be in compliance with your agreements with us; you provide us the documents we request about the transfer; you must execute all documents we require, including a general release (subject to state law); you are transferring all Franchise Agreements concurrently, and have satisfied your transfer conditions for such transfers under the terms of the Franchise Agreements; transferee signs our then-current area development agreement and other documents, provisions of which may differ materially from those contained in your Area Development Agreement; you pay a transfer fee; you provide evidence of appropriate transfer of operations, including insurance and permits for transferee.
(n) Franchisor's right of first refusal to acquire franchisee's business	Franchise Agreement – Section 12.F	If you or any of your owners wish to conduct any transfer that would require our approval, you must obtain a copy of a bona fide written offer for the transfer and we will have the right of first refusal to obtain the transferred interest(s) on the same terms for 60 days after we receive a copy of the offer and all other information we request; we may substitute cash for any form of payment proposed in the offer; we are offered the same terms for any promissory notes or other deferred payments as those offered by the proposed transferee; we have an additional 90 days to prepare for closing after notifying you of our election to purchase; and we receive all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity. If the sale is not complete within 60 days after notice of intent to not exercise right of first refusal, or there is a material change in terms of the offer, we will have an additional right of first refusal.

Provision	Section in Agreement	Summary
	Area Development Agreement – Section 4.E	If you or any of your owners wish to conduct any transfer that would require our approval, as described above, you must obtain a copy of a bona fide, executed written offer for the transfer and we will have the right of first refusal to obtain the transferred interest(s) on the same terms; provided: we notify you of intent to purchase within 60 days after we receive a copy of the offer and all other information we request; we may substitute cash for any form of payment proposed in the offer; we are offered the same terms for any promissory notes or other deferred payments as those offered by the proposed transferee; we have an additional 90 days to prepare for closing after notifying you of our election to purchase; and we receive all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity. If the sale is not complete within 60 days after notice of intent to not exercise right of first refusal, or there is a material change in terms, we will have an additional right of first refusal.
(o) Franchisor's option to purchase franchisee's business	Franchise Agreement – Section 15.D	We may purchase any or all of the assets of your Store (including the Premises, if it is owned by you or one of your owners or affiliates) upon the termination or expiration of the Franchise Agreement. The purchase price will be based upon the net realizable value of the tangible assets in accordance with the liquidation basis of accounting. We may exercise this right by giving you written notice of our election within 30 days after the termination or expiration. If challenged, the purchase price will be determined by an appraiser designated by us, with costs and fees shared equally by both parties. While any decision regarding purchasing your Store is pending, we may operate your Store on an interim basis as provided in the Franchise Agreement.
	Area Development Agreement	Not Applicable
(p) Death or disability of franchisee	Franchise Agreement – Section 12.D	Upon death or disability of you or your owners, the estate of such person must transfer all interest in your Store to a party we approve within 180 days following the date of death or disability. If, as a result of the death or incapacity of the transferor, your Store is not otherwise being managed by a you, your Managing Owner, or your General Manager, we may, but are not required to, operate your Store on an interim basis.
	Area Development Agreement – Section 4.C	Neither the Area Development Agreement nor any ownership interests in you may be transferred without our prior written consent.

Provision	Section in Agreement	Summary
(q) Non-competition covenants during the term of the franchise	Franchise Agreement – Section 7.A	You and your owners agree may not have any involvement, directly or indirectly, in a “Competitive Business” during the term of the Franchise Agreement; lease or sublease the premises to a Competitive Business; or perform services for a Competitive Business in any location worldwide. “Competitive Business” means any business operating or granting franchises or licenses to others to operate any business: (1) for which coffee or espresso drinks, tea and tea-based drinks, bakery items, and coffee retail products, and/or similar products represent more than 20% of the total gross revenue; or (2) whose menu or concept is otherwise substantially similar to that of Peet’s Stores (subject to state law).
	Area Development Agreement – Section 3.C	You and your owners agree may not have any involvement, directly or indirectly, in a “Competitive Business” during the term of the Area Development Agreement, or perform services for a Competitive Business in any location worldwide. “Competitive Business” means any business operating or granting franchises or licenses to others to operate any business: (1) for which coffee or espresso drinks, tea and tea-based drinks, bakery items, and coffee retail products, and/or similar products represent more than 20% of the total gross revenue; or (2) whose menu or concept is otherwise substantially similar to that of Peet’s Stores (subject to state law).
(r) Non-competition covenants after the franchise is terminated or expires	Franchise Agreement –Section 15.C	For 2 years beginning on the later of (1) the termination or expiration of the Franchise Agreement (or the effective date of a transfer, for the transferor) or (2) the date you and your owners begin to comply, you and your owners may not have any direct or indirect interest in a Competitive Business; lease or sublease the premises to a Competitive Business; or perform services for a Competitive Business which is located or operating (a) at the Premises or within a 5-mile radius of the Premises, or (b) within a 5-mile radius of any Peet’s Store (subject to state law).
	Area Development Agreement – Section 5.E	For 2 years beginning on the later of (1) the termination or expiration of the Area Development Agreement (or the effective date of a transfer, for the transferor) or (2) the date you and your owners begin to comply, you and your owners may not have any direct or indirect interest in a Competitive Business, or perform services for a Competitive Business which is located or operating (a) within the Development Area, or (b) within a 5-mile radius of any other Peet’s Store (subject to state law).

Provision	Section in Agreement	Summary
(s) Modification of the agreement	Franchise Agreement – Section 17.K	No modification unless by written agreement of both parties, but we may change the Manuals and System Standards at any time.
	Area Development Agreement – Section 7.K	No modification unless by written agreement of both parties, but we may change the System Standards at any time.
(t) Integration / merger clause	Franchise Agreement – Section 17.L	Only the written terms of the Franchise Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside the Franchise Agreement may not be enforceable; <i>provided</i> , that nothing is intended to disclaim the representations we made in this Disclosure Document.
	Area Development Agreement – Section 7.L	Only the written terms of the Area Development Agreement and other related written agreements are binding (subject to state law). Any representations or promises outside the Area Development Agreement may not be enforceable; <i>provided</i> , that nothing is intended to disclaim the representations we made in this Disclosure Document.
(u) Dispute resolution by arbitration or mediation	Franchise Agreement – Section 17.E	Subject to state law, all controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. We and you must arbitrate all disputes at a suitable location chosen by the arbitrator within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California). Arbitration may not be conducted on a class-wide basis, consolidated with any other proceeding, or brought on your behalf by an association or agent.
	Area Development Agreement – Section 7.E	Subject to state law, all controversies, disputes or claims between us must be submitted for binding arbitration to the American Arbitration Association on demand of either party. We and you must arbitrate all disputes at a suitable location chosen by the arbitrator within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California). Arbitration may not be conducted on a class-wide basis, consolidated with any other proceeding, or brought on your behalf by an association or agent.
(v) Choice of forum	Franchise Agreement – Section 17.G	Subject to state law and your obligation to arbitrate, you must commence actions in the court nearest to our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California).
	Area Development Agreement – Section 7.G	Subject to state law and your obligation to arbitrate, you must commence actions in the court nearest to our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California).

Provision	Section in Agreement	Summary
(w) Choice of law	Franchise Agreement – Section 17.F	Except for the Federal Arbitration Act and other federal law, the laws of the state of Delaware govern, without regard to its conflict of laws rules, except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently from the Franchise Agreement’s terms (subject to state law).
	Area Development Agreement – Section 7.F	Except for the Federal Arbitration Act and other federal law, the laws of the state of Delaware govern, without regard to its conflict of laws rules, except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently from the Area Development Agreement’s terms (subject to state law).

## **ITEM 18**

### **PUBLIC FIGURES**

We do not use any public figure to promote the franchise system.

## **ITEM 19**

### **FINANCIAL PERFORMANCE REPRESENTATIONS**

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

#### **Methodology**

The data provided below is from the 200 Peet’s Stores continuously operated by our parent PCI for the 12-month period from October 1, 2023 to September 30, 2024. We have not presented data below for any licensed Peet’s Stores, because these licensed locations are operated at non-traditional locations (such as airports) and/or are otherwise materially operationally different from the Peet’s Store franchises offered under this Disclosure Document. We do not offer franchises under this Disclosure Document for any model of Peet’s Store other than a traditional Peet’s Store with drive-thru.

For the purposes of this Item 19, “Gross Sales” is calculated in the same manner as for franchised locations, as all revenue that derived from operating the applicable Peet’s Store, whether from cash, check, vouchers, tickets, or other comparable forms of payment, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority. The payments received for those online group-bought deals, gift certificates or gift cards were included in Gross Sales



in accordance with our then-current guidelines. Gross Sales also includes all insurance proceeds received for loss of business and loss of revenue, due to a casualty to or similar event at a Peet's Store.

### **Gross Sales Systemwide and by Performance Thirds**

The table below reflects the average, median, high, and low Gross Sales of all 200 affiliate-owned reporting locations for the 12-month period from October 1, 2023 to September 30, 2024. The table also provides average, median, high, and low Gross Sales of the 200 affiliate-owned reporting locations during the same time period, divided into performance thirds, based on their total Gross Sales, with the first performance third having the highest Gross Sales, and the lowest performance third having the lowest Gross Sales among the systemwide reporting group.

<b>Gross Sales Systemwide and by Performance Thirds</b>					
	<b>Average</b>	<b>Median</b>	<b>High</b>	<b>Low</b>	<b># Above Avg</b>
<b>Systemwide</b> (200 Locations)	\$1,404,517	\$1,350,508	\$2,768,588	\$437,035	90 (45.0%)
<b>1<sup>st</sup> Third</b> (67 Locations)	\$1,847,011	\$1,784,289	\$2,768,588	\$1,503,920	26 (38.8%)
<b>2<sup>nd</sup> Third</b> (67 Locations)	\$1,352,434	\$1,342,214	\$1,502,585	\$1,229,388	33 (49.3%)
<b>3<sup>rd</sup> Third</b> (66 Locations)	\$1,008,189	\$1,075,270	\$1,226,672	\$437,035	41 (62.1%)

### **Gross Sales by Drive-Thru Model**

The table below reflects the average, median, high, and low Gross Sales of the 5 affiliate-owned reporting locations with a drive-thru versus the 195 affiliate-owned locations without a drive-thru for the 12-month period from October 1, 2023 to September 30, 2024. We expect that all franchises offered this Disclosure Document will be for Peet's Stores with drive-thru.

<b>Gross Sales by Prototype</b>					
	<b>Average</b>	<b>Median</b>	<b>High</b>	<b>Low</b>	<b># Above Avg</b>
<b>No Drive Thru</b> (195 Locations)	\$1,396,248	\$1,338,568	\$2,768,588	\$437,035	86 (43.0%)
<b>Drive Thru</b> (5 Locations)	\$1,726,996	\$1,831,269	\$2,023,174	\$1,382,407	3 (60.0%)

**Gross Sales by Region**

The table below reflects the average, median, high, and low Gross Sales of the 168 affiliate-owned reporting locations located in California versus the 32 affiliate-owned locations located outside of California for the 12-month period from October 1, 2023 to September 30, 2024. The “Peet’s Coffee®” brand is founded in California and has a stronger presence in that state than in other areas.

Gross Sales by Market Area					
	Average	Median	High	Low	# Above Avg
<b>California</b> (168 Locations)	\$1,467,287	\$1,413,201	\$2,768,588	\$587,252	73 (43.5%)
<b>Non-California</b> (32 Locations)	\$1,074,970	\$1,067,580	\$1,611,821	\$437,035	16 (50.0%)

\*\*\*

**Some outlets have earned this amount. Your individual results may differ. There is no assurance that you’ll earn as much.** Written substantiation for the financial performance representation will be made available to you upon reasonable request.

Other than the preceding financial performance representation, we do not make any representations about a franchisee’s future financial performance or the past financial performance of company-owned or franchised outlets. We also do not authorize our employees or representatives to make any such representations either orally or in writing. If you are purchasing an existing outlet, however, we may provide you with the actual records of that outlet. If you receive any other financial performance information or projections of your future income, you should report it to the franchisor’s management by contacting Robyn Quintal, 1400 Park Avenue, Emeryville, California 94608 and (510) 518-6101, the Federal Trade Commission, and the appropriate state regulatory agencies.

**ITEM 20**  
**OUTLETS AND FRANCHISEE INFORMATION**

**TABLE NO. 1**  
**SYSTEMWIDE OUTLET SUMMARY**  
**FOR YEARS 2021 TO 2023**

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Franchised	2021	0	0	0
	2022	0	0	0
	2023	0	0	0

Outlet Type	Year	Outlets at the Start of the Year	Outlets at the End of the Year	Net Change
Company-Owned <sup>1</sup>	2021	224	217	-7
	2022	217	205	-8
	2023	205	202	-3
<b>Total</b>	<b>2021</b>	<b>224</b>	<b>217</b>	<b>-7</b>
	<b>2022</b>	<b>217</b>	<b>203</b>	<b>-14</b>
	<b>2023</b>	<b>203</b>	<b>202</b>	<b>-1</b>

1. Since December 31, 2023, one company-owned outlet in Colorado and one company-owned outlet in California has permanently closed.

**TABLE NO. 2**  
**TRANSFERS OF OUTLETS FROM FRANCHISEES TO**  
**NEW OWNERS (OTHER THAN FRANCHISOR OR AN AFFILIATE)**  
**FOR YEARS 2021 TO 2023**

State	Year	Number of Transfers
All States	2021	0
	2022	0
	2023	0
<b>Totals</b>	<b>2021</b>	<b>0</b>
	<b>2022</b>	<b>0</b>
	<b>2023</b>	<b>0</b>

**TABLE NO. 3**  
**STATUS OF FRANCHISED OUTLETS**  
**FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Terminations	Non-Renewals	Reacquired by Franchisor	Ceased Operations - Other Reasons	Outlets at End of Year
All States	2021	0	0	0	0	0	0	0
	2022	0	0	0	0	0	0	0
	2023	0	0	0	0	0	0	0
<b>Totals</b>	<b>2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2022</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**TABLE NO. 4**  
**STATUS OF COMPANY-OWNED OUTLETS**  
**FOR YEARS 2021 TO 2023**

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
California <sup>1</sup>	2021	178	1	0	3	0	176
	2022	176	0	0	6	0	170
	2023	170	0	0	1	0	169
Colorado <sup>1</sup>	2021	2	0	0	1	0	1
	2022	1	0	0	0	0	1
	2023	1	0	0	0	0	1
Illinois	2021	9	0	0	0	0	9
	2022	9	0	0	0	0	9
	2023	9	0	0	0	0	9
Massachusetts	2021	8	0	0	3	0	5
	2022	5	0	0	3	0	2
	2023	2	0	0	0	0	2
Maryland	2021	2	0	0	0	0	2
	2022	2	0	0	1	0	1
	2023	1	0	0	0	0	1
Minnesota	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
New York	2021	1	0	0	0	0	1
	2022	1	0	0	1	0	0
	2023	0	0	0	0	0	0
Oregon	2021	6	0	0	0	0	6
	2022	6	0	0	1	0	5
	2023	5	0	0	0	0	5
Virginia	2021	9	0	0	0	0	9
	2022	9	0	0	0	0	9
	2023	9	0	0	0	0	9
Washington	2021	3	0	0	0	0	3
	2022	3	0	0	1	0	2
	2023	2	0	0	0	0	2
Washington D.C.	2021	5	0	0	1	0	4
	2022	4	0	0	0	0	4
	2023	4	0	0	0	0	4

State	Year	Outlets at Start of Year	Outlets Opened	Outlets Reacquired from Franchisee	Outlets Closed	Outlets Sold to Franchisee	Outlets at End of Year
<b>Totals</b>	<b>2021</b>	<b>224</b>	<b>1</b>	<b>0</b>	<b>8</b>	<b>0</b>	<b>217</b>
	<b>2022</b>	<b>217</b>	<b>0</b>	<b>0</b>	<b>14</b>	<b>0</b>	<b>203</b>
	<b>2023</b>	<b>203</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>202</b>

1. Since December 31, 2023, one company-owned outlet in Colorado and one company-owned outlet in California has permanently closed.

**TABLE NO. 5  
PROJECTED OPENINGS  
FOR THE 2024 YEAR**

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

The numbers in the Tables 1 through 4 above are as of December 31, 2023, December 31, 2022, and December 31, 2021. The projections in Table 5 are made as of the issuance date of this Disclosure Document for remainder of the 2024.

Exhibit D-1 contains a list of the names, addresses and telephone numbers of our current franchisees as of December 31, 2023; and Exhibit D-2 contains a list of the names and last known address and telephone number of each franchisee who had a Franchise Agreement terminated, cancelled, not renewed or who otherwise voluntarily or involuntarily ceased to do business under the Franchise Agreement during the most recently completed fiscal year, or who had not communicated with us within 10 weeks of the issuance date of this Disclosure Document. If you buy this franchise, your contact information may be disclosed to buyers when you leave the franchise system.

We have not sold any franchises as of the date of this Disclosure Document. Therefore, within the last three years, no franchisees have signed confidentiality clauses. In some instances, however, current and former franchisees may sign provisions restricting their ability to speak openly about their experience with our franchise system. You may wish to speak with current and former franchisee but be aware that not all such franchisees will be able to communicate with you.

As of the date this Disclosure Document, there were no trademark-specific franchisee organizations that were created, sponsored, or endorsed by us and there were no trademark-specific franchisee organizations that requested to be included in this Disclosure Document.

**ITEM 21**  
**FINANCIAL STATEMENTS**

We were formed in September 2024, and therefore, we are unable to provide three years of financial statements. Attached to this Disclosure Document as Exhibit E is our audited opening balance sheet as of October 15, 2024. Our fiscal year ends December 31.

**ITEM 22**  
**CONTRACTS**

The following contracts are attached as exhibits to this Disclosure Document:

EXHIBIT B-1 Franchise Agreement  
EXHIBIT B-2 Area Development Agreement  
EXHIBIT B-3 Representations Statement  
EXHIBIT B-4 Sample General Release  
EXHIBIT F State Addenda and Agreement Riders

**ITEM 23**  
**RECEIPTS**

Attached as Exhibit G are two copies of a Receipt confirming your receipt of this Disclosure Document. Please sign and date both Receipt pages, keep one for your records, and return the other to us.

**EXHIBIT A**

**STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

## **EXHIBIT A**

### **STATE ADMINISTRATORS/AGENTS FOR SERVICE OF PROCESS**

Listed here are the names, addresses and telephone numbers of the state agencies having responsibility for the franchising disclosure/registration laws. We may not yet be registered to sell franchises in any or all of these states. There may be states in addition to those listed below in which we have appointed an agent for service of process. There may also be additional agents appointed in some of the states listed.

#### **CALIFORNIA**

Department of Financial Protection &  
Innovation:  
Toll Free: 1 (866) 275-2677

##### ***Los Angeles***

Suite 750  
320 West 4<sup>th</sup> Street  
Los Angeles, California 90013  
(213) 576-7505

##### ***Sacramento***

2101 Arena Blvd.  
Sacramento, California 95834  
(916) 445-7205

##### ***San Diego***

1455 Frazee Road, Suite 315  
San Diego, California 92108  
(619) 610-2093

##### ***San Francisco***

One Sansome Street, Suite 600  
San Francisco, California 94104  
(415) 972-8559

#### **HAWAII**

(state administrator)

Business Registration Division  
Securities Compliance Branch  
Department of Commerce  
and Consumer Affairs  
P.O. Box 40  
Honolulu, Hawaii 96810  
(808) 586-2722

(agent for service of process)

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

#### **ILLINOIS**

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



## **INDIANA**

Indiana Secretary of State  
Securities Division, E-111  
302 West Washington Street  
Indianapolis, Indiana 46204  
(317) 232-6681

## **MARYLAND**

(state administrator)

Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

(agent for service of process)

Maryland Securities Commissioner  
at the Office of the Attorney General  
Securities Division  
200 St. Paul Place  
Baltimore, Maryland 21202-2021  
(410) 576-6360

## **MICHIGAN**

(state administrator)

Michigan Attorney General's Office  
Consumer Protection Division  
Attn: Franchise Section  
G. Mennen Williams Building, 1<sup>st</sup> Floor  
525 West Ottawa Street  
Lansing, Michigan 48909  
(517) 373-7117

(agent for service of process)

Michigan Department of Commerce,  
Corporations and Securities Bureau  
P.O. Box 30054  
6546 Mercantile Way  
Lansing, Michigan 48909

## **MINNESOTA**

(state administrator)

Minnesota Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

(agent for service of process)

Commissioner of Commerce  
Minnesota Department of Commerce  
85 7th Place East, Suite 280  
St. Paul, Minnesota 55101  
(651) 539-1600

## **NEW YORK**

(state administrator)

NYS Department of Law  
Investor Protection Bureau  
28 Liberty Street, 21<sup>st</sup> Floor  
New York, NY 10005  
(212) 416-8236 Phone  
(212) 416-6042 Fax

(agent for service of process)

Attention: New York Secretary of State  
New York Department of State  
One Commerce Plaza,  
99 Washington Avenue, 6th Floor  
Albany, NY 12231-0001  
(518) 473-2492

## **NORTH DAKOTA**

North Dakota Securities Department  
600 East Boulevard Avenue  
State Capitol - Fourteenth Floor - Dept 414  
Bismarck, North Dakota 58505-0510  
(701) 328-4712

## **OREGON**

Department of Business Services  
Division of Finance & Corporate Securities  
350 Winter Street, NE, Room 410  
Salem, Oregon 97310-3881  
(503) 378-4387

## **RHODE ISLAND**

Department of Business Regulation  
Division of Securities  
John O. Pastore Complex  
Building 69-1  
1511 Pontiac Avenue  
Cranston, Rhode Island 02920  
(401) 462-9645

## **SOUTH DAKOTA**

Division of Insurance  
Securities Regulation  
124 S. Euclid, Suite 104  
Pierre, South Dakota 57501  
(605) 773-3563

## **VIRGINIA**

(state administrator)

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

(agent for service of process)

Clerk, State Corporation Commission  
1300 East Main Street, First Floor  
Richmond, Virginia 23219  
(804) 371-9733

## **WASHINGTON**

(state administrator)

Department of Financial Institutions  
Securities Division  
P.O. Box 41200  
Olympia, Washington 98504-1200  
(360) 902-8760

(agent for service of process)

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

## **WISCONSIN**

(state administrator)

Securities and Franchise Registration  
Wisconsin Department of Financial Institutions  
4022 Madison Yards Way, North Tower  
Madison, Wisconsin 53705  
(608) 266-1064

(agent for service of process)

Office of the Secretary  
Wisconsin Department of Financial Institutions  
P.O. Box 8861  
Madison, Wisconsin 53708-8861  
(608) 261-9555

**EXHIBIT B-1**

**FRANCHISE AGREEMENT**



**PEET'S COFFEE FRANCHISE, LLC**

**FRANCHISE AGREEMENT**

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

**Store Address:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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## **Exhibits**

- EXHIBIT A    Entity Information  
EXHIBIT B    Guaranty and Assumption of Obligations

## **FRANCHISE AGREEMENT**

**THIS FRANCHISE AGREEMENT** (this “**Agreement**”) is made and entered into by and between **PEET’S COFFEE FRANCHISE, LLC** with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (“**we**”), and the franchisee indicated on the first page of this Agreement (“**you**”), as of the date signed by us and set forth below our signature on this Agreement (the “**Effective Date**”).

### **1. GRANT OF FRANCHISE.**

#### **A. BACKGROUND.**

(1) We and our affiliates have developed and may continue to develop and modify a system for the operation of coffee shops offering specialty coffee and espresso drinks, tea and other beverages, coffee beans, other beverages, food items, and related products and merchandise authorized by us from time to time (each a “**Peet’s Store**”).

(2) We and our affiliates own, use, promote, and license others the right to use and promote certain trademarks, service marks, trade dress, and other commercial symbols and indicia for Peet’s Stores, including the “**PEET’S COFFEE®**” trademark, and may create, use, and license other trademarks, service marks, and commercial symbols to identify Peet’s Stores and the products and services offered by Peet’s Stores in the future (collectively, the “**Marks**”).

(3) Peet’s Stores are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, and specifications, all of which may be improved, further developed, or otherwise modified from time to time (the “**System**”).

#### **B. GRANT AND TERM OF FRANCHISE.**

Subject to the terms of this Agreement, we hereby grant you a franchise to develop, own and operate a Peet’s Store (your “**Store**”) at the premises identified on the first page of this Agreement (the “**Premises**”) for a term that will begin on the Effective Date and will expire 10 years from the Effective Date, unless sooner terminated as provided herein (the “**Term**”). You agree to faithfully, honestly, and diligently perform your obligations under this Agreement and to use your best efforts to promote and operate your Store on a continuous basis for the entirety of the Term.

#### **C. IF YOU ARE AN ENTITY.**

If you are a corporation, limited liability company, or partnership (each, an “**Entity**”), you represent that you have, and will have throughout the Term, the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed. You agree to remain validly existing and in good standing under the laws of the state of your formation throughout the Term. You agree to maintain organizational documents, operating agreement, or partnership agreement, as applicable, that reflect the restrictions on issuance and transfer of any ownership interests in you described in this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions.

You agree and represent that Exhibit A to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Each of your owners must execute



a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached herein as Exhibit B. Subject to our rights and your obligations under Section 12, you and your owners agree to sign and deliver to us revised Exhibit A to reflect any permitted changes in the information that Exhibit A now contains.

You must identify on Exhibit A one of your owners who is a natural person with at least 10% ownership interest and voting power in you and who will have authority and signatory power on behalf of you (the “**Managing Owner**”). You must obtain our written consent prior to changing the Managing Owner and agree to deliver to us a revised Exhibit A to accurately identify the Managing Owner should the identity of that person change during the Term as permitted hereunder. You agree that the Managing Owner is authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect of this Agreement. Any decision made by the Managing Owner will be final and binding upon you, and we will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other person, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Managing Owner. You represent and agree that the person acting as your Managing Owner has full power and authority to enter into this Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

**D. PREMISES OF YOUR STORE.**

You may operate your Store only at the Premises. If the Premises have not been approved when you sign this Agreement, site selection will be subject to Section 2.A of this Agreement. You agree to use the Premises only for your Store and for no other activities or business of any kind without our express approval. You agree not to conduct the business of your Store at any location other than the Premises. You may not conduct delivery, catering or other services that would be fulfilled away from the Premises except as authorized by us.

**E. NO EXCLUSIVITY AND RESERVATION OF RIGHTS.**

We do not grant any, and you have no, exclusive rights or territorial protection around your Store. We and our affiliates retain the right at all times during and after the Term to engage in any and all activities that we and they deem appropriate and that have not been expressly granted to you in this Agreement, wherever and whenever we and they desire, and whether or not such activities compete with your Store, including the right, anywhere in the world, to do any of the following:

- (1) establish and operate, and allow others to establish and operate, other Peet’s Stores using the Marks and the System at any location on such terms and conditions we deem appropriate;
- (2) establish and operate, and allow others to establish and operate, any other type of business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Peet’s Stores, under any trade names, trademarks, service marks and commercial symbols;
- (3) establish, and allow others to establish businesses and distribution channels other than a Peet’s Store (including, selling products at retail, wholesale, or through any Online Presence, as defined in Section 5.B), wherever located or operating, regardless of the nature or

location of the customers with whom such other businesses and distribution channels do business, including businesses that operate under trade names, trademarks, service marks or commercial symbols that are similar to, the same, or competitive with the Marks, and/or that sell products or services that are similar to, the same, or competitive with, those that Peet's Stores customarily sell, and including the offer and sale of PEET'S COFFEE®-branded coffee or other products at other third-party businesses;

(4) establish and operate, and allow others to establish and operate, any Peet's Store, or other business using the Marks and/or the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Peet's Stores, at or through any non-traditional venues, including hospitals and healthcare facilities, college campuses, national parks, military bases, airports or transit centers, hotels and convention centers, or other businesses operated within any larger venue or closed market such as a stadium or entertainment center, at any location in the world; and

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Peet's Stores, at any location in the world (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world).

## 2. **DEVELOPMENT AND OPENING OF YOUR STORE.**

### A. **SITE SELECTION.**

If you have not yet located a site for the Premises as of the Effective Date, then you must obtain our approval of a site for your Premises within 90 days of the Effective Date, and secure occupancy rights to such Premises by the earlier of 90 days from our approval of the site of the Premises or 180 days from the Effective Date. We must approve the site of your Store before you sign any lease, sublease, or other document to secure its occupancy rights (the "**Lease**"). You agree to send us all of the information we require for the proposed site. We will make all determinations about whether to approve or disapprove a site based on our then-current criteria, which may change periodically. You may not relocate your Store to a location other than the Premises without our prior approval.

You acknowledge and agree that you have the sole responsibility to identify and select an appropriate site for your Store, and any involvement in the site selection process by us or our representatives is for our sole benefit. If we recommend, approve or give you information regarding a site for the Premises, that is not a representation or warranty of any kind, express or implied, of the site's suitability for a Peet's Store or any other purpose. Our recommendation and/or approval of any site indicates only that we believe that the site meets our then-current minimum criteria which have been established for our own purposes and are not intended to be relied on by you. You agree that you are not relying on our site approval for your benefit. You further acknowledge that you have been advised to conduct your own independent investigation before selecting any site for our approval. We are not responsible if a site and premises we recommend or approve fails to meet your expectations.

**B. LEASE OF PREMISES.**

You may not sign the Lease until you have received our written approval of its terms. As a condition to our approval of the Lease, we may require the Lease to include certain provisions that we periodically require to protect and maintain the Marks and System, including: (a) a collateral assignment of the Lease to us or our designees upon the termination or expiration of this Agreement, or upon your default; (b) the right for us and our representatives to enter the Premises for the purposes described in this Agreement; and (c) notice to us of any breach of the Lease.

You acknowledge and agree that you have the sole responsibility to negotiate and execute your Lease, and any of our involvement in the Lease review and approval is for our sole benefit. You agree that you are not relying on our Lease review and approval for your benefit. You further acknowledge that you have been advised to obtain the advice of your own professional advisors before you sign a Lease. If you do not agree with the Lease provisions that we have approved, you may elect not to sign the Lease, but you would have to find another suitable site for the Premises and secure its possession by signing a Lease we have approved for such site. You must deliver an executed copy of your Lease and lease addendum to us within 10 days after execution.

**C. DEVELOPMENT OF YOUR STORE.**

We will provide you our then-current prototypical plans showing the standard layout and specifications for a Peet's Store in our Manuals (defined in Section 4.E). You agree at your expense to do all things necessary to develop and prepare your Store for opening in accordance with this Agreement and our System Standards (defined in Section 4.E) including that you must:

- (1) obtain and submit to us for approval detailed construction plans and specifications and space plans for your Store that comply with any design specifications or prototypical plans provided by us and all applicable ordinances, building codes, permit requirements, and lease requirements and restrictions, including those arising under the Americans with Disabilities Act or similar rules governing public accommodations for persons with disabilities, other applicable ordinances, building codes, permit requirements, and lease requirements and restrictions;
- (2) obtain all required zoning changes, planning consents, building, utility, sign and business permits and licenses, and any other consents, permits and licenses necessary to lawfully open and operate your Store;
- (3) construct all required improvements in compliance with construction plans and specifications approved by us;
- (4) obtain and install the operating assets we designate from time to time as meeting our System Standards for quality, design, appearance, function, and performance (collectively, the "**Operating Assets**"), including: (i) the computer hardware, software, and point-of-sale system (collectively, the "**Computer System**"), and (ii) all other fixtures, furniture, equipment, furnishings, and signage and other products and services that that we approve for Peet's Stores (if we designate or approve certain brands, types, and models of Operating Assets, you agree to purchase or lease only Operating Assets meeting the specifications we have designated or approved);

(5) obtain all customary contractors' sworn statements and partial and final waivers of lien for construction, remodeling, decorating and installation services;

(6) obtain all certificates of insurance to demonstrate to us your compliance with our insurance requirements; and

(7) satisfy all of your pre-opening requirements under this Agreement, including payment of fees and satisfaction of all training obligations.

You must satisfy all of our System Standards for developing and opening your Store and open your Store for business by the earlier of 180 days after you sign the Lease, or the first anniversary of the Effective Date. We must approve the date that you open your Store for business (the "**Opening Date**"), and you will not open your Store without our express approval.

3. **FEES.**

A. **INITIAL FRANCHISE FEE.**

You must pay us an initial franchisee fee of \$35,000 in a lump sum when you sign this Agreement. The initial franchise fee is non-refundable and is due, and fully earned by us, when you sign this Agreement.

B. **ROYALTY FEE.**

Throughout the Term, you agree to pay us a monthly royalty fee (the "**Royalty**") equal to six percent (6%) of your Store's Gross Sales (defined in Section 3.C below) collected during the immediately preceding month.

C. **DEFINITION OF "GROSS SALES".**

As used in this Agreement, the term "**Gross Sales**" means all revenue that you derive from operating your Store, whether from cash, check, vouchers, tickets, or other comparable forms of payment, credit and debit card, barter exchange, trade credit, or other credit transactions, but excluding all federal, state, or municipal sales, use, or service taxes collected from customers and paid to the appropriate taxing authority. If we authorize or require participation in online group-bought deals, gift certificate or gift card programs, or other similar programs, the payments you receive for those online group-bought deals, gift certificates or gift cards will be included in Gross Sales in accordance with our then-current guidelines for calculating Gross Sales, which may be modified from time to time. Gross Sales also include all insurance proceeds you receive for loss of business and loss of revenue, due to a casualty to or similar event at your Store.

D. **TECHNOLOGY FEE.**

We may require you to pay a technology fee to us for technology related services, which may include website or email services, help desk support, software or website development, enterprise solutions, and other services associated with your Computer System and/or any System Website (as defined in Section 9.D) (the "**Technology Fee**"). We may modify the amount of your Technology Fee periodically. The Technology Fee is in addition to all direct out-of-pocket costs you must otherwise incur under the terms of this Agreement or the Manuals to acquire, maintain, or service your Computer System. You must pay the Technology Fee at the times and in the manner designated by the provider

of such services. We may require you to enter into a written agreement with the provider of any technology services, with terms and conditions we approve or require. The amount of your Technology Fee may be determined in part by factors that are unique to your Store (such as the number of email addresses we provide you). You acknowledge and agree that different franchise owners may pay different Technology Fees based on their businesses.

E. **INTEREST ON LATE PAYMENTS.**

All amounts which you owe us for any reason will bear interest accruing as of their due dates at the lesser of 1.5% per month or the highest commercial contract interest rate allowed by law.

F. **APPLICATION OF PAYMENTS; SET-OFFS.**

Despite any designation you make, we may apply any of your payments to any of your past-due indebtedness to us. We and our affiliates may set off any amounts you or your owners owe us or our affiliates against any amounts we or our affiliates owe you or your owners. You may not withhold payment of any amounts owed to us on the grounds of our alleged nonperformance of any of our obligations under the Agreement or for any other reason, and you specifically waive any right you may have at law or in equity to offset any funds you may owe us or to fail or refuse to perform any of your obligations under the Agreement.

G. **METHOD OF PAYMENT.**

You must make all payments due under this Agreement in the manner we designate from time to time. We may also direct you to make some or all of the payments under this Agreement to our designee or affiliate. You authorize us to debit your checking, savings, or other account automatically for all amounts due to us or our affiliates (the “**EFT Authorization**”). You agree to sign and deliver to us any documents we require for such EFT Authorization. Such EFT Authorization shall remain in full force and effect during the Term. We will debit the account you designate for these amounts on their due dates (or the subsequent business day if the due date is a national holiday or a weekend day). You agree to ensure that funds are available in your designated account to cover our withdrawals. If the amounts that we debit from your account are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your business account on the next payment due date. We may change the timing, frequency, and intervals of any payments from time to time, but with no less than 30 days’ prior written notice to you. All amounts payable by you or your owners to us or our affiliates must be in United States Dollars (\$USD).

If you fail to report Gross Sales, we cease to have access to your Computer System, or your Store is closed without our authorization for any period of time, then for any fees under this Agreement which are calculated based on Gross Sales, we may debit your account for 110% of the average Gross Sales for the last three months of operations of your Store. If the amounts that we debit from your account on the basis of any understatement are less than the amounts you actually owe us once we have determined the true and correct Gross Sales, we will debit your account for the balance on the day we specify. If the amounts that we debit from your account on the basis of any understatement are greater than the amounts you actually owe us, we will credit the excess against the amounts we otherwise would debit from your account during the following period.

#### 4. TRAINING AND ASSISTANCE.

##### A. INITIAL TRAINING PROGRAM.

You (or if you are conducting business as an Entity, your Managing Owner), if your Store is the first Peet's Store you are opening, and each General Manager (defined in Section 8.E) who has not already completed the Initial Training Program (defined below) (together, the "**Mandatory Trainees**") must complete an initial training program conducted by us on the material aspects of operating a Peet's Store prior to the Opening Date (the "**Initial Training Program**"). We will control the substance and duration of our Initial Training Program, which will be held at a location and in a format of our choice, which may be virtually. We may vary the contents or duration of the Initial Training Program among your Mandatory Trainees, based on their experience, role, responsibilities, and other factors we determine. We will also determine the timing, dates, and schedule of the Initial Training Program. All Mandatory Trainees must complete the Initial Training Program to our satisfaction prior to operating your Store. If we determine that the Mandatory Trainees cannot successfully complete the Initial Training Program to our satisfaction, we may terminate this Agreement. You may invite additional attendees the Initial Training Program, if space allows, subject to our approval, and subject to all attendees participating at the same time. For any additional trainees we approve, we may charge our then-current training fee.

If you request additional training for any Mandatory Trainees that have completed the Initial Training Program (including any Mandatory Trainees that may have completed the Initial Training Program in connection with your development of a previous Peet's Store), you must pay our then-current training fee for any such training that we agree to provide. If the Mandatory Trainees complete our Initial Training Program to our satisfaction, and do not expressly and promptly request additional training after completion of the Initial Training Program, then you and they will be deemed to have been trained sufficiently to operate a Peet's Store.

We may require that your Mandatory Trainees attend and satisfactorily complete various training courses that we periodically choose to provide at the times and locations that we designate, including courses and programs provided by third-parties we designate. Besides attending these courses, we may require you (or if you are conducting business as an Entity, your Managing Owner) and/or your General Manager(s) to attend an annual meeting of all Peet's Store franchise owners at a location we designate, if we host such a conference (which we are not obligated to do), which may be virtually. If you engage any new General Manager(s) during the Term, such person(s) must satisfactorily complete our then-current Initial Training Program, and we may charge our then-current training fee for such training.

You agree to pay all travel and living expenses (including wages, transportation, food, lodging, and workers' compensation insurance) that you and your Mandatory Trainees or any other employee incurs during any and all meetings and/or training courses and programs. If any portion of the Initial Training Program is provided on-site at your Store, which we will determine, you are also responsible for the out-of-pocket costs we incur in sending our trainer(s) to your Store, including travel, food, accommodations, and living expenses.

##### B. PERSONNEL TRAINING.

You have the ultimate and exclusive responsibility for ensuring that all of your employees and personnel are appropriately trained to operate your Store in accordance with this Agreement and our

System Standards, regardless of any training or support that we provide. We may periodically establish certain minimum requirements for your employee training programs; however, you understand that these minimum requirements are solely intended to protect our System and the goodwill of the Marks.

C. **ON-SITE OPENING SUPPORT.**

If you are developing your first Peet's Store or opening your Store with a new General Manager, we will send one or more of our representatives to assist you with its grand opening for 10 days. We will determine the identity and quantity of the representative(s) we send to your Store and the schedule for all such on-site opening support in our discretion (which may be before and/or after your Opening Date). You must reimburse all of our and our representatives' out-of-pocket costs for providing on-site opening support to you, including travel, food, accommodations, and living expenses. If you are developing your second or subsequent Peet's Store, we are not required to provide you with any on-site opening support. However, if you request such support or we determine that you need such support to bring your Store into compliance with System Standards, you must pay our then-current fee for any on-site opening support we provide you, plus reimbursement of the travel and living expenses and out-of-pocket costs we incur.

D. **OTHER GENERAL GUIDANCE.**

Subject to limitations on scheduling, availability, and similar resources, we will advise you from time to time regarding the operation of your Store, including: (1) System Standards and other suggested standards, specifications and operating procedures and methods that Peet's Stores use; (2) purchasing required and authorized Operating Assets and other products and services; and (3) advertising and marketing materials and programs. We may provide guidance on the telephone, virtually, or at our offices. If you request, and we agree to provide, additional or special guidance, assistance, or training, we may charge you our then-current fee, plus you must reimburse all of our and our representatives' out-of-pocket costs for providing such guidance, assistance or training, including travel, food, accommodations, and living expenses. Any specific ongoing training or advice we provide does not create an obligation (whether by course of dealing or otherwise) to continue to provide such specific training or advice, all of which we may discontinue and modify from time to time.

Notwithstanding any provision in this Agreement to the contrary (including our obligations related to operations support, inspections, training or otherwise), we will not be required to send any of our personnel and/or representatives to your Store to provide any services in person if, in our sole determination, it is unsafe to do so. Such determination by us will not relieve you from your obligations under this Agreement and will not constitute a default of this Agreement by us. We may also, at any time, for any reason, elect to conduct any or all support, inspections, training, or other services virtually, and you agree to comply with our instructions for all virtual programs.

E. **MANUALS.**

We will make the brand manuals for the operation of Peet's Stores available to you during the Term (the "**Manuals**"), which may include one or more separate manuals, newsletters, memos, or bulletins, as well as any audio or video content, and/or other content available through or distributed by any Online Presence or other electronic or digital means. The Manuals contain mandatory specifications, standards, operating procedures, and rules that we periodically prescribe for operating Peet's Stores ("**System Standards**"), other specifications, standards, and policies we may suggest from time to time, and information on your obligations under this Agreement. We may modify the Manuals

periodically to reflect changes in System Standards. If we make any portion of the Manuals available on any Online Presence, you agree to monitor and access that Online Presence for any updates to the Manuals. You agree that the Manuals and any passwords or other access credentials necessary to access the Manuals on any Online Presence will be deemed to be part of Confidential Information (as defined in Section 6.A). We have no obligation to provide you a printed copy of the Manuals.

F. **DELEGATION OF PERFORMANCE.**

We have the right to delegate the performance of any portion or all of our obligations under this Agreement to third-party designees, whether these designees are our agents or independent contractors with whom we have contracted to perform these obligations.

5. **INTELLECTUAL PROPERTY.**

A. **OWNERSHIP AND GOODWILL.**

You acknowledge and agree that the Marks and the System are owned by us and/or our affiliates. You acknowledge and agree that your use of the Marks and the System and any goodwill established by that use are exclusively for our and our affiliates' (as applicable) benefit. This Agreement does not confer any goodwill or other interests in the Marks or the System upon you (other than the right to operate your Store under this Agreement). Your unauthorized use of the Marks and the System would be a breach of this Agreement and an infringement on the intellectual property rights of us and our affiliates (as applicable). Your unauthorized use of the Marks and the System will cause us and our affiliates (as applicable) irreparable harm for which there is no adequate remedy at law and will entitle us and our affiliates (as applicable) to injunctive relief. All provisions of this Agreement relating to the Marks and the System apply to any additional or modified components of the Marks and the System we authorize you to use.

You may not at any time during or after the Term contest or assist any other person in contesting the validity of any registration for the Marks or the System, and/or our and our affiliates' (as applicable) rights to the Marks and the System.

B. **USE OF MARKS AND SYSTEM.**

You are hereby granted a limited, non-exclusive license to use the Marks and the System, during the Term, strictly to operate your Store in compliance with the terms of this Agreement and our System Standards. You have no right to sublicense or assign your right to use the Marks and the System. You agree to use and display the Marks in the style and graphic manner we describe in the Manuals. You may not use any other trademarks, service marks, commercial symbols, other than the Marks, to identify or operate your Store.

You may not use any Mark (1) as part of any corporate or legal business name; (2) with any unauthorized prefix, suffix, or other modifying words, terms, designs, or symbols; (3) in selling any unauthorized services or products; (4) as part of any website, domain name, email address, social media account, user name, other online presence or presence on any electronic, virtual, or digital medium of any kind ("**Online Presence**"), except in accordance with our guidelines set forth in the Manuals; or (5) in any other manner that we have not expressly authorized in writing. You may not use any Mark in advertising the transfer, sale, or other disposition of your Store or an ownership interest in you without our prior written consent. You agree to display the Marks prominently as we prescribe at your



Store and on forms, advertising, supplies, and other materials we designate. You agree to give the notices of trade and service mark registrations that we specify and to obtain any fictitious or assumed name registrations required under applicable law. You agree, during and after the Term, not to directly or indirectly, appropriate, use or duplicate the System or System Standards, or any portion thereof, for use in any other business or endeavor.

**C. NOTIFICATION OF INFRINGEMENTS AND CLAIMS.**

You agree to notify us immediately of any apparent infringement or challenge to your use of the Marks or the System, or of any person's claim of any rights in the Marks or the System, and not to communicate with any person other than us, our affiliates and our and their attorneys, and your attorneys, regarding any infringement, challenge, or claim. We and our affiliates may take the action we or they deem appropriate (including no action) and control exclusively any litigation or other legal or administrative proceeding arising from any infringement, challenge, or claim or otherwise concerning the Marks or the System. You agree to sign any documents and take any other action that, in the opinion of our and our affiliates' attorneys, are necessary or advisable to protect and maintain our and our affiliates' (as applicable) interests in the Marks and the System.

If we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section with the same legal force and effect as if executed by you.

We agree to reimburse you for all damages and expenses that you incur in any trademark infringement proceeding disputing your authorized use of the Marks under this Agreement if you have timely notified us of, and comply with our directions in responding to, the proceeding. At our option, we and our affiliates and may control the defense of any proceeding arising from your use of the Marks under this Agreement. If we choose to control the defense of any such proceeding, we may choose our own legal counsel and other similar representatives, and we will not be liable to you or any of your affiliates or representatives for any costs or expenses incurred on the basis of any additional or separate legal counsel or similar representatives you or they retain.

**D. CHANGES TO MARKS AND SYSTEM.**

You understand that the Marks and the System may evolve over time, including after you sign this Agreement. If we decide to modify, substitute, add or discontinue the use of any Marks or the System, you agree to make such modifications and updates as we specify and to comply with all other directions we give regarding the use of the Marks and the System in connection with your Store within a reasonable time after receiving notice from us. We are not required to reimburse you for any costs or expenses associated with making such changes, promoting a modified or substitute Mark, or for any loss of revenue due to any modified to the Marks or System.

6. **PROPRIETARY INFORMATION.**

A. **CONFIDENTIALITY.**

In connection with your Store, you and your owners and personnel may from time to time be provided and/or have access to non-public information about the System and operation of Peet's Stores, including your Store (the "**Confidential Information**"), including: (1) site selection criteria, market or demographic research, and/or other real estate reports; (2) training and operations materials and manuals, including recipes and the Manuals; (3) the System Standards and other methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Peet's Stores; (4) market research, promotional, marketing and advertising programs for Peet's Stores; (5) knowledge of specifications for, and Vendors (defined in Section 7.F) of, Operating Assets and other products and supplies; (6) any computer software or similar technology which is proprietary to the System, including any login credentials for, source code of, and data, reports, and other printed materials generated by, the software or similar technology; (7) knowledge of the operating results and financial performance of any Peet's Stores, including your Store; (8) customer data, including personal information, analytic data regarding customer behavior, and opt-in/opt-out preferences; and (9) any other information designated as confidential or proprietary by us or our affiliates.

All Confidential Information will be owned by us or our affiliates (other than Restricted Data, as defined in Section 8.K). You acknowledge and agree that: (i) you will not acquire any interest in any of our Confidential Information, other than the right to use it as we specify in operating your Store during the Term, and (ii) our Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you will protect it. You acknowledge that any unauthorized use or disclosure of our Confidential Information would be an unfair method of competition and a breach of trust and confidence and will result in irreparable harm to us and/or our affiliates. You and your owners agree to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns to):

(a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for the development and operation of your Store in accordance with this Agreement, and not for any other purpose of any kind;

(b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and System Standards we establish from time to time, and our and our representative's instructions;

(c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in operating your Store in accordance with this Agreement; and you agree that you will be responsible for any violation of this requirement by any person to whom you provide Confidential Information;

(d) not make unauthorized copies of any of our Confidential Information;

(e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by

establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of this Agreement (and we reserve the right to designate or approve the form of confidentiality agreement that you use); and

(f) at our request, destroy or return any of the Confidential Information.

Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

We and our affiliates are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

## **B. INNOVATIONS.**

All improvements, developments, derivative works, feedback, enhancements, or modifications to the System and any Confidential Information (collectively, “**Innovations**”) made or created by you, your employees or your representatives, whether developed separately or in conjunction with us, shall be owned solely by us and will in no event be owned by you or your affiliates. You represent, warrant, and covenant that your employees and representatives are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your representatives are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us and agree to obtain the same from your personnel and representatives. To that end, you agree to execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. If we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section with the same legal force and effect as if executed by you.

## **7. RESTRICTIVE COVENANTS.**

### **A. NON-COMPETITION DURING TERM.**

We have granted you the rights in this Agreement in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to):

(i) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than 5% of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(ii) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating; or

(iii) divert or attempt to divert any actual or potential business or customer of any Peet's Store to a Competitive Business.

The term “**Competitive Business**” means any business (excluding any Peet's Store operated under a franchise agreement) operating or granting franchises or licenses to others to operate any business: (1) for which coffee or espresso drinks, tea and tea-based drinks, bakery items, and coffee retail products, and/or similar products represent more than 20% of the total gross revenue; or (2) whose menu or concept is otherwise substantially similar to that of Peet's Stores. You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers, and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use, including to require that we and our affiliates be third-party beneficiaries of that agreement with independent enforcement rights.

**B. NON-INTERFERENCE.**

During and after the Term, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any customers, franchisees, lenders, Vendors, or consultants.

**C. NON-DISPARAGEMENT.**

During and after the Term, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to): (i) disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, current and former franchisees of us or our affiliates, the PEET'S COFFEE® brand, the System, any Peet's Store, any business using the Marks, or any other brand concept operated or franchised by us or our affiliates; or (ii) take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the System or the Marks. Notwithstanding anything to the contrary, in no event will you be prohibited from providing truthful testimony in connection with a legal proceeding or governmental investigation. In addition, nothing in this Agreement shall prohibit you from reporting a suspected violation of law to the appropriate governmental agency or authority.

8. **OPERATION OF YOUR STORE.**

A. **SYSTEM STANDARDS.**

You agree at all times to operate and maintain your Store according to each and every System Standard, as we periodically modify and supplement them. Though we retain the right to establish and periodically modify System Standards, you retain the sole responsibility for the day-to-day management and operation of your Store and the implementation and maintenance of System Standards at your Store. System Standards may regulate any aspect of the operation and maintenance of your Store, including any one or more of the following:

- (1) amounts and types of Operating Assets and inventory you must purchase and/or maintain, and the storage and commercial display of merchandise;
- (2) sales, marketing, advertising, and promotional campaigns, including prize contests, special offers and other national, regional or location marketing programs, and materials and media used in these programs;
- (3) minimum staffing levels, qualifications, training, uniforms, and appearance (although you have sole responsibility and authority concerning all other matters relating to employee and personnel, including hiring and promotion, hours worked, rates of pay and other benefits, work assigned, the manner of performing work, and working conditions);
- (4) use and display of the Marks;
- (5) days and hours of operation;
- (6) accepting credit and debit cards, other payment systems, currencies, and check verification services;
- (7) participation in market research and testing and product and service development programs;
- (8) issuing and honoring gift cards, gift certificates and similar items, and participating in loyalty programs;
- (9) menus, including product offerings, recipes, appearance, and nutrition, allergen, and similar information;
- (10) bookkeeping, accounting, data processing, reporting, and recordkeeping systems and forms;
- (11) participation in quality assurance and customer satisfaction programs;
- (12) use of any third-party food delivery, online ordering, or other order management or fulfillment services;
- (13) types, amounts, terms, and conditions of insurance coverage required for your Store, including criteria for your insurance carriers; and

(14) any other aspects of operating and maintaining your Store that we determine to be useful to preserve or enhance the efficient operation, image or goodwill of the Marks and Peet's Stores.

You understand that the System will continue to evolve during the Term and the System Standards may change periodically. These modifications may obligate you to invest additional capital in your Store and/or incur higher operating costs. You agree to implement any changes to your Store in accordance with our System Standards within the time period we request, including by buying new Operating Assets, upgrading or replacing any or all of the Computer System, adding new products and services, or otherwise modifying the nature of your operations. You will be solely responsible for the costs of implementing all changes to your Store in accordance with the System Standards.

You acknowledge and agree that complete and detailed uniformity might not be possible or practical under varying conditions, and that we specifically reserve the right to vary System Standards for any franchise owner based on the peculiarities of any condition that we consider important to that franchise owner's successful operation or preserving the goodwill of the System and Marks. We may choose not to authorize similar variations or accommodations to you or other franchise owners.

**B. CONDITION OF YOUR STORE.**

You agree to maintain the condition and appearance of your Store, its Operating Assets, and the Premises to meet the highest standards of professionalism, cleanliness, sanitation, efficient, courteous service, and pleasant ambiance. Without limiting the foregoing, you agree to take the following actions during the Term at your expense: (a) cleaning, repainting and redecorating of the interior and exterior of the Premises; (b) interior and exterior repair of the Premises; and (c) repair or replacement, at our direction, of damaged, worn-out or obsolete Operating Assets at intervals that we may prescribe (or, if we do not prescribe an interval for replacing any Operating Asset, as that Operating Asset needs to be repaired or replaced). You understand that we may periodically require you to renovate, refurbish, remodel, or replace, at your own expense, the real and personal property and equipment used in operating your Store, and/or make one or more additional and/or material improvements to your Store, when reasonably required by us to comply with our System Standards.

**C. PRODUCTS AND SERVICES YOUR STORE OFFERS.**

You agree that you will: (1) offer and sell from your Store all of the products and services that we periodically specify from time to time; (2) not offer or sell at your Store, the Premises, or any other location any products or services we have not authorized; and (3) discontinue selling and offering for sale any products or services that we at any time disapprove. You will offer for sale and sell at your Store authorized products and services only in the manner (including, days and hours of operation) and at the locations we have prescribed, including that you will not sell any products or services wholesale or through alternative channels of distribution without our express approval.

We may authorize one or more Peet's Stores to offer additional, different, or modified attractions, products, or services, and we are under no obligation to authorize every Peet's Store to offer the same products or services. We may condition our approval for any such products or services on our then-current criteria, and/or additional terms and conditions that we establish. If we at any time (including after our initial approval) determine that you fail to meet our System Standards for offering or selling any products or services, we may permanently or temporarily terminate your right to offer

or sell such products or services; provided, that nothing contained herein will be deemed a waiver of our right to terminate pursuant to Section 14.C.

If we modify our System Standards for the products and services that we require your Store to offer and sell, you must immediately bring your Store into compliance with our System Standards for such products or services, including by purchasing or leasing any necessary Operating Assets, making any required changes to signage and advertising materials, and updating your Computers System to include any software, hardware or other equipment necessary to offer such products or services. If we at any time require or permit you to offer delivery, catering and/or any other off-site products or services, we reserve the right to limit the geographic area in which you may offer such services, and we may modify that geographic area from time to time, in our sole discretion.

**D. PROPRIETARY BLENDS.**

Without in any way limiting the generality of our other rights in this Agreement, including the right to designate us or any affiliate of ours as an exclusive or approved Vendor of any other products and services, you hereby expressly acknowledge and agree that you must purchase your entire inventory and supply of coffee and tea products and certain other ingredients (“**Proprietary Blends**”) exclusively from us and/or our designated affiliates. You acknowledge that your purchase and use of such Proprietary Blends is critical to the quality, distinctiveness, and uniformity of the System and the operation of Peet’s Stores. You further acknowledge that we would not have offered you the right to operate a Peet’s Store if you had not agreed to use exclusively the Proprietary Blends to operate your Store, and to acquire such Proprietary Blends exclusively from us and/or our designated affiliates. Without in any way limiting the generality of our other rights in this Agreement, including the right to designate and control the products and services offered by your Store, you agree not to offer or sell any coffee and tea beverages, coffee and tea retail products, or other coffee and tea products of any kind other than the Proprietary Blends.

You agree at all times during the Term to ensure that you have Proprietary Blends available at your Store in sufficient quantity to meet anticipated demand, including during peak periods. You acknowledge that if any shortages arise during the Term, we may allocate our supply of Proprietary Blends among Peet’s Stores and other channels of distribution in our sole discretion.

You agree to comply with all of our or our designated affiliates’ instructions and policies for ordering Proprietary Blends, which we may modify from time to time, and which may include auto-ordering policies. You further acknowledge and agree that the cost of Proprietary Blends may fluctuate at any time and from time to time during the Term, and you have not entered into this Agreement in reliance on any particular pricing structure for Proprietary Blends. We and our affiliates may modify any such pricing for Proprietary Blends with 60 days notice to you. All purchases of Proprietary Blends will be subject to our or our affiliates’ then-current terms and conditions and credit policies. We and our affiliates reserve the right to refuse orders or deny shipment of any Proprietary Blends if you have any past due balance to us or our affiliates.

**E. MANAGEMENT OF YOUR STORE.**

Subject to the terms and conditions of this Agreement, you are solely responsible for the management, direction, and control of your Store. You (or if you are conducting business as an Entity, your Managing Owner) must supervise the management and day-to-day operation of your Store and continuously exert best efforts to promote and enhance your Store. You must also appoint a

management level employee and/or other person, agent, or management company that you wish to engage to supervise the management of your Store (each a “**General Manager**”), which General Manager is subject to our prior approval. We may establish conditions for approving any such General Manager in our discretion, which may include confirmation that such General Manager will have no competitive businesses activities, and/or execution of a non-disclosure agreement or other covenants we require.

During any period in which no General Manager is approved (including because the General Manager resigns or otherwise indicates to us or you that he or she wishes to cease acting as your General Manager, or we disapprove of your General Manager for any reason), you (or if you are conducting business as an Entity, your Managing Owner) must supervise the day-to-day operations of your Store. Your Store must always be under the direct on-site supervision of one or more persons who we have approved and has completed the Initial Training Program to our satisfaction.

F. **APPROVED VENDORS.**

We may designate, approve, or develop System Standards for manufacturers, distributors and suppliers of products and services to your Store (collectively, “**Vendors**”), which may be us and/or our affiliates. You must purchase the products and services we periodically designate only from the Vendors we prescribe or approve, as applicable, and only on the terms and according to the specifications we approve. We may also designate a single Vendor for any product or service, or approve a Vendor only for certain products, which may be us or our affiliates.

We may concentrate purchases with one or more Vendors for any reason, including to obtain lower prices, advertising support and/or services for us, our affiliates, or any group of Peet’s Stores that we designate. You acknowledge and agree that we and/or our affiliates may derive consideration, revenue and profits based on your purchases (including from charging you for products and services we or our affiliates provide to you, and from promotional allowances, rebates, volume discounts and other payments, services or consideration we receive from Vendors on the basis of sales to you or other franchise owners). We and/or any of our affiliates may retain and use such consideration, revenue, and profit without restriction.

If you would like us to consider approving a Vendor that is not an approved Vendor, you must submit your request in writing before purchasing any items or services from that Vendor. We will make all determinations about whether to approve an alternative Vendor in our sole discretion based on our then-current criteria, which may change from time to time. We may also refuse to consider and/or approve any proposed alternative Vendor for any reason whatsoever, including that we will not under any circumstances approve or consider any alternative Vendor for Proprietary Blends. If you ask us to evaluate any proposed alternative Vendors, and we agree to such evaluation, we reserve the right to charge you our then-current fee for such evaluation. We may, with or without cause, revoke our approval of any Vendor at any time.

G. **COMPLIANCE WITH LAWS AND GOOD BUSINESS PRACTICES.**

You must secure and maintain in force throughout the Term all required licenses, permits and certificates relating to the operation of your Store and operate your Store in full compliance with all applicable laws, ordinances, and regulations, including food and safety laws, construction and accessibility laws, and data protection and PCI compliance standards. You are solely responsible for ascertaining what actions must be taken by you to comply with all such laws, orders, or regulations,



and specifically acknowledge and agree that your indemnification responsibilities under Section 16.D apply to any claims alleging that you or your Store have violated any such laws, orders, or regulations.

You agree to comply and assist us in our compliance efforts, as applicable, with any and all laws and regulations. Without limiting the foregoing, you agree to comply with our website privacy policy, as it may be amended periodically. You further agree to comply with any requests to return or delete customer's personal information, whether requested by us or directly by the customer, as required by applicable data sharing and privacy laws.

Your Store must adhere to the highest standards of honesty, integrity, fair dealing, and ethical conduct in all dealings with customers, suppliers, us, and the public. Promptly upon receipt, you agree to provide us a copy of any and all notices you receive from any person, entity or governmental authority claiming that you (or your affiliates or representatives) have violated any laws, regulations, permits, licenses, agreements or other committed any other breach, default or violation in connection with your Store, including any default notices from any landlord or supplier, any violation notices from a health or safety regulatory board, and any customer complaints alleging violations or law, or which may otherwise adversely affect your operation or financial condition or that of your Store.

#### **H. INSURANCE.**

During the Term you must maintain in force at your sole expense the types and amounts of insurance that we require and that comply with the terms of your Lease. We reserve the right to require that you obtain all or a portion of your insurance policies from a designated supplier and on the terms and according to the specifications we approve. The liability insurance must cover claims for bodily and personal injury, death, and property damage caused by or occurring in connection with your Store's operation or activities of your personnel in the course of their employment. All of these policies must contain the minimum coverage we prescribe from time to time and must have deductibles not to exceed the amounts we specify. We may periodically increase the amounts of coverage required under these insurance policies and/or require different or additional insurance coverages (including reasonable excess liability insurance) at any time. These insurance policies must be purchased from licensed insurers having a rating of "A/VIII" or higher by the then-current edition of Best Insurance Reports published by A.M. Best Company (or other similar publication or criteria we designate).

Each insurance policy for liability coverage must name us and any of our affiliates or other designees that we specify as additional named insureds, using a form of endorsement that we have approved, and provide for 30 days' prior written notice to us of a policy's material modification, cancellation, or expiration. Each insurance policy must contain a waiver of all subrogation rights against us and any of our affiliates or other designees that we specify. You must routinely furnish us copies of your Certificates of Insurance or other evidence of your maintaining this insurance coverage and paying premiums. If you fail or refuse to obtain and maintain the insurance we specify, in addition to our other remedies including termination, we may (but are not required to) obtain such insurance for you and your Store on your behalf, in which event you agree to cooperate with us and reimburse us on demand for all premiums, costs and expenses we incur in obtaining and maintaining the insurance.

Our requirements for minimum insurance coverage are not representations or warranties of any kind that such coverage is sufficient for your Store's operations. Such requirements represent only the minimum coverage that we deem acceptable to protect our interests. It is your sole responsibility to obtain insurance coverage for your Store that you deem appropriate, based on your own independent

investigation. We are not responsible if you sustain losses that exceed your insurance coverage under any circumstances.

I. **PRICING.**

Unless prohibited by applicable law, we may periodically set a maximum or minimum price that you may charge for products and services offered by Peet's Stores. If we impose such a maximum or minimum price for any product or service, you may charge any price for the product or service up to and including our designated maximum price or down to and including our designated minimum price. The designated maximum and minimum prices for the same product or service may, at our option, be the same. For any product or service for which we do not impose a maximum or minimum price, we may require you to comply with an advertising policy adopted by us which will prohibit you from advertising any price for a product or service that is different than our suggested retail price. Although you must comply with any advertising policy we adopt, you will not be prohibited from selling any product or service at a price above or below the suggested retail price unless we impose a maximum price or minimum price for such product or service.

J. **CONTACT INFORMATION.**

You agree that, as between us and you, we reserve the right to all telephone numbers, fax numbers, email addresses and other Online Presences, online listings, and/or any other type of contact information or directory listing for your Store or that you use in the operation or promotion of your Store (collectively, the "**Contact Information**"). The Contact Information may be used only for your Store in accordance with this Agreement and our System Standards and for no other purpose. We reserve the right to notify any telephone company, listing agencies, website hosting company, domain registrar, social network, and any other third-party owning or controlling any Contact Information, if any information relating to your Store is inaccurate or violates our System Standards, and request that they modify such Contact Information, and/or remove such Contact Information.

K. **INFORMATION SECURITY.**

You may from time to time have access to information that can be used to identify an individual, including names, addresses, telephone numbers, e-mail addresses, employee identification numbers, signatures, passwords, financial information, billing and payment information, and/or government-issued identification numbers ("**Personal Information**"). You may gain access to such Personal Information from us, our affiliates, our vendors, and/or your own operations. You acknowledge and agree that all Personal Information (other than Restricted Data, defined below) is our Confidential Information and is subject to the protections in Section 6.A.

During and after the Term, you (and if you are conducting business as an Entity, each of your owners) agree to, and to cause your respective current and former employees, representatives, affiliates, successors and assigns to: (a) process, retain, use, collect, and disclose all Personal Information only in strict accordance with all applicable laws, regulations, orders, the guidance and codes of practice issued by industry or regulatory agencies, and the privacy policies and terms and conditions of any applicable Online Presence; (b) assist us with meeting our compliance obligations under all applicable laws, regulations, and orders relating to Personal Information, including the guidance and codes of practice issued by industry or regulatory agencies; and (c) promptly notify us of any communication or request from any customer or other person to access, correct, delete, opt-out of, or limit activities relating to any Personal Information.

If you become aware of a suspected or actual breach of security or unauthorized access involving Personal Information, you will notify us immediately and specify the extent to which Personal Information was compromised or disclosed. You also agree to follow our instructions regarding curative actions and public statements relating to the breach. We reserve the right to conduct a data security and privacy audit of any of your Store and your Computer Systems at any time, from time to time, to ensure that you are complying with our requirements.

Notwithstanding anything to the contrary in this Agreement or otherwise, you agree that we do not control or own any of the following Personal Information (collectively, the “**Restricted Data**”): (a) any Personal Information of the employees, officers, contractors, owners or other personnel of you, your affiliates, or your Store; (b) such other Personal Information as we from time to time expressly designate as Restricted Data; and/or (c) any other Personal Information to which we do not have access. Regardless of any guidance we may provide generally and/or any specifications that we may establish for other Personal Information, you have sole and exclusive responsibility for all Restricted Data, including establishing protections and safeguards for such Restricted Data; provided, that in each case you agree to comply with all applicable laws, regulations, orders, and the guidance and codes of practice issued by industry or regulatory agencies applicable to such Restricted Data.

**L. EMPLOYEES, AGENTS, AND INDEPENDENT CONTRACTORS.**

You acknowledge and agree that you are solely responsible for all decisions relating to employees, agents, and independent contractors that you may hire to assist in the operation of your Store. You agree that any employee, agent, or independent contractor that you hire will be your employee, agent, or independent contractor, and not our employee, agent, or independent contractor. You also agree that you are exclusively responsible for the terms and conditions of employment of your employees, including recruiting, hiring, firing, training, compensation, work hours and schedules, work assignments, safety and security, discipline, and supervision. You agree to manage the employment functions of your Store in compliance with all applicable employment laws.

**9. MARKETING.**

**A. GRAND OPENING ADVERTISING.**

You must spend at least \$3,000 for a grand opening advertising program for your Store beginning 60 days before your Opening Date and ending no later than 60 days after the Opening Date. You must spend this amount in addition to all other amounts you must spend on advertising specified in this Agreement. The amount you spend on grand opening advertising program will not count towards your Local Advertising Expenditure or your Brand Fund Contribution. You agree to submit a plan for your grand opening marketing program to us for our approval before your expected Opening Date, and to complete all grand opening marketing pursuant to the plan we have approved. You must also use any media, materials, programs, and strategies that we require in connection with the grand opening advertising program.

**B. BRAND FUND.**

We may, but are not obligated to, establish a brand fund (the “**Brand Fund**”) to administer certain advertising, marketing, and public relations programs for the System, the Peet’s® brand, and the promotion of Peet’s Stores. If we establish the Brand Fund, your contribution (the “**Brand Fund Contribution**”) will be in the amounts we periodically specify, and we will have the right, at any time

and on notice to you, to change the rate of the Brand Fund Contribution; provided, that the aggregate of the Brand Fund Contribution and the Local Advertising Expenditure (defined below) will not exceed five percent (5.0%) of your Store's Gross Sales (the "**Marketing Expenditure Cap**"). The Brand Fund Contribution must be paid by you in the manner we designate from time to time, which may include collecting amounts in the same manner as the Royalty.

If we establish a Brand Fund, we will have exclusive control over all programs and services administered by the Brand Fund, with sole discretion over the creative concepts, materials, and campaigns and their geographic market, media placement and allocation. The Brand Fund may pay for preparing and producing video, audio, and written materials and electronic media; developing, implementing, and maintaining any Online Presences or other software or applications; administering national, regional, digital, or local advertising and marketing campaigns and/or programs; using advertising, promotion, and marketing agencies and other advisors to provide assistance; supporting public relations, market research, and other advertising, promotion, and marketing strategy or implementation activities; and/or any other expenditures that are directly or indirectly related to promoting the Marks, the System, the brand, and/or Peet's Stores. We may also use the Brand Fund to pay for the Brand Fund's administrative and overhead costs, including the reasonable salaries and benefits of personnel who manage and administer the Brand Fund, and any other expenses that we or our affiliates incur that are related to administering or directing the Brand Fund and its programs. We may modify Brand Fund programs, services, or expenditures at any time in our sole discretion.

The purpose of the Brand Fund, if established, will be to promote the Marks, the System, the Peet's® brand, and Peet's Stores generally. As such, you acknowledge and agree that there is no guarantee that you or your Store will benefit from Brand Fund expenditures directly or in proportion to your Brand Fund Contribution. You further acknowledge and agree that neither we nor any of our affiliates or representatives has guaranteed the results of any Brand Fund or other marketing or promotional programs, services, or expenditures in any manner.

We will account for the Brand Fund separately from our other funds. However, neither we nor any of our affiliates has any fiduciary obligation to you or any other person for administering the Brand Fund. The Brand Fund may spend in any fiscal year more or less than the total Brand Fund Contributions in that year, borrow from us or others (paying reasonable interest) to cover deficits, or invest any surplus for future use. We may administer the Brand Fund through a separate entity whenever we deem appropriate, and such entity will have all of the rights and duties specified in this Section. We have the right, but no obligation, to use collection agents and institute legal proceedings to collect Brand Fund Contributions at the Brand Fund's expense. We may also forgive, waive, settle, and compromise all claims by or against the Brand Fund in our sole discretion.

We may, upon prior written notice to you, reduce or suspend Brand Fund Contributions and/or operations of the Brand Fund for one or more periods of any length and terminate (and, if terminated, reinstate) the Brand Fund and associated Brand Fund Contributions. If we terminate the Brand Fund, we will spend the remaining balance of the monies in the Brand Fund in accordance with this Section until such amounts are exhausted. We may elect to maintain multiple Brand Funds, whether determined by geographic region, country, or otherwise, or consolidate or merge multiple Brand Funds, in each case provided that each such Brand Fund will otherwise remain subject to this Section.

C. **LOCAL ADVERTISING EXPENDITURES.**

You are solely responsible for conducting all local advertising for your Store. However, you must satisfy our System Standards for all such local advertising, which may include the requirement that you advertise and market your Store in any advertising medium we determine, using forms of advertisement we approve. You must also list your Store with the online directories and subscriptions we periodically prescribe, and/or establish any other Online Presence we require. You must comply with all of our System Standards for all advertising for your Store.

You agree to spend an amount that we designate from time to time to advertise and promote your Store, in addition to your obligations under Section 9.A and Section 9.B above (the “**Local Advertising Expenditure**”), currently in the amount of one-half of one percent (0.5%) of your Store’s Gross Sales. We reserve the right to require you to pay part or all of your Local Advertising Expenditure to us or our designee to conduct local marketing in your Store’s area. We may change the amount of your Local Advertising Expenditure with notice to you, from time to time subject to the Marketing Expenditure Cap. You agree to send us, in the manner we prescribe, an accounting of your expenditures for local advertising at the intervals and on the dates that we designate from time to time.

You agree that your advertising, promotion, and marketing will be completely clear, factual, and not misleading and conform to both the highest standards of ethical advertising and marketing and the advertising and marketing policies that we prescribe from time to time. At least 14 days before you use them, you agree to send us for approval samples of all advertising, promotional, and marketing materials which we have not prepared or previously approved. If you do not receive written approval within 14 days after we receive the materials, they are deemed to be disapproved. Once we approve the materials, you are permitted to use them. However, we may withdraw our approval at any time and for any reason. You may not use any advertising, promotional, or marketing materials that we have not approved or have disapproved.

D. **SYSTEM WEBSITES & ONLINE PRESENCES.**

We may establish and develop Online Presences to advertise, market, and promote Peet’s Stores, the products and services that they offer and sell, or the Peet’s Store franchise opportunity (each a “**System Website**”). We may, but are not obligated to, provide you with a webpage or other Online Presence that references your Store on any System Website. If we provide you with a webpage or other presence on any System Website, you must: (i) provide us the information and materials we request to develop, update, and modify the information about your Store on the System Website; and (ii) notify us whenever any information on the System Website about your Store is not accurate. We will maintain each System Website in our sole discretion, and may use the Brand Fund’s assets to develop, maintain, and update the System Website. We may periodically update and modify any System Website (including references to your Store). We have final approval rights over all information on any System Website (including references to your Store).

If you are in default of any obligation under this Agreement or our System Standards, then we may, in addition to our other remedies, temporarily remove references to your Store from any System Website until you fully cure the default. We will permanently remove all references to your Store from each System Website upon this Agreement’s expiration or termination. All advertising, marketing, and promotional materials that you develop for your Store must contain notices of the System Website’s domain name in the manner we designate.

We reserve the right to require you to obtain from us and use an email address associated with our registered domain name. If we require you to obtain and use such an email address, you must do so according to our then-current System Standards. You acknowledge and agree that we will have unrestricted access to and sole ownership of all such email accounts, and all documents, data, materials, and messages shared from or by such accounts. We may deactivate any such account or limit your or your users' access to it at any time. We reserve the right to charge you a fee for each email address we provide you as part of the Technology Fee.

Except as provided above, or as approved by us in writing or in the Manuals, you may not develop, maintain, or authorize any Online Presence that mentions your Store, links to any System Website, or displays any of the Marks. You may also not engage in any promotional or similar activities, or sell any products or services, whether directly or indirectly, through any Online Presence, without our prior written approval. If we approve the use of any such Online Presence in the operation of your Store, you will develop and maintain such Online Presence only in accordance with our guidelines, including our guidelines for posting any messages or commentary on third-party websites and/or maintaining an online privacy policy. Unless we specify otherwise, we will own the rights to each such Online Presence. At our request, you agree to grant us access to each such Online Presence, and to take whatever action (including signing assignment or other documents) we request to evidence our ownership of such Online Presence, or to help us obtain exclusive rights in such Online Presence.

#### 10. **RECORDS, REPORTS, AND FINANCIAL STATEMENTS.**

You must use the Computer System to maintain certain sales and other financial data, customer information and other information we designate. You agree that we will have access to your Computer System at all times and that you must ensure that we and our designees have the right to access, collect, and retain from the Computer System any and all data concerning your Store. At our request, you agree to sign a release with any Vendor of your Computer System, providing us and our designees with such access to the Computer System as we may request from time to time. If such Vendor is not willing to grant independent access for any reason, you agree to provide us and our designees access to your Computer System through your account.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You further agree to deliver to us such financial records, including profit and loss statements, operating statements, cash flow statements, statistical reports, bank activity reports, tax records, and such other records we request, at the intervals and in the formats we specify.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may use and/or disclose these reports and/or any data derived from these reports, as we determine in our sole discretion. You agree to preserve and maintain all records in a secure location at your Store for at least three years, or such longer period as may be required by applicable law (including sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

Further, at our request, you will provide current financial information for your owners and guarantors sufficient to demonstrate such owners and guarantors ability to satisfy their financial obligations under their individual guarantees (our form of which is attached hereto as Exhibit B).

11. **INSPECTIONS AND AUDITS.**

A. **OUR RIGHT TO INSPECT YOUR STORE.**

We and our designated agents or representatives, may at all times and without prior notice to you: (1) inspect your Store; (2) photograph your Store and observe and videotape your Store's operation for consecutive or intermittent periods we deem necessary; (3) continuously or periodically monitor your Store using electronic surveillance or other means; (4) remove samples of any products and supplies; (5) speak with your Store's personnel and customers; (6) inspect your Computer System, including hardware, software, security, configurations, connectivity, and data access; and (7) inspect and copy any books, records, and documents relating to your Store's operation. Additionally, we may contract with third parties to conduct mystery shopper, customer survey or other market research testing, and quality assurance inspections at your Store. You agree to cooperate with us fully during the course of these inspections and tests. You agree to reimburse us for the cost of any quality assurance inspection and mystery shoppers that we engage to inspect your Store from time to time.

If we determine after any inspection of your Store that one or more failures of System Standards exist, we may re-inspect your Store one or more times thereafter to evaluate whether such failures have been cured and/or conduct any other follow-up review that we deem is necessary. You must reimburse all of our costs associated with any failed inspection and all re-inspections and follow-up visits, including vendor fees, travel expenses, room and board, and compensation of our representatives and designees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law if you violate any System Standards.

B. **OUR RIGHT TO AUDIT.**

We representatives may at any time during your business hours, without prior notice to you, examine the bookkeeping and accounting records for your Store, sales and income tax records and returns, and other records. You agree to cooperate fully with our representatives in any examination. If any examination discloses an understatement of the Gross Sales, you agree to pay us, within 15 days after receiving the examination report, the amounts that would be due on such understated Gross Sales under this Agreement, plus our service charges and interest on the understated amounts from the date originally due until the date of payment. Furthermore, if an examination is necessary due to your failure to furnish reports, supporting records, or other information as required, or to furnish these items on a timely basis, or if our examination reveals an understatement exceeding 2% of the amount that you actually reported to us for the period examined, you agree to reimburse us for our costs of the examination, including the audit cost, charges of attorneys and independent accountants and the travel expenses, room and board, and compensation of our employees. These remedies are in addition to our other remedies and rights under this Agreement and applicable law.

12. **TRANSFER.**

A. **BY US.**

We maintain a staff to manage and operate the franchise system and you understand that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third party without restriction.

**B. BY YOU.**

The rights and duties this Agreement creates are personal to you (and if you are conducting business as an Entity, each of your owners), and we have granted you the rights under this Agreement in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred, mortgaged, pledged, or encumbered, without our prior written approval: (1) this Agreement (or any interest in this Agreement), (2) your Store or substantially all of its assets, or (3) any direct or indirect ownership interest in you. A transfer of your Store ownership, possession, or control, or substantially all of its assets, may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term “**transfer**” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law.

If you intend to list your Store for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You may not use or authorize the use of any Mark in advertising the transfer or other disposition of your Store or of any ownership interest in you without our prior written consent. You shall not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your Store or of any ownership interest in you without our prior written approval.

**C. CONDITIONS FOR APPROVAL OF TRANSFER.**

You may not transfer this Agreement before your Store has opened for business. Thereafter, we will approve a transfer if all of the following requirements are met:

(1) you submit an application in writing requesting our consent and providing us all information or documents we request about the transferee and its owners that we request to evaluate their ability to satisfy their respective obligations under our then-current form of franchise agreement and any documents ancillary thereto, and each such person must have completed and satisfied all of our application and certification requirements, including the criteria that neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest in or perform services for a Competitive Business;

(2) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the 60-day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer, including that you have paid all Royalties, Brand Fund Contributions, and other amounts owed to us, our affiliates, and third-party Vendors, and have submitted all required reports and statements;

(3) you provide us executed versions of any documents executed by you (or your owners) and transferee (and its owners) to effect the transfer, and all other information we request about the proposed transfer, and such transfer meets all of our requirements, including terms, closing date, purchase price, amount of debt and payment terms, and we have determined that the purchase price and other terms of the transfer will not adversely affect the operation of your Store;



(4) you (and your owners) and the transferee (and its owners) sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including: (i) a release of any and all claims (except for claims which cannot be released or waived pursuant to applicable law) against us and our affiliates and our and their owners, officers, directors, employees, and agents, and (ii) covenants that you and your transferring owners agree to satisfy all post-termination obligations under this Agreement;

(5) all persons required to complete training under the transferee's franchise agreement satisfactorily complete our training program, and transferee has paid all costs and expenses we incur to provide the training program to such persons;

(6) if the proposed transfer requires notice to or approval from the landlord of the Premises, or any other action under the terms of the Lease, you have taken such appropriate action and delivered us evidence of the same;

(7) you have corrected any existing deficiencies of your Store of which we have notified you, and/or the transferee agrees to upgrade, remodel, and refurbish your Store in accordance with our then-current specifications for Peet's Stores within the time period we specify following the date of the transfer and the transferee agrees to escrow an amount we approve for payment of the required upgrade, remodel or refurbishment;

(8) the transferee must (if the transfer is of this Agreement or your Store), sign our then-current form of franchise agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement, including the Royalty and the Brand Fund Contribution; provided, that the term of the new franchise agreement signed will equal the then-remaining Term;

(9) the transferee(s) must (if the transfer is any beneficial or ownership interest in you), sign our then-current form of guaranty undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us, and an updated Exhibit A;

(10) you pay us a transfer fee equal to 50% of our then-current initial franchise fee; and

(11) you provide us the evidence we request to show that appropriate measures have been taken to effect the transfer as it relates to the operation of your Store, including, transferring all necessary business licenses, insurance policies, and material agreements, or obtaining new business licenses, insurance policies and material agreements, each in accordance with our System Standards.

We may review all information regarding your Store that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Store.

Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your Store's or transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

**D. YOUR DEATH OR DISABILITY.**

Upon the death or disability of you (or if you are conducting business as an Entity, any of your owners), such person's executor, administrator, conservator, guardian, or other personal representative must transfer such person's interest in this Agreement, your Store, or ownership interest in you, to a third party that we approve (which may be such person's heirs, beneficiaries, or devisees). That transfer must be completed within a reasonable time, not to exceed 180 days from the date of death or disability, and is subject to all of the terms and conditions in this Section 12, except that any transferee that is the spouse or immediate family member of the deceased, will not have to pay the transfer fee described in Section 12.C(10) if the transfer meets all the other conditions in Section 12.C, and the transferee reimburses us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable attorneys' fees. The term "**disability**" means a mental or physical disability, impairment, or condition that is reasonably expected to prevent or actually does prevent such person from fulfilling such person's respective duties under this Agreement, as applicable. If your Store is not being managed properly at any time from and after the death or disability of you (if you are conducting business as an individual), your Managing Owner (if you are conducting business as an Entity) or your General Manager, in our sole judgment, we may, but need not, operate the Store on an interim basis (or appoint a third party to operate the Studio on an interim basis) in accordance with Section 14.D.

**E. TRANSFER TO A WHOLLY-OWNED ENTITY.**

If you do not originally sign this Agreement as an Entity, you may transfer this Agreement to an Entity; provided, that: (i) such Entity conducts no business other than your Store and, if applicable, other Peet's Stores; (ii) you maintain management control of such Entity; (iii) you own and control 100% of the economic interests, equity and voting power of all issued and outstanding ownership interests in such Entity; (iv) all of the assets of your Store are owned, and the business of your Store is conducted only by that single Entity; and (v) you satisfy all conditions applicable to a transfer described in Section 12.C, except that we will not require payment of a transfer fee as described in Section 12.C(10) (provided, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees) and our right of first refusal under Section 12.F will not apply; and (vi) that Entity must expressly assume all of your obligations under this Agreement, your Lease, and otherwise satisfy the conditions under this Agreement, including delivery of insurance certificates to us. You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur, including by signing our then-current form of personal guaranty of the obligations of such Entity. You must also sign the form of consent to assignment and assignment satisfactory to us which may include a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates, and our and their owners, officers, directors, employees, and agents.

**F. OUR RIGHT OF FIRST REFUSAL.**

If you or any of your owners wish to conduct a transfer described under Section 12.B and Section 12.C above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide written offer relating exclusively to an interest in you or in this Agreement and your Store. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer

must submit with its offer an earnest money deposit equal to 5% or more of the offering price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (1) we notify you or your selling owner(s) that we intend to purchase the interest within 60 days after we receive a copy of the offer and all other information we request; (2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity); (3) we or our designee will be offered the same terms for any promissory notes or other deferred payments as those offered by the proposed buyer; (4) we will have an additional 90 days to prepare for closing after notifying you of our election to purchase; and (b) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity.

We have the unrestricted right to assign any or all of our rights under this Section to a third party, who then will have the rights described in this Section.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Section 12.B and Section 12.C, and if you and your owners and the transferee comply with the conditions in Section 12.B and Section 12.C.

If you do not complete the sale to the proposed buyer within 60 days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal on the same terms as described above.

### 13. **RENEWAL OF YOUR FRANCHISE.**

#### A. **YOUR RIGHT TO RENEW YOUR FRANCHISE.**

When this Agreement expires, you may renew your franchise to operate your Store for two successive terms of 5 years, if you meet the following conditions:

- (1) you give us written notice of your election to acquire a successor franchise no more than 365 days and no less than 180 days before this Agreement expires;
- (2) you and each of your owners have substantially complied with this Agreement at all times during the Term;
- (3) you maintain possession of the Premises pursuant to a Lease we have approved, which must have a Lease term no less than the full term of the renewal franchise;
- (4) you take all steps identified by us to remodel, refurbish, and/or modernize your Store and otherwise bring your Store into full compliance with the then-current standards and image for new Peet's Stores, as contained in the Manuals or otherwise set forth in writing by us. Among other things, this may require you (at your expense) to conduct a material remodeling or renovation of your Store, and/or to repair or replace, or to obtain new or

additional, signs, Operating Assets, interior and exterior décor items, fixtures, furnishings, equipment, supplies, and other products and materials;

(5) you pay us our renewal fee, which is 50% of then-current initial franchise fee;

(6) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the 60-day period before you give us written notice of your election to acquire a successor franchise and on the date on which the term of the successor franchise commences, in full compliance with this Agreement including that you have paid all Royalties, Brand Fund Contributions, and other amounts owed to us, our affiliates, and third-party Vendors, and have submitted all required reports and statements;

(7) you and your owners sign the franchise agreement and all other ancillary documents and guaranties we then use to grant franchises for Peet's Stores (modified as necessary to reflect the fact that it is for a renewal franchise), which may contain provisions that differ materially from those contained in this Agreement, including changes to your Royalty and Brand Fund Contribution;

(8) you and your owners agree to sign, in a form satisfactory to us, a general release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns; and

(9) we are then-offering franchises for Peet's Stores in your geographic market.

If you and/or your owners fail to meet the conditions set forth in this Section, you acknowledge that we are not required to offer you a renewal franchise, whether or not we had, or chose to exercise, the right to terminate this Agreement during its term under Section 14.C.

#### **B. ACQUIRING A RENEWAL FRANCHISE.**

If we agree to grant you a renewal franchise after we receive your notice that you wish to renew your franchise upon the expiration of the Term, our notice may describe certain remodeling, maintenance, expansion, improvements, technology upgrades, trade dress updates, and/or modifications required to bring your Store into compliance with then-applicable System Standards for new Peet's Stores, and state the actions you must take to correct operating deficiencies and the time period in which you must correct these deficiencies. If our notice states that you must remodel your Store and/or must cure certain deficiencies of your Store or its operation as a condition to our granting you a renewal franchise, and you fail to complete the remodeling and/or to cure those deficiencies, we may revoke any approval of such a renewal franchise we may have awarded. If you fail to notify us of your election to acquire a renewal franchise within the prescribed time period, we need not grant you a renewal franchise.

### **14. TERMINATION OF AGREEMENT.**

#### **A. AUTOMATIC.**

This Agreement and all rights granted to you in this Agreement shall automatically terminate without notice if: (i) you make an assignment for the benefit of creditors; (ii) you consent to the

appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; (iii) your Store is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; (iv) any order appointing a receiver, trustee, or liquidator of you or your Store is not vacated within 30 days following the order's entry; and/or (v) you or any of your owners file a petition in bankruptcy or a petition in bankruptcy is filed against you.

**B. BY YOU.**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 30 days and we fail to give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional 30 days after you deliver to us written notice of termination. Your termination of this Agreement other than according to this Section 14.B will be deemed a termination without cause and a breach of this Agreement.

**C. BY US.**

We may terminate this Agreement, effective upon delivery of written notice to you, if:

- (1) you or any of your owners have made or make any material misrepresentation or omission in acquiring the rights under this Agreement or operating your Store;
- (2) you do not obtain lawful possession of a Premises we have approved and deliver to us a fully executed copy of the Lease and lease addendum we have approved for such Premises, in each case by the deadline set forth in Section 2.A;
- (3) you do not satisfy all of your development obligations specified in this Agreement, including obtaining our approval prior to opening your Store, and open your Store for business by the deadline specified in Section 2.C;
- (4) your Mandatory Trainees do not satisfactorily complete the Initial Training Program;
- (5) you abandon or fail to actively operate your Store for more than 7 consecutive days of operation, or you provide us or any other party notice (written or oral) that you intend to permanently close or otherwise abandon the operation of your Store;
- (6) you or any of your owners are or have been convicted of or have pleaded no contest or guilty to a felony;
- (7) you fail to maintain the insurance we require and do not correct the failure within 10 days after we deliver written notice of that failure to you;
- (8) you or any of your owners violate any of the covenants made in Section 5 (Intellectual Property), Section 6 (Proprietary Information) or Section 7 (Restrictive Covenants);
- (9) you or any of your owners make or attempt to make an unauthorized transfer under Section 12;

(10) you sell any coffee or tea products at or from your Store other than the Proprietary Blends and do not cease such activity within 24 hours of notice from us;

(11) you fail to maintain sufficient inventory of Proprietary Blends to satisfy demand at your Store, and do not order sufficient Proprietary Blends to correct the shortfall within 48 hours of notice from us;

(12) an event of default occurs under the terms of your Lease, your Lease is terminated by either party thereto, or you otherwise lose the right to occupy the Premises, whether or not through any fault of yours;

(13) you violate any law, ordinance, rule, or regulation of a governmental agency in connection with the operation of your Store and fail to correct such violation within 72 hours after notice to you, whether from us or any other party;

(14) you fail to pay us or our affiliates any amounts due and do not correct the failure within 10 days after notice to you, or fail to pay any third party obligations owed in connection with your ownership or operation of your Store and do not correct such failure within any cure periods permitted by the person to whom such obligations are owed;

(15) you fail to pay when due any federal or state income, service, sales, use, employment, or other taxes due on or in connection with the operation of your Store, unless you are in good faith contesting your liability for these taxes;

(16) you understate the Gross Sales three times or more during the Term;

(17) you (or any of your owners) (a) fail on three or more separate occasions within any 12 consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two or more separate occasions within any 12 consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(18) you create or allow to exist any condition in connection with your operation of your Store, at any location, which we reasonably determine to present an immediate health or safety concern for your Store's customers or employees;

(19) you fail to pass quality assurance audits, mystery shopper visit, or other inspection, and do not cure all deficiencies within 15 days after notice to you;

(20) you or any of your owner) fail to comply with any other provision of this Agreement or any System Standard, and do not correct the failure within 30 days after notice to you;

(21) you (or any of your owners) engage in conduct which negatively impacts or injures the goodwill of the Marks, the System, and/or Peet's Stores; or

(22) you or an affiliate fails to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period, if any.

**D. INTERIM OPERATIONS.**

We have the right, but not the obligation, to enter the Premises and operate your Store on an interim basis, or to appoint a third party to operate your Store on an interim basis: (1) if you abandon or fail actively to operate your Store for a period of more than 7 consecutive days; (2) at any time after the death or disability of you (if you are conducting business as an individual) or your Managing Owner (if you are conducting business as an Entity), if your Store is at any time not being managed properly, as required by Section 12.D; or (3) if this Agreement expires or is terminated and we are transitioning your Store operations to us or another person we designate, or determining whether to do so.

If we elect to operate your Store on any interim basis, you must cooperate with us and our designees, continue to support the operations of your Store, and comply with all of our instructions and System Standards, including making available any and all books, records, and accounts. You understand and acknowledge that during any such interim period, you are still the owner of your Store, and you continue to bear sole liability for any and all accounts payable, obligations, and/or contracts, including all obligations under the Lease and all obligations to your vendors, employees, and contractors, and any and all sales tax, income tax, and other taxes and charges arising from the Gross Sales of your Store, in each case unless and until we expressly assume them in connection with the purchase of your Store under Section 15.D. If we or our designee operate your Store on an interim basis, you acknowledge that we or our designee will have a duty to utilize only reasonable efforts and will not be liable to you or your owners for any debts, losses, or obligations your Store incurs, or to any of your creditors for any supplies, products, or other assets or services your Store purchases, while we or our designee manage it. You understand that we are not required to use your employees, vendors, or contractors to operate your Store. You also agree that we may elect to cease such interim operations of your Store at any time with notice to you.

During any time period that we elect to operate your Store on any interim basis, we will collect the Gross Sales of your Store in an account we designate, which may be your business account and/or the business account of us or one of our affiliates or designees. We will account for and deduct from such Gross Sales all operating expenses of your Store, including: (a) any applicable Royalty, Brand Fund Contributions, and other amounts due to us or our affiliates, and (b) any and all of our and our affiliates' and our designees' costs and expenses arising from such interim operations, which you hereby agree that you will reimburse in full as an operating expense of your Store. Any and all Gross Sales that exceed the expenses of your Store during the period of interim operations, as we determine and calculate, will be retained by us in full and will become our property, as consideration for the interim operations that we are providing under this Section. If the Gross Sales derived from operations of your Store is less than the amount of the associated expenses during the time of any interim operations, you are solely directly responsible for the balance of all such expenses and costs, including reimbursement of our and our affiliates' and designee's costs and expenses, and payment of any Royalty, Brand Fund Contributions, and other amounts due to us or our affiliates. We may collect any amounts owed to us, our affiliates, or designees directly from any collected Gross Sales, and/or pay over such amounts to us to us, our affiliates, or designees in any manner we see fit.

Our decision to operate your Store on an interim basis will not affect our right to terminate this Agreement under Section 14. Your indemnification obligations set forth under Section 16.D will continue to apply during any period that we or our designee operate your Store on an interim basis.

15. **RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.**

A. **PAYMENT OF AMOUNTS OWED TO US.**

You agree to pay us the Royalty, Brand Fund Contributions, late fees and interest, and all other amounts owed to us and our affiliates which then are unpaid within 5 days after this Agreement expires or is terminated.

B. **DE-IDENTIFICATION.**

Upon termination or expiration of this Agreement you and your owners must immediately:

(1) close your Store for business to customers and cease to directly or indirectly sell any products and services of any kind and in any manner from your Store and/or using the Marks, unless we direct you otherwise in connection with our exercise of our option to purchase pursuant to Section 15.D;

(2) cease to directly or indirectly use any Mark, any colorable imitation of a Mark, other indicia of a Peet's Store, or any trade name, trademark, service mark, or other commercial symbol that indicates or suggests a connection or association with us or the System, in any manner or for any purpose (except in connection with other Peet's Stores you operate in compliance with the terms of a valid Franchise Agreement with us);

(3) cease to directly or indirectly identify yourself or your business as a current or former Peet's Store or as one of our current or former franchise owners (except in connection with other Peet's Stores you operate in compliance with the terms of a valid Franchise Agreement with us) and take the action required to cancel or assign all fictitious or assumed name or equivalent registrations relating to your use of any Mark;

(4) if we do not exercise our option to purchase your Store under Section 15.D below, promptly and at your own expense, make the alterations we specify to distinguish your Store clearly from its former appearance and from other Peet's Stores, including by removing all materials and signage bearing our Marks and removing from both the interior and exterior of the Premises all materials and components of our trade dress as we determine to be necessary in order to prevent public confusion and in order to comply with the non-competition provisions set forth in Section 15.C;

(5) cease using and, at our direction, either disable or transfer, assign or otherwise convey to us full control of all Contact Information and Online Presences that you used to operate your Store or that displays any of the Marks or any reference to the franchise system (provided that all liabilities and obligations arising from any such Contact Information or Online Presence prior to the date of the transfer, assignment or conveyance to us will remain your sole responsibility in all respects, and any costs we incur in connection therewith will be indemnifiable under Section 16.D);

(6) return to us or destroy (as we require) all items, forms and materials containing any Mark or otherwise identifying or relating to Peet's Stores, and any and all Confidential



Information (including the Manuals and any and all customer data or other information from your Computer System);

(7) comply with all other System Standards we establish from time to time (and all applicable laws) in connection with the closure and de-identification of your Store, including as it relates to disposing of Personal Information, in any form, in your possession or the possession of any of your employees; and

(8) give us evidence satisfactory to us of your compliance with these obligations.

If you fail to take any of the actions or refrain from taking any of the actions described above, we may take whatever action and sign whatever documents we deem appropriate on your behalf to cure the deficiencies, including, without liability to you or third parties for trespass or any other claim, to enter the Premises and remove any signs or other materials containing any Marks from your Store. You must reimburse us for all costs and expenses we incur in correcting any such deficiencies. You hereby appoint us your true and lawful attorney-in-fact to take such actions and execute such documents on your behalf as may be required to effect the foregoing purposes.

#### **C. COVENANT NOT TO COMPETE.**

For two years beginning on the date of termination or expiration of this Agreement, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to): (1) have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business; (2) lease or sublease the Premises to a Competitive Business; and/or (3) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, in each case, if such Competitive Business is located or operating:

- (a) at the Premises or within a 5-mile radius of the Premises, or
- (b) within a 5-mile radius of any other Peet's Store.

If any person restricted by this Section fails to comply with these obligations as of the date of termination or expiration, the two-year restricted period for that person will commence on the date the person begins to comply with this Section, which may be the date a court order is entered enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. The restrictions in this Section will also apply after any transfer, to the transferor and its owners, for a period of two years beginning on the effective date of the transfer, with the force and effect as though this Agreement had been terminated for such parties as of such date.

#### **D. OUR RIGHT TO PURCHASE YOUR STORE.**

We have the option to purchase any or all of the assets of your Store, including your Premises (if you or one of your owners or affiliates owns the Premises) upon termination or expiration of this Agreement. We have the unrestricted right to assign this option to purchase. We may exercise this option by giving you written notice within 30 days after the date of such termination or expiration. The

purchase price for your Store will be the net realizable value of the tangible assets in accordance with the liquidation basis of accounting (not the value of your Store as a going concern). If you dispute our calculation of the purchase price, the purchase price will be determined by one independent accredited appraiser designated by us who will calculate the purchase price applying the criteria specified above. We agree to select the appraiser within 15 days after we receive the financial and other information necessary to calculate the purchase price (if you and we have not agreed on the purchase price before then). You and we will share equally the appraiser's fees and expenses. The appraiser must complete its calculation within 30 days after its appointment. We may set off against the purchase price, and reduce the purchase price by, any and all amounts you or your owners owe us or our affiliates.

Closing of the purchase will take place, as described below, on a date we select which is within 90 days after determination of the purchase price in accordance with this Section, although we or our designee may decide after the purchase price is determined not to purchase your Store and/or the Premises. At the closing, you agree to deliver to us or our designee: (a) an asset purchase agreement and related agreements in the form we dictate, which provide all customary warranties and representations, including representations and warranties as to ownership and condition of and title to assets; liens and encumbrances on assets; validity of contracts and agreements; and liabilities affecting the assets, contingent or otherwise; (b) good and merchantable title to the assets purchased, free and clear of all liens and encumbrances (other than liens and security interests acceptable to us), with all taxes paid by you, including sales, goods and services, harmonized sales, use, value added, retailer's excise, or similar taxes; (c) any and all of your Store's licenses and permits which may be assigned or transferred; (d) the ownership interest or leasehold interest (as applicable, if we determine) in the Premises and improvements or a lease assignment or lease or sublease, as applicable; and (d) an agreement, in form and substance satisfactory to us, voluntarily terminating this Agreement, under which you agree to comply with all post-term obligations under this Agreement, and that you and your owners agree to a general release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our owners, affiliates, officers, directors, employees, agents, successors, and assigns. If you cannot deliver clear title to all purchased assets, or if there are other unresolved issues, we and you will close the sale through an escrow.

#### **E. LOST REVENUE DAMAGES.**

If we terminate this Agreement because of your breach or if you terminate this Agreement without cause, you and we agree that it would be difficult, if not impossible, to determine the amount of damages that we would suffer due to the loss or interruption of the revenue stream we otherwise would have derived from your continued payment of Royalties, and that the Brand Fund would have otherwise derived from your continued Brand Fund Contributions, through the remainder of the Term. Therefore, you and we agree that a reasonable estimate of such damages, less any cost savings we might have experienced (the "**Lost Revenue Damages**"), is an amount equal to the net present value of the Royalties and Brand Fund Contributions that would have become due had this Agreement not been terminated, from the date of termination to the earlier of: (a) 36 months following the date of termination; or (b) the scheduled expiration of the Term.

For the purposes of this Section, Royalties and Brand Fund Contributions will be calculated based on the average monthly Gross Sales of your Store during the 12 full calendar months immediately preceding the termination date; provided, that if as of the termination date, your Store has not been operating for at least 12 months, Royalties and Brand Fund Contributions will be calculated based on the average monthly Gross Sales of all Peet's Stores operating under the Marks during the fiscal year immediately preceding the termination date.

You agree to pay us Lost Revenue Damages within 5 days after this Agreement is terminated. You and we agree that the calculation described in this Section is a calculation only of the Lost Revenue Damages and that nothing herein shall preclude or limit us from proving and recovering any other damages caused by your breach of this Agreement.

F. **CONTINUING OBLIGATIONS.**

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire, including all obligations relating to non-disparagement, non-competition, non-interference, confidentiality, information security, Innovations, and indemnification.

16. **RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

A. **INDEPENDENT CONTRACTORS.**

This Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, Vendors, public officials, your personnel, and others as the sole owner and operator of your Store and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time. You also acknowledge that you will have a contractual relationship only with us and may look only to us to perform under this Agreement, and not our affiliates, designees, officers, directors, employees, or other representatives or agents.

B. **NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.**

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the operation of your Store or the business you conduct under this Agreement. We will have no liability for your obligations to pay any third parties, including any product Vendors.

C. **TAXES.**

We will have no liability for any sales, use, service, occupation, excise, gross receipts, income, property, or other taxes, whether levied upon you or your Store, due to the business you conduct (except for our income taxes). You are responsible for paying these taxes and must reimburse us for any such taxes that we must pay to any state taxing authority on account of your operation or payments that you make to us.

D. **INDEMNIFICATION.**

You agree to indemnify, defend, and hold harmless us, our affiliates, and each of our and their respective affiliates, owners, directors, managers, officers, employees, agents, successors, and assignees (the "**Indemnified Parties**") against, and to reimburse any one or more of the Indemnified

Parties for, all claims, obligations, and damages directly or indirectly arising out of the development and operation of your Store, the business you conduct under this Agreement, your breach of this Agreement, and/or the actions or omissions of you, your owners, or your and their respective representatives, including those alleged to be caused by the Indemnified Party's negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party's intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator. For purposes of this indemnification, "**claims**" include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants', arbitrators', attorneys', and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced.

Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement's expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section. Any Indemnified Party may demand that you advance funds to such Indemnified Party to pay for any claims that are indemnifiable under this Section, and you will advance such funds promptly upon demand; provided, however, that if (and only to the limited extent that) any such claim is ultimately determined not to be indemnifiable under this Section in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator, such Indemnified Party must reimburse any portion of such funds that are attributable to such non-indemnifiable claims.

## 17. **ENFORCEMENT.**

### A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, arbitrator, agency, or other tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or

delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

**B. WAIVER OF OBLIGATIONS.**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice.

No right, power, or option you or we are provided under this Agreement will be impaired or waived because of any custom or practice at variance with this Agreement's terms or your or our failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Peet's Stores; the existence of franchise agreements for other Peet's Stores which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**C. COSTS AND ATTORNEYS' FEES.**

The prevailing party in any judicial or arbitration proceeding shall be entitled to recover from the other party all damages, costs, and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

**D. RIGHTS OF PARTIES ARE CUMULATIVE.**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

**E. ARBITRATION.**

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective owners, officers, directors, agents, and employees, on the one hand, and

you and your owners, guarantors, affiliates, and employees, on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); (2) our relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the “AAA”). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA’s then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our or, as applicable, our successor’s or assign’s then-current principal place of business (currently, Emeryville, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator’s awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys’ fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). In any arbitration brought pursuant to this Section, and in any action in which a party seeks to enforce compliance with this Section, the prevailing party shall be awarded its costs and expenses, including attorneys’ fees, incurred in connection therewith.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT A PROCEEDING REQUIRED UNDER THIS SECTION TO BE SUBMITTED TO ARBITRATION MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS; (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING; (III) JOINED WITH ANY SEPARATE CONTROVERSY, DISPUTE OR CLAIM OF AN UNAFFILIATED THIRD-PARTY; OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described herein, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable

requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third-party non-signatories. The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

**F. GOVERNING LAW.**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, this Agreement and any related agreements, the franchise and rights granted hereunder and thereunder, and all claims arising from the relationship between us (or any of our affiliates, and our and their respective owners, officers, directors, agents, representatives, and employees) and you (and your owners, guarantors, affiliates, and employees) will be governed by the laws of the state of Delaware, without regard to its conflict of laws rules, except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

**G. CONSENT TO JURISDICTION.**

Subject to the obligation to arbitrate under Section 17.E above and the provisions below, you and your owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the court nearest to our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California), and you (and each owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the owner) might have to either the jurisdiction of or venue in that court.

**H. WAIVER OF PUNITIVE DAMAGES, JURY TRIAL AND CLASS ACTION.**

Except for your obligation to indemnify us for third party claims under Section 16.D, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any proceeding brought by either of us.

We and you agree that any proceeding between us or relating to this Agreement will be conducted on an individual basis and that any proceeding between us and any of our affiliates, or our and their respective owners, officers, directors, agents, and employees, on the one hand, and you or your owners, guarantors, affiliates, and employees, on the other hand, may not be: (i) conducted on a class wide basis, (ii) commenced, conducted or consolidated with any other proceeding, (iii) joined with any claim of an unaffiliated third-party, or (iv) brought on your behalf by any association or agent.

**I. INJUNCTIVE RELIEF.**

Nothing in this Agreement, including the provisions of Section 17.E, bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, the Marks, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

**J. LIMITATIONS OF CLAIMS.**

You and your owners agree not to bring any claim asserting that any of the Marks are generic or otherwise invalid. UNLESS PROHIBITED BY APPLICABLE LAW, EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE STORE, OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the parties shall be against us or our successors and assigns. You and your owners agree that our and our affiliates' members, managers, shareholders, directors, officers, employees, and agents shall neither be personally liable nor named as a party in any action between us or our affiliates and you or your owners.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

**K. BINDING EFFECT.**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the Manuals and System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly authorized officers.

**L. CONSTRUCTION.**

The preambles and exhibits are a part of this Agreement, which together with this Agreement constitute our and your entire agreement relating to the matters contemplated hereby, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Store (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we



furnished to you. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in this Agreement, including Section 16.D, Section 17.E, and those provisions expressly benefiting our affiliates, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to: (i) “we,” “us,” and “our,” with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal; (ii) “affiliate” of any person means any other person that is directly or indirectly owned or controlled by, under common control with, or owning or controlling such person; (iii) “control” of any person means the ownership interest of greater than 50% of the outstanding ownership interests of any entity, and/or the power to direct or cause the direction of management and policies; (iv) “ownership interest” means any direct or indirect title, ownership and/or beneficial interest in the equity, voting rights, or economic interest in any Entity; (v) “owner” means any person that holds any direct or indirect ownership interest in an Entity; (v) “person” means any natural person, Entity, unincorporated association, cooperative, or other legal or functional organization; (vi) unless otherwise specified, “days” means calendar days and not business days; and (vii) “your Store” includes all of the assets of the Peet’s Store you operate under this Agreement, including its revenue and the Lease. The use of the term “including” in this Agreement, means in each case “including, without limitation.”

If two or more persons are at any time the owners of the franchise and/or your Store, whether as partners or joint venturers, their obligations, and liabilities to us will be joint and several.

## **18. NOTICES AND PAYMENTS.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement or the Manuals will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand and/or otherwise actually received by the applicable recipient, (ii) at the time delivered via computer transmission and, in the case of the Royalty, Brand Fund Contributions, and other amounts due, at the time we actually receive electronic payment, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Notices must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of the Premises.

## **19. PROHIBITED PARTIES.**

You hereby represent and warrant to us, as an express consideration for the franchise granted hereby, that neither you nor any of your owners, employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

1. Listed on: (a) the U.S. Treasury Department's List of Specially Designated Nationals; (b) the U.S. Commerce Department's Denied Persons List, Unverified List, Entity List, or General Orders; (c) the U.S. State Department's Debarred List or Nonproliferation Sanctions; or (d) the Annex to U.S. Executive Order 13224.
2. A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you and your owners are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you or your owners to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all of your owners, employees, agents, representatives, and any other person or entity associated with you not to, during the Term, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

20. **EXECUTION.**

This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by electronic means.

*[Signature Page to Follow]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PEET’S COFFEE FRANCHISE, LLC**, a  
Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
**EFFECTIVE DATE:** \_\_\_\_\_

**FRANCHISEE:**

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

**EXHIBIT A**  
**TO FRANCHISE AGREEMENT**

**FRANCHISEE INFORMATION**

1. **Entity Formation:** You were formed on \_\_\_\_\_, \_\_\_\_\_ under the laws of the State of \_\_\_\_\_.

2. **Address for Notice:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. **Management:** The following is a list of your directors, officers, managers, or anyone else with a management position or title:

<b><u>Name of Individual</u></b>	<b><u>Position(s) Held</u></b>
_____	_____
_____	_____
_____	_____

4. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest:

<b><u>Owner's Name</u></b>	<b><u>Percentage/Description of Interest</u></b>
_____	_____
_____	_____
_____	_____

5. **Managing Owner:** \_\_\_\_\_

6. **General Manager(s) :** \_\_\_\_\_

**PEET'S COFFEE FRANCHISE, LLC, a**  
Delaware limited liability company

**FRANCHISEE:**  
\_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

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

**GUARANTY AND ASSUMPTION OF OBLIGATIONS**

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given by each of the undersigned persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Franchise Agreement (as amended, modified, restated or supplemented from time to time, the “**Agreement**”) on this date by **PEET’S COFFEE FRANCHISE, LLC**, a Delaware limited liability company (“**us**,” “**we**,” or “**our**”), each Guarantor personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that \_\_\_\_\_ (“**Franchise Owner**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each Guarantor consents and agrees that: (1) Guarantor’s direct and immediate liability under this Guaranty will be joint and several, both with Franchise Owner and among other guarantors; (2) Guarantor will render any payment or performance required under the Agreement upon demand if Franchise Owner fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Franchise Owner or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Franchise Owner or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims, or any amendment, waiver or restatement to any terms of the Agreement, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, each Guarantor shall present updated financial information to us as reasonably necessary to demonstrate such Guarantor’s ability to satisfy the financial obligations of Franchise Owner under the Agreement.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Franchise Owner arising as a result of the Guarantor’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of Guarantor’s undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 17 (Enforcement) of the Agreement, including Section 17.E (Arbitration), Section 17.G (Consent to Jurisdiction) and Section 17.C (Costs and Attorneys' Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any disputes between the Guarantors and us. The Guarantors shall reimburse us for all costs and expenses we incur in connection with enforcing the terms of this Guaranty.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse and personally agrees to be bound by the obligations in the Agreement regarding confidential information (Section 6) and the restrictive covenants regarding non-competition, non-interference and non-disparagement (Sections 7 and 16.C). Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely for the purposes described above and, as necessary, to bind the assets of the marital estate as described herein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Franchisee (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guaranty is binding upon each Guarantor and its respective executors, administrators, heirs, beneficiaries, and successors in interest.

*[Signature Page to Follow]*

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

GUARANTOR(S)	SPOUSE(S)
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

**EXHIBIT B-2**

**AREA DEVELOPMENT AGREEMENT**





**PEET'S COFFEE FRANCHISE, LLC**

**AREA DEVELOPMENT AGREEMENT**

**Developer:** \_\_\_\_\_

**Development Area :** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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## **EXHIBITS**

EXHIBIT A	-	DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE
EXHIBIT B	-	DEVELOPER INFORMATION
EXHIBIT C	-	GUARANTY AND ASSUMPTION OF OBLIGATIONS

## **AREA DEVELOPMENT AGREEMENT**

**THIS AREA DEVELOPMENT AGREEMENT** (this “**Agreement**”) is made and entered into by and between **Peet’s Coffee Franchise, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (“**we**”), and the developer indicated on the first page of this Agreement (“**you**”), as of the date signed by us and set forth below our signature on this Agreement (the “**Effective Date**”).

### **1. GRANT OF DEVELOPMENT RIGHTS.**

#### **A. BACKGROUND.**

We and our affiliates have developed and may continue to develop and modify a system for the operation of traditional coffee shops with drive-thrus offering specialty coffee and espresso drinks, tea and other beverages, coffee beans, other beverages, food items, and related products and merchandise authorized by us from time to time (each a “**Peet’s Store**”). Peet’s Stores are developed and operated using certain specified and distinct business formats, methods, procedures, designs, layouts, standards, and specifications, all of which may be improved, further developed, or otherwise modified from time to time (the “**System**”).

#### **B. GRANT AND TERM OF DEVELOPMENT RIGHTS.**

Subject to the terms of this Agreement, we hereby grant you the right to develop, own and operate the number of Peet’s Stores specified in your Development Schedule (defined in Section 2.B) (your “**Development Rights**”) strictly within the geographic area specified on **Exhibit A** (your “**Development Area**”). You accept the grant of the Development Rights and agree to faithfully, honestly, and diligently perform your obligations under this Agreement and fully exploit the Development Rights during the Term (defined below) and throughout the entire Development Area. The term of this Agreement (the “**Term**”) will begin on the Effective Date and, unless sooner terminated as provided herein, will expire on the earlier of (1) the date on which the last Peet’s Store required to be opened in order to satisfy the Development Schedule opens for regular business, or (2) the last day of the last Development Period (defined below) of the Development Schedule. You may not extend the Term of this Agreement without our approval, which we will grant in our sole discretion.

#### **C. IF YOU ARE AN ENTITY.**

If you are a corporation, limited liability company, or partnership (each, an “**Entity**”), you represent that you have, and will have throughout the Term, the authority to execute, deliver, and perform your obligations under this Agreement and all related agreements and are duly organized or formed. You agree to remain validly existing and in good standing under the laws of the state of your formation throughout the Term. You agree to maintain organizational documents, operating agreement, or partnership agreement, as applicable, that reflect the restrictions on issuance and transfer of any ownership interests in you described in this Agreement, and all certificates and other documents representing ownership interests in you will bear a legend referring to this Agreement’s restrictions.

You agree and represent that **Exhibit B** to this Agreement completely and accurately describes all of your owners and their interests in you as of the Effective Date. Each of your owners must execute a guaranty in the form we prescribe undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us. Our current form of guaranty is attached herein as **Exhibit C**. Subject to our rights and your obligations under Section 4,

you and your owners agree to sign and deliver to us revised **Exhibit B** to reflect any permitted changes in the information that **Exhibit B** now contains.

You must identify on **Exhibit B** one of your owners who is a natural person with at least 10% ownership interest and voting power in you and who will have authority and signatory power on behalf of you (the “**Managing Owner**”). You must obtain our written consent prior to changing the Managing Owner and agree to deliver to us a revised **Exhibit B** to accurately identify the Managing Owner should the identity of that person change during the Term as permitted hereunder. You agree that the Managing Owner is authorized, on your behalf, to deal with us in respect of all matters whatsoever which may arise in respect of this Agreement. Any decision made by the Managing Owner will be final and binding upon you, and we will be entitled to rely solely upon the decision of the Managing Owner in any such dealings without the necessity of any discussions with any other person, and we will not be held liable for any actions taken by you or otherwise, based upon any decision or actions of the Managing Owner. You represent and agree that the person acting as your Managing Owner has full power and authority to enter into this Agreement and any other documents to which you are a party, and to make binding decisions on your behalf.

#### **D. DEVELOPMENT AREA AND RESERVATION OF RIGHTS.**

The Development Rights may only be exercised for Peet’s Stores to be located in the Development Area. As long as you are in compliance with this Agreement and all Franchise Agreements signed pursuant to this Agreement, and except as set forth in this Section 1.D, we will not, during the Term, operate or grant the right to anyone else to operate a Peet’s Store within the Development Area, or grant Development Rights to anyone else to be exercised with your Development Area.

For the avoidance of doubt, we reserve for ourselves and our affiliates all rights not expressly granted to you in this Agreement and the right to do all things that we do not expressly agree in this Agreement not to do, in each case, without compensation to you, without regard to proximity to your Development Area, and on such terms and conditions as we deem appropriate. For example, and without limitation, we and our affiliates may, ourselves or through authorized third parties:

(1) establish and operate, and allow others to establish and operate, other Peet’s Stores using the System, at any location outside the Development Area, on such terms and conditions we deem appropriate;

(2) establish and operate, and allow others to establish and operate, any other type of business, including any business that may offer products and services which are identical to, similar to, or competitive with products and services offered by Peet’s Stores, under trade names, trademarks, service marks and commercial symbols other than the “Peet’s Coffee®” name and marks, anywhere in the world, including in the Development Area;

(3) establish, and allow others to establish businesses and distribution channels other than a Peet’s Store (including, selling products at retail, wholesale, or through any online presence), wherever located or operating, including in your Development Area, regardless of the nature or location of the customers with whom such other businesses and distribution channels do business, regardless of the trade names, trademarks, service marks or commercial symbols used, and sales of products or services that are similar to, the same, or competitive

with, those that Peet's Stores customarily sell, and including the offer and sale of PEET'S COFFEE®-branded coffee or other products at other third-party businesses;

(4) establish and operate, and allow others to establish and operate, any Peet's Store, or other business using the System, and/or offering and selling any of the products or services that are similar to, the same, or competitive with those products or services offered by Peet's Stores, at or through any non-traditional venues, including hospitals and healthcare facilities, college campuses, national parks, military bases, airports or transit centers, hotels and convention centers, or other businesses operated within any larger venue or closed market such as a stadium or entertainment center, at any location in the world, including in the Development Area; and

(5) be acquired by or acquire (whether through acquisition of assets, ownership interests or otherwise, regardless of the form of transaction), any other business, including businesses that operate or allow others to establish and operate businesses similar to, the same, or competitive with Peet's Stores, at any location in the world, including in the Protected Territory (and in the event of such an acquisition, the acquirer and its affiliates will have the right to continue to establish and operate, and authorize others to establish and operate, such businesses, at any location in the world, including in the Development Area).

## 2. **EXERCISE OF DEVELOPMENT RIGHTS.**

### A. **DEVELOPMENT FEE.**

On the Effective Date, you must pay us an area development fee (the "**Development Fee**") equal to \$17,500 multiplied by the number of Peet's Stores that you agree to develop. The amount of the Development Fee that you paid per Peet's Store will be credited to the initial franchise fee due under each Franchise Agreement you sign pursuant to the Development Schedule. The Development Fee is fully earned by us when you sign this Agreement.

### B. **DEVELOPMENT SCHEDULE.**

**Exhibit A** to this Agreement sets forth the schedule that you are hereby agreeing to satisfy as it relates to the development of Peet's Stores (your "**Development Schedule**"), which may include one or more periods for you to develop and open a specified number of Peet's Stores (each a "**Development Period**"). You must satisfy all of the conditions described in Section 2.C below for each Peet's Store in your Development Schedule by the end of the applicable Development Period. You may not open more than the cumulative number of Peet's Stores shown in your Development Schedule. The Development Schedule is not our representation, express or implied, that the Development Area can support, or that there are or will be sufficient sites for, the number of Peet's Stores specified in the Development Schedule or during any particular Development Period. We are relying on your representation that you have conducted your own independent investigation and have determined that you can satisfy the development obligations of the Development Schedule.

### C. **APPROVAL OF PROPOSED DEVELOPMENT.**

You must receive our approval of any site for a Peet's Store that you propose to develop in your Development Area before you enter into any lease or other agreement to secure the site. You agree to give us all information and materials we request to assess each Peet's Store that you propose

to develop, as well as your financial and operational ability to develop and operate the proposed Peet's Store. We have the absolute right to disapprove any proposed development for any reason, including if: (a) it or you do not meet our then-current criteria for new franchise development, or (b) if you or your affiliates are not then in compliance with this Agreement or any Franchise Agreements with us. If we approve a proposed site for development, you must sign our then-current form of Franchise Agreement for such site within 15 days after we provide you with an execution copy of the Franchise Agreement. After signing a Franchise Agreement for any Peet's Store, you must open and operate each Peet's Store according to the terms of that Franchise Agreement. The terms of the Franchise Agreement you sign may differ substantially from the terms contained in the Franchise Agreement in effect on the Effective Date.

We will count a Peet's Store toward the satisfaction of your Development Schedule only if you have satisfied all of the following conditions prior to the end of the applicable Development Period: (i) you have secured our approval of the proposed site of such Peet's Store; (ii) you have executed our then-current form of Franchise Agreement for such Peet's Store by the timeline specified in the preceding paragraph; (iii) you have paid all associated fees for such Peet's Store arising under this Agreement and/or the Franchise Agreement; (iv) you have executed a lease agreement or otherwise acquired occupancy rights to that premises on the terms described in your Franchise Agreement; and (v) you have secured our approval to open such Peet's Store, and such Peet's Store is open and operating in full compliance with its Franchise Agreement.

**D. DEVELOPMENT DEFAULTS.**

If you fail to open any Peet's Store by the deadline specified in your Development Schedule, you must pay us a fee equal to 6% of the average monthly gross sales of all Peet's Stores in the preceding calendar year, per month (prorated for any partial month), until such Peet's Store has opened for business in accordance with Section 2.C above. In addition, if you fail to comply with the Development Schedule, we reserve the right to terminate or reduce the size of your Development Area, and/or terminate the territorial protections that you have in some or all of your Development Area under Section 1.D, after which time we and our affiliates may establish or operate or authorize any other person to establish or operate a Peet's Store in your current or former Development Area in our discretion. Notwithstanding the foregoing, nothing contained in this Section shall be deemed a waiver of our right to terminate this Agreement for failure to comply with the Development Schedule.

**E. BUSINESS PLAN AND REPORTING.**

Within 60 days after the Effective Date, you must prepare and give us a business plan including a projected schedule for Peet's Store development and detailed cost and revenue projections for your activities under this Agreement. At least 90 days before the start of each calendar year during the Term, you must update the business plan to cover both actual results for the previous year and projections for the then-current year. You acknowledge and agree that, while we may review and provide comments on the business plan and any updates you submit to us, regardless of whether we approve, disapprove, require revisions, or provide other comments with respect to the business plan or any updated business plan, we take no responsibility for and make no guarantees or representations, expressed or implied, with respect to your ability to meet the business plan or to achieve the results set forth therein. You bear the entire responsibility for achievement of the business plan you develop.

Within 7 days after the end of each month during the Term, you must send us a report of your business activities during that month, including information about your efforts to find sites for Peet's Stores in the Development Area and the status of development and projecting openings for each Peet's

Store under development in the Development Area. We may request further information about your development plans, and you agree to provide us such information upon request.

You agree to establish and maintain at your own expense a bookkeeping, accounting, and recordkeeping system conforming to the requirements and formats we prescribe from time to time. You further agree to deliver to us such additional financial records, including profit and loss statements, operating statements, cash flow statements, statistical reports, bank activity reports, tax records, and such other records we request, at the intervals and in the format we specify from time to time.

You agree to verify and sign each report and financial statement in the manner we prescribe. We may disclose data derived from these reports. You agree to preserve and maintain all records in a secure location at your business for at least three years, or such longer period as may be required by applicable law (including sales checks, purchase orders, invoices, payroll records, customer lists, check stubs, sales tax records and returns, cash receipts and disbursement journals, and general ledgers).

Further, at our request, you will provide current financial information for your owners and guarantors sufficient to demonstrate such owners and guarantors ability to satisfy their financial obligations under their individual guarantees.

### 3. **YOUR COVENANTS DURING THE TERM.**

#### A. **CONFIDENTIAL INFORMATION.**

In connection with the Development Rights, you and your owners and personnel may from time to time be provided and/or have access to non-public information about the System and operation of Peet's Stores, including your Peet's Stores (the "**Confidential Information**"), including: (1) site selection criteria, market or demographic research, and/or other real estate reports; (2) methods, formats, specifications, standards, systems, procedures, techniques, sales and marketing techniques, knowledge, and experience used in developing, promoting and operating Peet's Stores; (3) market research, promotional, marketing and advertising programs for Peet's Stores; (4) any computer software or similar technology which is proprietary to the System, including any login credentials for, source code of, and data, reports, and other printed materials generated by, the software or similar technology; (5) knowledge of the operating results and financial performance of any Peet's Stores, including your Peet's Stores; and (6) any other information designated as confidential or proprietary by us or our affiliates.

All Confidential Information will be owned by us or our affiliates (other than personally identifiable information relating to the employees, officers, contractors, owners or other personnel of you, your affiliates, or your Peet's Store, and/or such other personally identifiable information designated by us from time to time). You acknowledge and agree that: (i) you will not acquire any interest in any of our Confidential Information, other than the right to use it as we specify under this Agreement or the Franchise Agreements you sign, in each case in accordance with the terms of such agreement; and (ii) our Confidential Information is proprietary, includes our trade secrets, and is disclosed to you only on the condition that you will protect it. You acknowledge that any unauthorized use or disclosure of our Confidential Information would be an unfair method of competition and a breach of trust and confidence and will result in irreparable harm to us and/or our affiliates. You and your owners agree to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns to):



(a) process, retain, use, collect, and disclose our Confidential Information strictly to the limited extent, and in such a manner, as necessary for exercise of your Development Rights in accordance with this Agreement, and/or the operation of Peet's Stores under the respective Franchise Agreements, and not for any other purpose of any kind;

(b) process, retain, use, collect, and disclose our Confidential Information strictly in accordance with the privacy policies and standards we establish from time to time, and our and our representative's instructions;

(c) keep confidential and not disclose, sell, distribute, or trade our Confidential Information to any person other than those of your employees and representatives who need to know such Confidential Information for the purpose of assisting you in exercising your Development Rights in accordance with this Agreement, and/or operating Peet's Stores in accordance with Franchise Agreements with us; and you agree that you will be responsible for any violation of this requirement by any person to whom you provide Confidential Information;

(d) not make unauthorized copies of any of our Confidential Information;

(e) adopt and maintain administrative, physical and technical safeguards to prevent unauthorized use or disclosure of any of our Confidential Information, including by establishing reasonable security and access measures, restricting its disclosure to key personnel, and/or by requiring persons who have access to such Confidential Information to be bound by contractual obligations to protect such Confidential Information and preserve our rights and controls in such Confidential Information, in each case that are no less protective or beneficial to us than the terms of this Agreement (and we reserve the right to designate or approve the form of confidentiality agreement that you use); and

(f) at our request, destroy or return any of the Confidential Information.

Confidential Information does not include information, knowledge, or know-how, which is lawfully known to the public without violation of applicable law or an obligation to us or our affiliates.

We and our affiliates are not making any representations or warranties, express or implied, with respect to the Confidential Information. We and our affiliates have no liability to you and your affiliates for any errors or omissions from the Confidential Information.

## **B. INNOVATIONS.**

All improvements, developments, derivative works, feedback, enhancements, or modifications to the System and any Confidential Information (collectively, "**Innovations**") made or created by you, your employees or your representatives, whether developed separately or in conjunction with us, shall be owned solely by us and will in no event be owned by you or your affiliates. You represent, warrant, and covenant that your employees and representatives are bound by written agreements assigning all rights in and to any Innovations developed or created by them to you. To the extent that you, your employees or your representatives are deemed to have any interest in such Innovations, you hereby agree to assign, and do assign, all right, title and interest in and to such Innovations to us and agree to obtain the same from your personnel and representatives. To that end, you agree to execute, verify, and deliver such documents and perform such other acts (including appearances as a witness) as we may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such ownership rights in and to the Innovations, and the assignment thereof. Your obligation to assist

us with respect to such ownership rights shall continue beyond the expiration or termination of this Agreement. If we are unable for any reason, after reasonable effort, to secure your signature on any document needed in connection with the actions specified in this Section, you hereby irrevocably designate and appoint us and our duly authorized officers and agents as your agent and attorney in fact, which appointment is coupled with an interest and is irrevocable, to act for and on your behalf to execute, verify, and file any such documents and to do all other lawfully permitted acts to further the purposes of this Section with the same legal force and effect as if executed by you.

C. **NON-COMPETITION DURING TERM.**

We have granted you the rights in this Agreement in consideration of and reliance upon your agreement to deal exclusively with us. You therefore agree that, during the Term, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to):

(1) have any direct or indirect interest as an owner – whether of record, beneficially, or otherwise – in a Competitive Business (defined below), wherever located or operating (except that equity ownership of less than 5% of a Competitive Business whose stock or other forms of ownership interest are publicly traded on a recognized United States stock exchange will not be deemed to violate this subparagraph);

(2) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, wherever located or operating; or

(3) divert or attempt to divert any actual or potential business or customer of any Peet's Store to a Competitive Business.

The term “**Competitive Business**” means any business (excluding any Peet's Store operated under a Franchise Agreement) operating or granting franchises or licenses to others to operate any business: (1) for which coffee or espresso drinks, tea and tea-based drinks, bakery items, and coffee retail products, and/or similar products represent more than 20% of the total gross revenue; or (2) whose menu or concept is otherwise substantially similar to that of Peet's Stores. You agree to obtain similar covenants from the personnel we specify, including officers, directors, managers, and other employees attending our training program or having access to Confidential Information. We have the right to regulate the form of agreement that you use, including to require that we and our affiliates be third-party beneficiaries of that agreement with independent enforcement rights.

D. **NON-INTERFERENCE.**

During and after the Term, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to) solicit, interfere, or attempt to interfere with our or our affiliates' relationships with any customers, franchisees, lenders, vendors, or consultants.

E. **NON-DISPARAGEMENT.**

During and after the Term, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to): (i)

disparage or otherwise speak or write negatively, directly or indirectly, of us, our affiliates, any of our or our affiliates' directors, officers, employees, representatives or affiliates, current and former franchisees or developers of us or our affiliates, the *Peet's Coffee*® brand, the System, any Peet's Store, any other brand or service-marked or trademarked concept operated or franchised by us or our affiliates, or take any other action which would, directly or indirectly, subject any of the foregoing to ridicule, scandal, reproach, scorn, or indignity, or which would negatively impact or injure the goodwill of the System. Notwithstanding anything to the contrary, in no event will you be prohibited from providing truthful testimony in connection with a legal proceeding or governmental investigation. In addition, nothing in this Agreement shall prohibit you from reporting a suspected violation of law to the appropriate governmental agency or authority.

4. **TRANSFER.**

A. **BY US.**

We maintain a staff to manage and operate the franchise system and you understand that staff members can change as employees come and go. You represent that you have not signed this Agreement in reliance on any particular manager, owner, director, officer, or employee remaining with us in any capacity. We may change our ownership or form or assign this Agreement and any other agreement to a third party without restriction.

B. **BY YOU.**

The rights and duties this Agreement creates are personal to you (and if you are conducting business as an Entity, each of your owners), and we have granted you the Development Rights in reliance upon our perceptions of your (or your owners') individual or collective character, skill, aptitude, attitude, business ability, and financial capacity. Accordingly, none of the following may be transferred, mortgaged, pledged, or encumbered, without our prior written approval: (1) this Agreement (or any interest in this Agreement), (2) your Development Rights, or (3) any direct or indirect ownership interest in you. A transfer of your Development Rights may be made only with a transfer of this Agreement. Any transfer without our approval is a breach of this Agreement and has no effect. In this Agreement, the term “**transfer**” includes a voluntary, involuntary, direct, or indirect assignment, sale, gift, or other disposition, including transfer by reason of merger, consolidation, issuance of additional securities, death, disability, divorce, insolvency, encumbrance, foreclosure, surrender or by operation of law.

If you intend to list your Development Rights for sale with any broker or agent, you shall do so only after obtaining our written approval of the broker or agent and of the listing agreement. You shall not use or authorize the use of, and no third party shall on your behalf use, any written materials to advertise or promote the transfer of your Development Rights or of any ownership interest in you without our prior written approval.

C. **CONDITIONS FOR APPROVAL OF TRANSFER.**

We will approve a transfer if all of the following requirements are met:

- (1) you submit an application in writing requesting our consent and providing us all information or documents we request about the transferee and its owners that we request to evaluate their ability to satisfy their respective obligations under our then-current form of

Franchise Agreement and any documents ancillary thereto, and each such person must have completed and satisfied all of our application and certification requirements, including the criteria that neither the transferee nor its owners (if the transferee is an Entity) or affiliates have an ownership interest in or perform services for a Competitive Business;

(2) you and your owners have not violated any provision of this Agreement or any other agreement with us or our affiliates during both the 60-day period before you requested our consent to the transfer and the period between your request and the effective date of the transfer;

(3) you provide us executed versions of any documents executed by you (or your owners) and transferee (and its owners) to effect the transfer, and all other information we request about the proposed transfer, and such transfer meets all of our requirements, including terms, closing date, purchase price, amount of debt and payment terms, and we have determined that the purchase price and other terms of the transfer will not adversely affect the transferee's fulfillment of your Development Rights;

(4) you (and your owners) and the transferee (and its owners) sign all of the documents we are then requiring in connection with a transfer, in a form satisfactory to us, including: (i) a release of any and all claims (except for claims which cannot be released or waived pursuant to applicable law) against us and our affiliates and our and their owners, officers, directors, employees, and agents, and (ii) covenants that you and your transferring owners agree to satisfy all post-termination obligations under this Agreement;

(5) if the transfer is of this Agreement or your Development Rights, you have satisfied all of the conditions to transfer all Franchise Agreements that you have executed in connection with this Agreement (and you understand that you may not transfer this Agreement or your Development Rights, without concurrently transferring all associated Franchise Agreements executed pursuant to the terms hereof, and the operations of any associated Peet's Stores);

(6) the transferee must (if the transfer is of this Agreement or your Development Rights) sign our then-current form of area development agreement and related documents, any and all of the provisions of which may differ materially from any and all of those contained in this Agreement; provided, that the term of the new area development agreement signed will equal the then-remaining Term and Development Schedule;

(7) you pay us a transfer fee in the amount of \$15,000, provided, that no transfer fee is due for the transfer from a deceased owner to such owner's surviving spouse, provided that such transfer is otherwise subject to the terms and conditions of this Section 4 (provided further, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees); and

(8) the transferee(s) must (if the transfer is any beneficial or ownership interest in you), sign our then-current form of guaranty undertaking personally to be bound, jointly and severally, by all provisions of this Agreement and any ancillary agreements between you and us, and an updated **Exhibit C**;

(9) you provide us the evidence we request to show that appropriate measures have been taken to effect the transfer as it relates to the fulfillment of your Development Rights, including, transferring all necessary business licenses, and material agreements, or obtaining new business licenses and material agreements.

We may review all information regarding your Development Rights that you give the transferee, correct any information that we believe is inaccurate, and give the transferee copies of any reports that you have given us or we have made regarding your Development Rights.

Our consent to a transfer pursuant to this Section is not a representation of the fairness of the terms of any contract between you and the transferee, a guarantee of your or such transferee's prospects of success, or a waiver of any claims we have against you (or your owners) or of our right to demand the transferee's full compliance with this Agreement.

**D. TRANSFER TO A WHOLLY-OWNED ENTITY.**

If you do not originally sign this Agreement as an Entity, you may transfer this Agreement to an Entity; provided, that: (i) such Entity conducts no business other than the fulfillment of your Development Rights and the operation of Peet's Stores; (ii) you maintain management control of such Entity; (iii) you own and control 100% of the economic interests, equity and voting power of all issued and outstanding ownership interests in such Entity; (iv) you satisfy all conditions applicable to a transfer described in Section 4.C, except that we will not require payment of a transfer fee as described in Section 4.C(7) (provided, that you reimburse us for any direct costs we incur in connection with documenting and otherwise processing such transfer, including reasonable legal fees) and our right of first refusal under Section 4.E will not apply; and (v) that Entity must expressly assume all of your obligations under this Agreement. You agree to remain personally liable under this Agreement as if the transfer to the Entity did not occur, including by signing our then-current form of personal guaranty of the obligations of such Entity. You must also sign the form of consent to assignment and assignment satisfactory to us which may include a release of any and all claims (except for claims which cannot be released or waived pursuant to an applicable franchise law statute) against us and our affiliates, and our and their owners, officers, directors, employees, and agents.

**E. OUR RIGHT OF FIRST REFUSAL.**

If you or any of your owners wish to conduct a transfer described under Sections 4.B above, you (or your owners) agree to obtain from a responsible and fully disclosed buyer, and send us, a true and complete copy of a bona fide written offer relating exclusively to an interest in you or in this Agreement and your Development Rights. The offer must include details of the payment terms of the proposed sale and the sources and terms of any financing for the proposed purchase price. To be a valid, bona fide offer, the proposed purchase price must be in a dollar amount, and the proposed buyer must submit with its offer an earnest money deposit equal to 5% or more of the offering price. We may require you (or your owners) to send us copies of any materials or information sent to the proposed buyer or transferee regarding the possible transaction.

We may elect to purchase the interest offered for the price and on the terms and conditions contained in the offer, provided that: (1) we notify you or your selling owner(s) that we intend to purchase the interest within 60 days after we receive a copy of the offer and all other information we request; (2) we may substitute cash for any form of payment proposed in the offer (such as ownership interests in a privately-held entity); (3) we or our designee will be offered the same terms for any

promissory notes or other deferred payments as those offered by the proposed buyer; (4) we will have an additional 90 days to prepare for closing after notifying you of our election to purchase; and (b) we must receive, and you and your owners agree to make, all customary representations and warranties given by the seller of the assets of a business or the ownership interests in any legal business entity.

We have the unrestricted right to assign any or all of our rights under this Section to a third party, who then will have the rights described in this Section.

If we do not exercise our right of first refusal, you or your owners may complete the sale to the proposed buyer on the original offer's terms, but only if we otherwise approve the transfer in accordance with Sections 4.B, and if you and your owners and the transferee comply with the conditions in Sections 4.C.

If you do not complete the sale to the proposed buyer within 60 days after we notify you that we do not intend to exercise our right of first refusal, or if there is a material change in the terms of the sale (which you agree to tell us promptly), we or our designee will have an additional right of first refusal on the same terms as described above.

## **5. TERMINATION OF AGREEMENT.**

### **A. BY YOU.**

This Agreement and all rights granted to you in this Agreement shall automatically terminate without notice if: (i) you make an assignment for the benefit of creditors; (ii) you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; (iii) any Peet's Store you operate under a Franchise Agreement with us is attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; (iv) any order appointing a receiver, trustee, or liquidator of you or any Peet's Store you operate under a Franchise Agreement with us is not vacated within 30 days following the order's entry; and/or (v) you or any of your owners file a petition in bankruptcy or a petition in bankruptcy is filed against you.

### **B. BY YOU.**

If you and your owners are fully complying with this Agreement and we materially fail to comply with this Agreement and do not correct the failure within 30 days after you deliver written notice of the material failure to us or if we cannot correct the failure within 30 days and we fail to give you within 30 days after your notice reasonable evidence of our effort to correct the failure within a reasonable time, you may terminate this Agreement effective an additional 30 days after you deliver to us written notice of termination. Your termination of this Agreement other than according to this Section 5.B will be deemed a termination without cause and a breach of this Agreement.

### **C. BY US.**

We may terminate this Agreement, effective upon delivery of written notice to you, if:

(1) you or any of your owners have made or make any material misrepresentation or omission in acquiring your Development Rights;

(1) you fail to comply with the Development Schedule;

(2) you abandon your Development Rights, which may include that you (i) notify us that you will no longer be exercising the Development Rights granted to you under this Agreement, or fail to reply to inquiries from us for more than fifteen (15) consecutive days; or (ii) fail to make progress towards your Development Schedule such that we determine, in our discretion, that satisfaction of your Development Schedule is impossible or impracticable;

(3) you or any of your owners are or have been convicted of or have pleaded no contest or guilty to a felony;

(4) you or any of your owners violate any of the covenants made in Section 3 of this Agreement;

(5) you or any of your owners make or attempt to make an unauthorized transfer under Section 4;

(6) you violate any law, ordinance, rule, or regulation of a governmental agency in connection with the exercise of your Development Rights, and fail to correct such violation within 72 hours after notice to you, whether from us or any other party;

(7) you fail to pay us or our affiliates any amounts due and do not correct the failure within 10 days after written notice to you;

(8) you (or any of your owners) (a) fail on three or more separate occasions within any 12 consecutive month period to comply with this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you; or (b) fail on two or more separate occasions within any 12 consecutive month period to comply with the same obligation under this Agreement, whether or not we notify you of the failures, and, if we do notify you of the failures, whether or not you correct the failures after our delivery of notice to you;

(9) you make an assignment for the benefit of creditors or admit in writing your insolvency or inability to pay your debts generally as they become due; you consent to the appointment of a receiver, trustee, or liquidator of all or the substantial part of your property; your business assets are attached, seized, subjected to a writ or distress warrant, or levied upon, unless the attachment, seizure, writ, warrant, or levy is vacated within 30 days; or any order appointing a receiver, trustee, or liquidator of you or your business assets is not vacated within 30 days following the order's entry;

(10) you (or any of your owners) file a petition in bankruptcy or a petition in bankruptcy is filed against you;

(11) you or any of your owners fail to comply with any other provision of this Agreement, and do not correct the failure within 30 days notice to you; or

(12) you or an affiliate fails to comply with any other agreement with us or our affiliate and do not correct such failure within the applicable cure period, if any.

**D. RIGHTS AND OBLIGATIONS UPON TERMINATION OR EXPIRATION.**

Upon termination or expiration of this Agreement you and your owners must immediately: (a) cease conducting the business granted hereunder or holding yourself out to the public as being a developer of Peet's Stores except as permitted under Franchise Agreements; (b) return to us or destroy (as we require) any and all Confidential Information (other than as used by you in connection with the operation of any Peet's Store under a Franchise Agreement with us); (c) comply with all other standards we establish from time to time (and all applicable laws) in connection with the wind-down of your business contemplated by this Agreement; and (d) without limiting any other rights or remedies to which we may be entitled, you must pay all amounts owing to us pursuant to this Agreement up to the date of termination.

**E. COVENANT NOT TO COMPETE.**

For two years beginning on the date of termination or expiration of this Agreement, you and your owners agree not to (and to use each of your best efforts to cause each of your respective current and former spouses, immediate family members, owners, officers, directors, employees, representatives, affiliates, successors and assigns not to): (1) have any direct or indirect interest as an owner (whether of record, beneficially, or otherwise) in a Competitive Business; and/or (2) perform services as a director, officer, manager, employee, consultant, representative, or agent for a Competitive Business, in each case, if such Competitive Business is located or operating:

(a) within the Development Area, or

(b) within a 5-mile radius of any other Peet's Store.

If any person restricted by this Section fails to comply with these obligations as of the date of termination or expiration, the two-year restricted period for that person will commence on the date the person begins to comply with this Section, which may be the date a court order is entered enforcing this provision. You and your owners expressly acknowledge that you possess skills and abilities of a general nature and have other opportunities for exploiting these skills. Consequently, our enforcing the covenants made in this Section will not deprive you of your personal goodwill or ability to earn a living. The restrictions in this Section will also apply after any transfer, to the transferor and its owners, for a period of two years beginning on the effective date of the transfer, with the force and effect as though this Agreement had been terminated for such parties as of such date.

**F. CONTINUING OBLIGATIONS.**

All of our and your (and your owners') obligations which expressly or by their nature survive this Agreement's expiration or termination will continue in full force and effect subsequent to and notwithstanding its expiration or termination and until they are satisfied in full or by their nature expire, including all obligations relating to non-disparagement, non-competition, non-interference, confidentiality, information security, Innovations, and indemnification.

**6. RELATIONSHIP OF THE PARTIES/INDEMNIFICATION.**

**A. INDEPENDENT CONTRACTORS.**

This Agreement does not create a fiduciary relationship between you and us, that you and we are and will be independent contractors, and that nothing in this Agreement is intended to make either



you or us a general or special agent, joint venturer, partner, or employee of the other for any purpose. You agree to identify yourself conspicuously in all dealings with customers, vendors, public officials, your personnel, and others as the sole holder of the Development Rights and to place notices of independent ownership on the forms, business cards, stationery, advertising, and other materials we require from time to time. You also acknowledge that you will have a contractual relationship only with us and may look only to us to perform under this Agreement, and not our affiliates, designees, officers, directors, employees, or other representatives or agents.

**B. NO LIABILITY TO OR FOR ACTS OF OTHER PARTY.**

We and you may not make any express or implied agreements, warranties, guarantees, or representations, or incur any debt, in the name or on behalf of the other or represent that our respective relationship is other than franchisor and franchise owner. We will not be obligated for any damages to any person or property directly or indirectly arising out of the exercise of your Development Rights or the business you conduct under this Agreement. We will have no liability for your obligations to pay any third parties, including any product Vendors.

**C. INDEMNIFICATION.**

You agree to indemnify, defend, and hold harmless us, our affiliates, and each of our and their respective affiliates, owners, directors, managers, officers, employees, agents, successors, and assignees (the “**Indemnified Parties**”) against, and to reimburse any one or more of the Indemnified Parties for, all claims, obligations, and damages directly or indirectly arising out of your Development Rights, the business you conduct under this Agreement, your breach of this Agreement, and/or the actions or omissions of you, your owners, or your and their respective representatives, including those alleged to be caused by the Indemnified Party’s negligence, unless (and then only to the extent that) the claims, obligations, or damages are determined to be caused solely by the Indemnified Party’s intentional misconduct in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator. For purposes of this indemnification, “**claims**” include all obligations, damages (actual, consequential, or otherwise), and costs that any Indemnified Party reasonably incurs in defending any claim against it, including reasonable accountants’, arbitrators’, attorneys’, and expert witness fees, costs of investigation and proof of facts, court costs, travel and living expenses, and other expenses of litigation or alternative dispute resolution, regardless of whether litigation or alternative dispute resolution is commenced. Each Indemnified Party may defend any claim against it at your expense and agree to settlements or take any other remedial, corrective, or other actions. This indemnity will continue in full force and effect subsequent to and notwithstanding this Agreement’s expiration or termination. An Indemnified Party need not seek recovery from any insurer or other third party, or otherwise mitigate its losses and expenses, in order to maintain and recover fully a claim against you under this subparagraph. You agree that a failure to pursue a recovery or mitigate a loss will not reduce or alter the amounts that an Indemnified Party may recover from you under this Section. Any Indemnified Party may demand that you advance funds to such Indemnified Party to pay for any claims that are indemnifiable under this Section, and you will advance such funds promptly upon demand; provided, however, that if (and only to the limited extent that) any such claim is ultimately determined not to be indemnifiable under this Section in a final, unappealable ruling issued by a court with competent jurisdiction or arbitrator, such Indemnified Party must reimburse any portion of such funds that are attributable to such non-indemnifiable claims.

## 7. **ENFORCEMENT.**

### A. **SEVERABILITY AND SUBSTITUTION OF VALID PROVISIONS.**

Except as expressly provided to the contrary in this Agreement, each section, paragraph, term, and provision of this Agreement is severable, and if, for any reason, any part is held to be invalid or contrary to or in conflict with any applicable present or future law or regulation in a final, unappealable ruling issued by any court, arbitrator, agency, or other tribunal with competent jurisdiction, that ruling will not impair the operation of, or otherwise affect, any other portions of this Agreement, which will continue to have full force and effect and bind the parties.

If any covenant which restricts competitive activity is deemed unenforceable by virtue of its scope in terms of area, business activity prohibited, or length of time, but would be enforceable if modified, you and we agree that the covenant will be enforced to the fullest extent permissible under the laws and public policies applied in the jurisdiction whose law determines the covenant's validity.

If any applicable and binding law or rule of any jurisdiction requires more notice than this Agreement requires or some other action that this Agreement does not require, or if, under any applicable and binding law or rule of any jurisdiction, any provision of this Agreement or any System Standard is invalid, unenforceable, or unlawful, the notice or other action required by the law or rule will be substituted for the comparable provisions of this Agreement, and we may modify the invalid or unenforceable provision or System Standard to the extent required to be valid and enforceable or delete the unlawful provision in its entirety. You agree to be bound by any promise or covenant imposing the maximum duty the law permits which is subsumed within any provision of this Agreement, as though it were separately articulated in and made a part of this Agreement.

### B. **WAIVER OF OBLIGATIONS.**

We and you may by written instrument unilaterally waive or reduce any obligation of or restriction upon the other under this Agreement, effective upon delivery of written notice to the other or another effective date stated in the notice of waiver. Any waiver granted will be without prejudice to any other rights we or you have, will be subject to continuing review, and may be revoked at any time and for any reason effective upon delivery of 10 days' prior written notice.

No right, power, or option you or we are provided under this Agreement will be impaired or waived because of any custom or practice at variance with this Agreement's terms or your or our failure, refusal, or neglect to exercise any right under this Agreement or to insist upon the other's compliance with this Agreement, including any System Standard; our waiver of or failure to exercise any right, power, or option, whether of the same, similar, or different nature, with other Peet's Stores; the existence of area development agreements for other Peet's Stores which contain provisions different from those contained in this Agreement; or our acceptance of any payments due from you after any breach of this Agreement. No special or restrictive legend or endorsement on any check or similar item given to us will be a waiver, compromise, settlement, or accord and satisfaction. We are authorized to remove any legend or endorsement, which then will have no effect.

The following provision applies if you or the franchise granted hereby are subject to the franchise registration or disclosure laws in California, Hawaii, Illinois, Indiana, Maryland, Michigan, Minnesota, New York, North Dakota, Rhode Island, South Dakota, Virginia, Washington, or Wisconsin: No statement, questionnaire, or acknowledgment signed or agreed to

by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

C. **COSTS AND ATTORNEYS' FEES.**

The prevailing party in any judicial or arbitration proceeding shall be entitled to recover from the other party all damages, costs, and expenses, including arbitration and court costs and reasonable attorneys' fees, incurred by the prevailing party in connection with such proceeding.

D. **RIGHTS OF PARTIES ARE CUMULATIVE.**

Our and your rights under this Agreement are cumulative, and our or your exercise or enforcement of any right or remedy under this Agreement will not preclude our or your exercise or enforcement of any other right or remedy which we or you are entitled by law to enforce.

E. **ARBITRATION.**

We and you agree that all controversies, disputes, or claims between us or any of our affiliates, and our and their respective owners, officers, directors, agents, and employees, on the one hand, and you and your owners, guarantors, affiliates, and employees, on the other hand, arising out of or related to: (1) this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates); (2) our relationship with you; (3) the scope or validity of this Agreement or any other agreement between you (or any of your owners) and us (or any of our affiliates) or any provision of any of such agreements (including the validity and scope of the arbitration provision under this Section, which we and you acknowledge is to be determined by an arbitrator, not a court); or (4) any System Standard, must be submitted for binding arbitration, on demand of either party, to the American Arbitration Association (the "AAA"). The arbitration proceedings will be conducted by one arbitrator and, except as this Section otherwise provides, according to the AAA's then-current Commercial Arbitration Rules. All proceedings will be conducted at a suitable location chosen by the arbitrator that is within 50 miles of our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California). All matters relating to arbitration will be governed by the Federal Arbitration Act (9 U.S.C. §§ 1 et seq.). The interim and final awards of the arbitrator shall be final and binding upon each party, and judgment upon the arbitrator's awards may be entered in any court of competent jurisdiction.

The arbitrator has the right to award or include in his or her awards any relief which he or she deems proper, including money damages, pre- and post-award interest, interim costs and attorneys' fees, specific performance, and injunctive relief, provided that the arbitrator may not declare any of the trademarks owned by us or our affiliates generic or otherwise invalid, or award any punitive or exemplary damages against any party to the arbitration proceeding (we and you hereby waiving to the fullest extent permitted by law any such right to or claim for any punitive or exemplary damages against any party to the arbitration proceeding). In any arbitration brought pursuant to this Section, and in any action in which a party seeks to enforce compliance with this Section, the prevailing party shall be awarded its costs and expenses, including attorneys' fees, incurred in connection therewith.

We and you agree to be bound by the provisions of any applicable contractual or statutory limitations provision, whichever expires earlier. We and you further agree that, in any arbitration proceeding, each party must submit or file any claim which would constitute a compulsory counterclaim (as defined by Rule 13 of the Federal Rules of Civil Procedure) within the same proceeding. Any claim which is not submitted or filed as required will be forever barred. The arbitrator may not consider any settlement discussions or offers that might have been made by either you or us.

WE AND YOU AGREE THAT ARBITRATION WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT A PROCEEDING REQUIRED UNDER THIS SECTION TO BE SUBMITTED TO ARBITRATION MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS; (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER ARBITRATION PROCEEDING; (III) JOINED WITH ANY SEPARATE CONTROVERSY, DISPUTE OR CLAIM OF AN UNAFFILIATED THIRD-PARTY; OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT. Notwithstanding the foregoing, if any court or arbitrator determines that all or any part of the preceding sentence is unenforceable with respect to a dispute, controversy or claim that otherwise would be subject to arbitration under this Section, then all parties agree that this arbitration clause shall not apply to that dispute, controversy or claim and that such dispute, controversy or claim shall be resolved in a judicial proceeding in accordance with the dispute resolution provisions of this Agreement.

We and you agree that, in any arbitration arising as described herein, the arbitrator shall have full authority to manage any necessary exchange of information among the parties with a view to achieving an efficient and economical resolution of the dispute. The parties may only serve reasonable requests for documents, which must be limited to documents upon which a party intends to rely or documents that are directly relevant and material to a significant disputed issue in the case or to the case's outcome. The document requests shall be restricted in terms of time frame, subject matter and persons or entities to which the requests pertain and shall not include broad phraseology such as "all documents directly or indirectly related to." You and we further agree that no interrogatories or requests to admit shall be propounded unless the parties later mutually agree to their use.

The provisions of this Section are intended to benefit and bind certain third party non-signatories. The provisions of this Section will continue in full force and effect subsequent to and notwithstanding the expiration or termination of this Agreement.

Any provisions of this Agreement below that pertain to judicial proceedings shall be subject to the agreement to arbitrate contained in this Section.

#### **F. GOVERNING LAW.**

Except to the extent governed by the United States Trademark Act of 1946 (Lanham Act, 15 U.S.C. Sections 1051 et seq.), or other United States federal law, this Agreement and any related agreements, your Development Rights, and all claims arising from the relationship between us (or any of our affiliates, and our and their respective owners, officers, directors, agents, representatives, and employees) and you (and your owners, guarantors, affiliates, and employees) will be governed by the laws of the state of Delaware, without regard to its conflict of laws rules, except that any state law regulating the offer or sale of franchises or governing the relationship of a franchisor and its franchisee will not apply unless its jurisdictional requirements are met independently without reference to this Section.

**G. CONSENT TO JURISDICTION.**

Subject to the obligation to arbitrate under Section 7.E above and the provisions below, you and your owners agree that all actions arising under this Agreement or otherwise as a result of the relationship between you and us must be commenced in the court nearest to our or, as applicable, our successor's or assign's then-current principal place of business (currently, Emeryville, California), and you (and each owner) irrevocably submit to the jurisdiction of that court and waive any objection you (or the owner) might have to either the jurisdiction of or venue in that court.

**H. WAIVER OF PUNITIVE DAMAGES, JURY TRIAL, AND CLASS ACTION.**

Except for your obligation to indemnify us for third party claims under Section 6.C, we and you (and your owners) waive to the fullest extent permitted by law any right to or claim for any punitive or exemplary damages against the other and agree that, in the event of a dispute between us and you, the party making a claim will be limited to equitable relief and to recovery of any actual damages it sustains. We and you irrevocably waive trial by jury in any proceeding brought by either of us.

WE AND YOU AGREE THAT ANY PROCEEDING BETWEEN US OR RELATING TO THIS AGREEMENT WILL BE CONDUCTED ON AN INDIVIDUAL BASIS AND THAT ANY PROCEEDING BETWEEN US AND ANY OF OUR AFFILIATES, OR OUR AND THEIR RESPECTIVE OWNERS, OFFICERS, DIRECTORS, AGENTS, AND EMPLOYEES, ON THE ONE HAND, AND YOU OR YOUR OWNERS, GUARANTORS, AFFILIATES, AND EMPLOYEES, ON THE OTHER HAND, MAY NOT BE: (I) CONDUCTED ON A CLASS-WIDE BASIS, (II) COMMENCED, CONDUCTED OR CONSOLIDATED WITH ANY OTHER PROCEEDING, (III) JOINED WITH ANY CLAIM OF AN UNAFFILIATED THIRD-PARTY, OR (IV) BROUGHT ON YOUR BEHALF BY ANY ASSOCIATION OR AGENT.

**I. INJUNCTIVE RELIEF.**

Nothing in this Agreement, including the provisions of Section 7.E, bars our right to obtain specific performance of the provisions of this Agreement and injunctive relief against any threatened or actual conduct that will cause us, our affiliates, or the System loss or damage, under customary equity rules, including applicable rules for obtaining restraining orders and temporary or preliminary injunctions. You agree that we may seek such relief from any court of competent jurisdiction in addition to such further or other relief as may be available to us at law or in equity. You agree that we will not be required to post a bond to obtain injunctive relief and that your only remedy if an injunction is entered against you will be the dissolution of that injunction, if warranted, upon due hearing (all claims for damages by injunction being expressly waived hereby).

**J. LIMITATIONS OF CLAIMS.**

UNLESS PROHIBITED BY APPLICABLE LAW, EXCEPT FOR CLAIMS ARISING FROM YOUR NON-PAYMENT OR UNDERPAYMENT OF AMOUNTS YOU OWE US, ANY AND ALL CLAIMS ARISING OUT OF OR RELATING TO THIS AGREEMENT, THE DEVELOPMENT RIGHTS, OR OUR RELATIONSHIP WITH YOU WILL BE BARRED UNLESS A JUDICIAL OR ARBITRATION PROCEEDING IS COMMENCED IN ACCORDANCE WITH THIS AGREEMENT WITHIN ONE YEAR FROM THE DATE ON WHICH THE PARTY ASSERTING THE CLAIM KNEW OR SHOULD HAVE KNOWN OF THE FACTS GIVING RISE TO THE CLAIMS. The parties understand that such time limit might be shorter than otherwise allowed by law. You and your owners agree that your and their sole recourse for claims arising between the

parties shall be against us or our successors and assigns. You and your owners agree that our and our affiliates' members, managers, shareholders, directors, officers, employees, and agents shall neither be personally liable nor named as a party in any action between us or our affiliates and you or your owners.

No previous course of dealing shall be admissible to explain, modify, or contradict the terms of this Agreement. No implied covenant of good faith and fair dealing shall be used to alter the express terms of this Agreement.

**K. BINDING EFFECT.**

This Agreement is binding upon us and you and our and your respective executors, administrators, heirs, beneficiaries, permitted assigns, and successors in interest. Subject to our right to modify the System Standards, this Agreement may not be modified except by a written agreement signed by our and your duly-authorized officers.

**L. CONSTRUCTION.**

The preambles and exhibits are a part of this Agreement, which together with this Agreement constitute our and your entire agreement relating to the matters contemplated hereby, and there are no other oral or written understandings or agreements between us and you, or oral or written representations by us, relating to the subject matter of this Agreement, the franchise relationship, or your Development Rights (any understandings or agreements reached, or any representations made, before this Agreement are superseded by this Agreement). Nothing in this or in any related agreement, however, is intended to disclaim the representations we made in the franchise disclosure document that we furnished to you. Any policies that we adopt and implement from time to time to guide us in our decision-making are subject to change, are not a part of this Agreement, and are not binding on us.

Except as provided in this Agreement, including Section 6.C, Section 7.E and those provisions expressly benefiting our affiliates, nothing in this Agreement is intended or deemed to confer any rights or remedies upon any person or legal entity not a party to this Agreement.

Except where this Agreement expressly obligates us reasonably to approve or not unreasonably to withhold our approval of any of your actions or requests, we have the absolute right to refuse any request you make or to withhold our approval of any of your proposed, initiated, or completed actions that require our approval. The headings of the sections and paragraphs are for convenience only and do not define, limit, or construe the contents of these sections or paragraphs.

References in this Agreement to: (i) "we," "us," and "our," with respect to all of our rights and all of your obligations to us under this Agreement, include any of our affiliates with whom you deal; (ii) "affiliate" of any person means any other person that is directly or indirectly owned or controlled by, under common control with, or owning or controlling such person; (iii) "control" of any person means the ownership interest of greater than 50% of the outstanding ownership interests of any entity, and/or the power to direct or cause the direction of management and policies; (iv) "ownership interest" means any direct or indirect title, ownership and/or beneficial interest in the equity, voting rights, or economic interest in any Entity; (v) "owner" means any person that holds any direct or indirect ownership interest in an Entity; (vi) "person" means any natural person, Entity, unincorporated association, cooperative, or other legal or functional organization; (vi) unless otherwise specified, "days" means calendar days and not business days; and (vii) "your Development Rights" includes all

of the assets of the business that you operate under this Agreement. The use of the term “including” in this Agreement, means in each case “including, without limitation.”

If two or more persons are at any time the owners of your Development Rights, whether as partners or joint venturers, their obligations and liabilities to us will be joint and several.

8. **NOTICES AND PAYMENTS.**

All written notices, reports, and payments permitted or required to be delivered by this Agreement will be deemed to be delivered on the earlier of the date of actual delivery or one of the following: (i) at the time delivered by hand and/or otherwise actually received by the applicable recipient, (ii) at the time delivered via computer transmission and, in the case of the amounts due, at the time we actually receive electronic payment, or (iii) one (1) business day after being placed in the hands of a nationally recognized commercial courier service for next business day delivery. Notices must be sent to the party to be notified at its most current principal business address of which the notifying party has notice; except that, it will always be deemed acceptable to send notice to you at the address of any Peet’s Store that you operate.

9. **PROHIBITED PARTIES.**

You hereby represent and warrant to us, as an express consideration for the franchise granted hereby, that neither you nor any of your owners, employees, agents, or representatives, nor any other person or entity associated with you, is now, or has been:

1. Listed on: (a) the U.S. Treasury Department’s List of Specially Designated Nationals; (b) the U.S. Commerce Department’s Denied Persons List, Unverified List, Entity List, or General Orders; (c) the U.S. State Department’s Debarred List or Nonproliferation Sanctions; or (d) the Annex to U.S. Executive Order 13224.
2. A person or entity who assists, sponsors, or supports terrorists or acts of terrorism, or is owned or controlled by terrorists or sponsors of terrorism.

You further represent and warrant to us that you and your owners are now, and have been, in compliance with U.S. anti-money laundering and counter-terrorism financing laws and regulations, and that any funds provided by you or your owners to us or our affiliates are and will be legally obtained in compliance with these laws. You agree not to, and to cause all of your owners, employees, agents, representatives, and any other person or entity associated with you not to, during the Term, take any action or refrain from taking any action that would cause such person or entity to become a target of any such laws and regulations.

10. **EXECUTION.**

This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Agreement may be executed by electronic means.

*[Signature Page to Follow]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Agreement on the dates noted below, to be effective as of the Effective Date.

**PEET’S COFFEE FRANCHISE, LLC**, a  
Delaware limited liability company

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

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

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

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

\*(The Effective Date)

**DEVELOPER:**

\_\_\_\_\_  
[Name]

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

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

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

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



**EXHIBIT A**

**TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPMENT AREA AND DEVELOPMENT SCHEDULE**

The **Development Area** is: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

The **Development Schedule** is as follows:

<b>Development Period</b>	<b>New Leases Executed During Development Period*</b>	<b>New Peet's Stores Opened During Development Period</b>	<b>Cumulative Number of Peet's Stores Opened at the End of Development Period</b>
_____ to _____	_____	_____	
_____ to _____	_____	_____	
_____ to _____	_____	_____	
_____ to _____	_____	_____	
_____ to _____	_____	_____	

\* To satisfy this requirement, we must have received, by the end of the Development Period, a fully executed copy of the lease (together with all exhibits) that we have approved in conformance with your applicable Franchise Agreement.

**PEET'S COFFEE FRANCHISE, LLC**, a  
Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DEVELOPER:**

\_\_\_\_\_  
[Name]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT B**

**TO AREA DEVELOPMENT AGREEMENT**

**DEVELOPER INFORMATION**

1. **Formation:** You were formed on \_\_\_\_\_, \_\_\_\_\_ under the laws of the State of \_\_\_\_\_.

2. **Address for Notice:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. **Management:** The following is a list of your directors, officers, managers or anyone else with a management position or title:

<b><u>Name of Individual</u></b>	<b><u>Position(s) Held</u></b>
_____	_____
_____	_____
_____	_____

4. **Owners.** The following list includes the full name of each individual who is one of your owners, or an owner of one of your owners, and fully describes the nature of each owner's interest:

<b><u>Owner's Name</u></b>	<b><u>Percentage/Description of Interest</u></b>
_____	_____
_____	_____
_____	_____

5. **Managing Owner:** \_\_\_\_\_

**PEET’S COFFEE FRANCHISE, LLC**, a  
Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DEVELOPER:**

\_\_\_\_\_  
[Name]  
By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

## EXHIBIT C

### TO AREA DEVELOPMENT AGREEMENT

### GUARANTY AND ASSUMPTION OF OBLIGATIONS

**THIS GUARANTY AND ASSUMPTION OF OBLIGATIONS** is given by each of the undersigned persons indicated below who have executed this Guaranty (each a “**Guarantor**”) to be effective as of the Effective Date of the Agreement (defined below).

In consideration of, and as an inducement to, the execution of that certain Area Development Agreement (as amended, modified, restated or supplemented from time to time, the “**Agreement**”) on this date by **Peet’s Coffee Franchise, LLC** (“us,” “we,” or “our”), each Guarantor personally and unconditionally (a) guarantees to us and our successors and assigns, for the term of the Agreement and afterward as provided in the Agreement, that \_\_\_\_\_ (“**Area Developer**”) will punctually pay and perform each and every undertaking, agreement, and covenant set forth in the Agreement and (b) agrees to be personally bound by, and personally liable for the breach of, each and every provision in the Agreement, both monetary obligations and obligations to take or refrain from taking specific actions or to engage or refrain from engaging in specific activities, including the non-competition, confidentiality, and transfer requirements.

Each Guarantor consents and agrees that: (1) Guarantor’s direct and immediate liability under this Guaranty will be joint and several, both with Area Developer and among other guarantors; (2) Guarantor will render any payment or performance required under the Agreement upon demand if Area Developer fails or refuses punctually to do so; (3) this liability will not be contingent or conditioned upon our pursuit of any remedies against Area Developer or any other person; (4) this liability will not be diminished, relieved, or otherwise affected by any extension of time, credit, or other indulgence which we may from time to time grant to Area Developer or to any other person, including the acceptance of any partial payment or performance or the compromise or release of any claims, or any amendment, waiver or restatement to any terms of the Agreement, none of which will in any way modify or amend this Guaranty, which will be continuing and irrevocable during the term of the Agreement; and (5) at our request, each Guarantor shall present updated financial information to us as reasonably necessary to demonstrate such Guarantor’s ability to satisfy the financial obligations of Area Developer under the Agreement.

Each Guarantor waives: (i) all rights to payments and claims for reimbursement or subrogation which any Guarantor may have against Area Developer arising as a result of the Guarantor’s execution of and performance under this Guaranty; and (ii) acceptance and notice of acceptance by us of Guarantor’s undertakings under this Guaranty, notice of demand for payment of any indebtedness or non-performance of any obligations hereby guaranteed, protest and notice of default to any party with respect to the indebtedness or nonperformance of any obligations hereby guaranteed, and any other notices to which he or she may be entitled.

Each Guarantor represents and warrants that, if no signature appears below for such Guarantor’s spouse, such Guarantor is either not married or, if married, is a resident of a state which does not require the consent of both spouses to encumber the assets of a marital estate.

The provisions contained in Section 7 (Enforcement) of the Agreement, including Section 7.E (Arbitration), Section 7.G (Consent to Jurisdiction) and Section 7.C (Costs and Attorneys' Fees) of the Agreement are incorporated into this Guaranty by reference and shall govern this Guaranty and any disputes between the Guarantors and us. The Guarantors shall reimburse us for all costs and expenses we incur in connection with enforcing the terms of this Guaranty.

By signing below, the undersigned spouse of each Guarantor indicated below, acknowledges and consents to the guaranty given herein by his/her spouse and personally agrees to be bound by the obligations in the Agreement regarding confidential information (Section 3.A) and the restrictive covenants regarding non-competition, non-interference, and non-disparagement (Sections 3 and 5.D). Such consent also serves to bind the assets of the marital estate to Guarantor's performance of this Guaranty. We confirm that a spouse who signs this Guaranty solely in his or her capacity as a spouse (and not as an owner) is signing merely for the purposes described above and, as necessary, to bind the assets of the marital estate as described herein and for no other purpose (including, without limitation, to bind the spouse's own separate property).

Each Guarantor that is a business entity, retirement or investment account, or trust acknowledges and agrees that if Area Developer (or any of its affiliates) is delinquent in payment of any amounts guaranteed hereunder, that no dividends or distributions may be made by such Guarantor (or on such Guarantor's account) to its owners, accountholders or beneficiaries or otherwise, for so long as such delinquency exists, subject to applicable law.

This Guaranty is binding upon each Guarantor and its respective executors, administrators, heirs, beneficiaries, and successors in interest.

*[Signature Page to Follow]*

**IN WITNESS WHEREOF**, each of the undersigned has affixed his or her signature on the same day and year as this Guaranty and Assumption of Obligations was executed.

<b>GUARANTOR(S)</b>	<b>SPOUSE(S)</b>
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____
Sign: _____ Name: _____ Address: _____ _____ _____	Sign: _____ Name: _____ Address: _____ _____ _____

**EXHIBIT B-3**

**REPRESENTATIONS STATEMENT**

## **REPRESENTATIONS STATEMENT**

**DO NOT SIGN THIS QUESTIONNAIRE IF YOU ARE LOCATED IN, YOUR PEET’S STORE WILL BE LOCATED IN, OR THE FRANCHISE GRANTED IS SUBJECT TO THE FRANCHISE REGISTRATION OR DISCLOSURE LAWS OF: CALIFORNIA, HAWAII, ILLINOIS, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, VIRGINIA, WASHINGTON, OR WISCONSIN.**

The purpose of this Statement is to demonstrate to PEET’S COFFEE FRANCHISE, LLC. (“Franchisor”) that the person(s) signing below (“I,” “me” or “my”), whether acting individually or on behalf of any legal entity established to acquire the franchise rights, (a) fully understands that the purchase of a Peet’s Store franchise rights is a significant long-term commitment, complete with its associated risks, and (b) is not relying on any statements, representations, promises or assurances that are not specifically set forth in Franchisor’s Franchise Disclosure Document (the “FDD”) in deciding to purchase the franchise. In that regard, I represent to Franchisor and acknowledge that:

I understand that buying a franchise is not a guarantee of success. Purchasing or establishing any business is risky, and the success or failure of the franchise is subject to many variables such as my skills and abilities (and those of my partners, officers, employees), the time my associates and I devote to the business, competition, interest rates, the economy, inflation, operation costs, location, lease terms, the marketplace generally and other economic and business factors. I am aware of and am willing to undertake these business risks. I understand that the success or failure of my business will depend primarily upon my efforts and not those of Franchisor.	INITIAL:
I received a copy of the FDD at least 14 calendar days before I executed a Franchise Agreement or paid Franchisor or its affiliates any fees. I understand that all of my rights and responsibilities and those of Franchisor in connection with the franchise are set forth in these agreements and only in these agreements. I have had the opportunity to personally and carefully review these documents and have, in fact, done so. I have been advised to have professionals (such as lawyers and accountants) review the documents for me and to have them help me understand these documents. I have also been advised to consult with other franchisees regarding the risks associated with the purchase of the franchise.	INITIAL:
Neither the Franchisor nor any of its affiliates, officers, employees or agents (including any franchise broker) has made a statement, promise or assurance to me concerning any matter related to the franchise (including those regarding advertising, marketing, training, support service or assistance provided by Franchisor) that is contrary to, or different from, the information contained in the FDD.	INITIAL:
My decision to purchase the franchise has not been influenced by any oral representations, assurances, warranties, guarantees or promises whatsoever made by the Franchisor or any of its officers, employees or agents (including any franchise broker), including as to the likelihood of success of the franchise.	INITIAL:



<p>I have made my own independent determination that I have the capital necessary to fund the franchised business and my living expenses, particularly during the start-up phase.</p>	<p>INITIAL:</p>
<p><b>PLEASE READ THE FOLLOWING QUESTION CAREFULLY. THEN SELECT YES OR NO AND PLACE YOUR INITIALS WHERE INDICATED.</b></p> <p>Have you received any information from the Franchisor or any of its affiliates, officers, employees or agents (including any franchise broker) concerning actual, average, projected or forecasted sales, revenues, income, profits or earnings of the franchised business (including any statement, promise or assurance concerning the likelihood of success) other than information contained in the FDD?</p> <p><input type="checkbox"/> Yes <input type="checkbox"/> No (Initial Here: ____)</p> <p>If you selected “Yes,” please describe the information you received on the lines below:</p> <p>_____</p> <p>_____.</p>	<p>INITIAL:</p>

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

Sign:\_\_\_\_\_

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

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

**DATED:**\_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL):**

\_\_\_\_\_  
Individual Name

Sign:\_\_\_\_\_

**DATED:**\_\_\_\_\_

**EXHIBIT B-4**

**SAMPLE GENERAL RELEASE**

**PEET'S COFFEE FRANCHISE, LLC**

**GENERAL RELEASE AGREEMENT**

**PEET'S COFFEE FRANCHISE, LLC** (“we,” “us,” or “our”) and \_\_\_\_\_  
\_\_\_\_\_ (“you” or “your”) are currently are parties to a certain franchise agreement dated \_\_\_\_  
\_\_\_\_\_ (the “**Agreement**”). You have asked us to take the following action or to agree  
to the following request: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_ We have the right under the Agreement to obtain a general release from you and your owners as a condition of taking this action or agreeing to this request. Therefore, we are willing to take the action or agree to the request specified above if you and your owners give us the release and covenant not to sue provided below in this document. You and your owners are willing to give us the release and covenant not to sue provided below as partial consideration for our willingness to take the action or agree to the request described above.

You and your owners, jointly and severally, on behalf of themselves and their spouses and immediate family members, and each such foregoing person’s or entity’s respective affiliates, employees, owners, officers, directors, successors, assigns, spouses and immediate family members (the “**Releasing Parties**”) hereby fully and forever unconditionally release and discharge us and our current and former affiliates, parents, subsidiaries, franchisees, area developers, owners, agents, insurers and our and their respective affiliates, employees, officers, directors, successors, assigns, owners, guarantors and other representatives (the “**Franchisor Parties**”), of and from any and all claims, obligations, debts, proceedings, demands, causes of action, rights to terminate and rescind, liabilities, losses, damages, and rights of every kind and nature whatsoever, and known or unknown, suspected or unsuspected, whether at law or in equity, which any of them has, had, or may have against any of the Franchisor Parties, from the beginning of time to the date of this document (together, “**Claims**”), including any and all Claims in any way arising out of or relating to the Agreement or the relationship of the Releasing Parties with any of the Franchisor Parties. You and your owners, on your own behalf and the other Releasing Parties, further covenant not to sue any of the Franchisor Parties on any of the Claims released by this paragraph and represent that you have not assigned any of the Claims released by this paragraph to any individual or entity.

IF THE FRANCHISED BUSINESS YOU OPERATE UNDER THE FRANCHISE AGREEMENT IS LOCATED IN CALIFORNIA OR IF ANY OF THE RELEASING PARTIES ARE RESIDENTS OF CALIFORNIA, THE FOLLOWING SHALL APPLY:

**SECTION 1542 ACKNOWLEDGMENT.** IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS RELEASE THAT THIS INSTRUMENT BE AND IS A GENERAL RELEASE WHICH SHALL BE EFFECTIVE AS A BAR TO EACH AND EVERY CLAIM, DEMAND, OR CAUSE OF ACTION RELEASED BY YOU OR THE RELEASING PARTIES. YOU RECOGNIZE THAT YOU OR THE RELEASING PARTIES MAY HAVE SOME CLAIM, DEMAND, OR CAUSE OF ACTION AGAINST THE FRANCHISOR PARTIES OF WHICH YOU, HE, SHE, OR IT IS TOTALLY UNAWARE AND UNSUSPECTING, WHICH YOU, HE, SHE, OR IT IS GIVING UP BY EXECUTING THIS RELEASE. IT IS YOUR INTENTION, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, IN EXECUTING THIS INSTRUMENT THAT IT WILL

DEPRIVE YOU, HIM, HER, OR IT OF EACH SUCH CLAIM, DEMAND, OR CAUSE OF ACTION AND PREVENT YOU, HIM, HER, OR IT FROM ASSERTING IT AGAINST THE FRANCHISOR PARTIES. IN FURTHERANCE OF THIS INTENTION, YOU, ON YOUR OWN BEHALF AND ON BEHALF OF THE RELEASING PARTIES, EXPRESSLY WAIVE ANY RIGHTS OR BENEFITS CONFERRED BY THE PROVISIONS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

**“A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.”**

YOU ACKNOWLEDGE AND REPRESENT THAT YOU HAVE CONSULTED WITH LEGAL COUNSEL BEFORE EXECUTING THIS RELEASE AND THAT YOU UNDERSTAND ITS MEANING, INCLUDING THE EFFECT OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE, AND EXPRESSLY CONSENT THAT THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH AND ALL OF ITS EXPRESS TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO THE RELEASE OF UNKNOWN AND UNSUSPECTED CLAIMS, DEMANDS, AND CAUSES OF ACTION.

If the Peet’s Store is located in Maryland or if you are a resident of Maryland, the following shall apply: Any general release provided for hereunder shall not apply to any liability under the Maryland Franchise Registration and Disclosure Law.

For Washington franchisees, the general release form does not apply to claims arising under the Franchise Investment Protection Act, Chapter 19.100 RCW, or the rules adopted thereunder.

*[Signature Page Follows]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this document on the date stated below.

**PEET'S COFFEE FRANCHISE, LLC**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DATED:** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**DATED:** \_\_\_\_\_

**FRANCHISE OWNER**

**(IF YOU ARE AN INDIVIDUAL):**

\_\_\_\_\_  
Individual Name

Sign: \_\_\_\_\_

**DATED:** \_\_\_\_\_

**EXHIBIT C**

**TABLE OF CONTENTS TO MANUAL**

# PEET'S COFFEE FRANCHISE, LLC OPERATIONS MANUAL

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Total Pages—352 Pages

	PAGES (est)	SUM
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Our History	3	
Brand Truths	11	
Coffee People (Market)	10	
The Soul of Our Brand	3	
<b>BRAND IDENTITY</b>		
<b>BRAND</b> Voice	3	
Messaging	2	
Logo	1	
Colors	2	
Typefaces	1	
Photography	2	
Illustration Style	1	
Patterns	1	
Modern Heritage	1	
	Pages (est)	<b>306</b>
<b>Welcome + TOC</b>	11	
<b>Introduction</b>	8	
Welcome to Peet's Coffee		
What Does Peet's Expect		
How to Use this Manual		
<b>Peet's History</b>	6	
A Brief History of Peet's		
The Peet's Difference		
<b>Customer Expectations and Standards</b>	16	
Peet's Expectations		
Peet's Service Standards		
GUEST - Customer Service		
Successful Execution of Service Areas		
<b>Product Standards</b>	18	
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Tea Standards		
Milk, Soy, Coconut and Almond Standards		
Syrup and Sauce Standards		
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<b>Product Execution and Serving</b>	42	
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Espresso Extraction		
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Brewing Tea		
Cold Brew and Decaf Iced Coffee		

	Serving Baked Goods	
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	Serving Hot Beverages	
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**EXHIBIT D-1**

**LIST OF CURRENT FRANCHISEES**

**FRANCHISED OUTLETS  
AS OF DECEMBER 31, 2023**

None.

**FRANCHISE AGREEMENTS SIGNED BUT OUTLETS NOT OPENED  
AS OF DECEMBER 31, 2023**

None.

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

**EXHIBIT D-2**

**LIST OF FORMER FRANCHISEES**

**FRANCHISEES WHO HAVE LEFT THE SYSTEM  
DURING THE FISCAL YEAR ENDED DECEMBER 31, 2023**

None.

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

**EXHIBIT E**  
**FINANCIAL STATEMENTS**

Peet's Coffee Franchise, LLC

Independent Auditor's Report  
and Balance Sheet Statement  
October 15, 2024



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## **INDEPENDENT AUDITOR'S REPORT**

To the Members of Peet's Coffee Franchise, LLC

### **Opinion**

We have audited the financial statement of Peet's Coffee Franchise, LLC (the "Company"), which comprises the balance sheet as of October 15, 2024 and the related notes to the financial statement (collectively referred to as the "financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as of October 15, 2024 in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statement is issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Debitte & Touche LLP

October 23, 2024

**Peet's Coffee Franchise, LLC**  
**Balance Sheet**  
**October 15, 2024**

**Assets**

**Current Assets**

Cash and cash equivalent	\$ 250,000
<b>Total Current Assets</b>	<b><u>\$ 250,000</u></b>

**Liabilities and Members' Equity**

<b>Total Liabilities</b>	<b><u>\$ 0</u></b>
Members' equity	250,000
<b>Total Liabilities and Members' Equity</b>	<b><u>\$ 250,000</u></b>

**Peet's Coffee Franchise, LLC**  
**Notes to Financial Statement**  
**October 15, 2024**

**1. COMPANY AND DESCRIPTION OF BUSINESS**

Peet's Coffee Franchise, LLC (the "Company") was established in the state of Delaware on September 20, 2024, for the purpose of offering franchise opportunities to entrepreneurs who want to own and operate their business as a franchise. The Company provides qualified individuals the rights to operate a coffee shop that offers Peet's coffee, teas, pastries and other beverages under the "Peet's Coffee" brand.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

This summary of significant accounting policies is presented to assist the reader in understanding and evaluating the Company's financial statement. The financial statement and notes are representations of the Company's management, which is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statement.

**A. Basis of Accounting**

The financial statement was prepared in conformity with accounting principles generally accepted in the United State of America ("US GAAP").

Fiscal Year

The Company utilizes a calendar reporting year-end. Fiscal year 2024 will end on December 31, 2024.

**B. Cash and Cash Equivalents**

The Company considers all highly liquid debt instruments purchased with an original maturity of three-months or less to be cash equivalents.

**C. Federal Income Taxes**

The Company and its members have elected to be treated as a partnership under the provisions of the Internal Revenue Code (IRC). Therefore, any taxable income earned by the Company is included in the individual tax returns of its members. Accordingly, net income presented in the financial statements would not include a provision for income taxes. Net income presented will include state-imposed taxes and fees as applicable.

**D. Use of Estimates**

The preparation of the Company's financial statement requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of our financial statement and the reported amounts of revenues, costs and expenses during the reporting period. Actual results could differ significantly from those estimates. It is at least reasonably possible that a change in the estimates will occur in the near term.

**E. Concentration of Credit Risk**

The Company maintains cash and cash equivalents with major financial institutions. At various times during the period, the total amount on deposit didn't exceed the \$250,000 limit insured by the Federal Deposit Insurance Corporation (FDIC). The Company believes that it mitigates credit risk by depositing cash with financial institutions having high credit ratings.

## **F. Recent Accounting Pronouncements**

FASB ASU No. 2016-02- Leases (Topic 842) is effective for the calendar year 2022. The standard requires lessees to recognize right-of-use assets and liabilities for most leases with terms longer than twelve months. The Company has evaluated the impact of this standard on its financial statements and determined that it doesn't have any lease that meet the requirement to recognize a right-of-use asset and liability because the Company doesn't have any long-term leases.

## **3. CASH AND CASH EQUIVALENT**

The Company maintains its cash balance in U.S. noninterest-bearing transaction accounts which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. On October 15, 2024, the Company's cash balance did not exceed the FDIC insurance limits.

The Company considers all cash in the bank and investments in highly liquid debt instruments with maturities of three months or less to be cash equivalents.

## **4. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 23 2024, which is the date the financial statement was available to be issued. The Company did not have any material recognizable subsequent events that would require adjustment to, or disclosure in, the financial statement.

**EXHIBIT F**

**STATE ADDENDA AND AGREEMENT RIDERS**

**ADDITIONAL DISCLOSURES FOR THE  
FRANCHISE DISCLOSURE DOCUMENT OF  
PEET'S COFFEE FRANCHISE, LLC**

The following are additional disclosures for the Franchise Disclosure Document of Peet's Coffee Franchise, LLC required by various state franchise laws. Each provision of these additional disclosures will only apply to you if the applicable state franchise law applies to you.

**FOR THE FOLLOWING STATES: CALIFORNIA, HAWAII, ILLINOIS, MARYLAND, MICHIGAN, MINNESOTA, NEW YORK, VIRGINIA, WASHINGTON, OR WISCONSIN.**

No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**CALIFORNIA**

**REGISTRATION OF THIS FRANCHISE DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION, OR ENDORSEMENT BY THE COMMISSIONER OF THE DEPARTMENT OF FINANCIAL PROTECTION AND INNOVATION.**

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

2. SECTION 31125 OF THE CALIFORNIA CORPORATIONS CODE REQUIRES US TO GIVE YOU A DISCLOSURE DOCUMENT, IN A FORM CONTAINING THE INFORMATION THAT THE COMMISSIONER MAY BY RULE OR ORDER REQUIRE, BEFORE A SOLICITATION OF A PROPOSED MATERIAL MODIFICATION OF AN EXISTING FRANCHISE.

3. OUR WEBSITE, [www.peets.com](http://www.peets.com), HAS NOT BEEN REVIEWED OR APPROVED BY THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION. ANY COMPLAINTS CONCERNING THE CONTENT OF THE WEBSITE MAY BE DIRECTED TO THE CALIFORNIA DEPARTMENT OF FINANCIAL PROTECTION & INNOVATION AT [www.dfpi.ca.gov](http://www.dfpi.ca.gov).

4. Section 31512.1 of the California Corporations Code requires that any provision of the Franchise Agreement, Disclosure Document, acknowledgement, questionnaire, or other writing, including any exhibit thereto, disclaiming or denying any of the following shall be deemed contrary to public policy and shall be void and unenforceable: (a) representations made by the franchisor or its personnel or agents to a prospective franchisee; (b) reliance by a franchisee on any representations made by the franchisor or its personnel or agents; (c) reliance by a franchisee on the franchise disclosure document, including any exhibit thereto; or (d) violations of any provision of this division



5. The following is added at the end of Item 3:

Neither we, our parent, predecessor or affiliate nor any person in item 2 of the franchise disclosure document is subject to any currently effective order of any national securities association or national securities exchange, as defined in the securities exchange act of 1934, 15 U.S.C.A Sections 78a et seq., suspending or expelling such persons from membership in that association or exchange.

6. The following paragraph is added at the end of Item 6:

The highest rate of interest allowed by California law is 10% annually.

7. The following paragraphs are added at the end of Item 17:

The Franchise Agreement and Area Development Agreement require you to sign a general release of claims upon renewal or transfer of the Franchise Agreement or Area Development Agreement. 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 thereunder is void. Section 31512 might void a waiver of your rights under the Franchise Investment Law (California Corporations Code Section 31000 – 31516). Business and Professions Code Section 20010 might void a waiver of your rights under the Franchise Relations Act (Business and Professions Code Sections 20000 – 20043).

The Franchise Agreement contains a liquidated damages clause. Under California Civil Code Section 1671, certain liquidated damages clauses are unenforceable.

California Business and Professions Code Sections 20000 through 20043 provide rights to the franchisee concerning termination, transfer or nonrenewal of a franchise. If the Area Development Agreement or Franchise Agreement contain a provision that is inconsistent with the law, and the law applies, the law will control.

The Franchise Agreement and Area Development Agreement contain a covenant not to compete that extends beyond termination of the franchise. This provision might not be enforceable under California law.

The Franchise Agreement and Area Development Agreement provides for termination upon bankruptcy. This provision may not be enforceable under federal bankruptcy law (11 U.S.C.A Section 101 et seq.).

The Franchise Agreement and Area Development Agreement require binding arbitration. The arbitration will be conducted at a suitable location chosen by the arbitrator which is within a 50 mile radius of our then current principal place of business (currently Emeryville, California) with the costs being borne as provided in the Franchise Agreement and Area Development Agreement. Prospective developers and franchisees are encouraged to consult 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 the Franchise Agreement and Area Development 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 California and federal laws (such as Business and Professions Code Section 20040.5, Code of Civil Procedure Section 1281, and the Federal Arbitration Act) to any provisions of the Franchise Agreement and Area Development Agreement restricting venue to a forum outside the State of California.

The Franchise Agreement and Area Development Agreement require application of the laws of Delaware. This provision might not be enforceable under California law.

Under the Franchise Agreement, we reserve the right to require that franchisees comply with maximum and minimum prices it sets for goods and services. The Antitrust Law Section of the Office of the California Attorney General views maximum price agreements as per se violations of the California's Cartwright Act (Cal. Bus. and Prof. Code §§ 16700 to 16770).

8. The following paragraphs are added at the end of Item 19:

The earning claims figure(s) does(do) not reflect the costs of sales, operating expenses, or other costs or expenses that must be deducted from the gross revenue or gross sales figures to obtain your net income or profit. You should conduct an independent investigation of the costs and expenses you will incur in operating your Store. Franchisees or former franchisees, listed in the franchise Disclosure Document, may be one source of this information.

## **HAWAII**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

**2. THESE FRANCHISES WILL BE/HAVE BEEN FILED UNDER THE FRANCHISE INVESTMENT LAW OF THE STATE OF HAWAII. FILING DOES NOT CONSTITUTE APPROVAL, RECOMMENDATION OR ENDORSEMENT BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS OR A FINDING BY THE DIRECTOR OF COMMERCE AND CONSUMER AFFAIRS THAT THE INFORMATION PROVIDED HEREIN IS TRUE, COMPLETE AND NOT MISLEADING.**

**THE FRANCHISE INVESTMENT LAW MAKES IT UNLAWFUL TO OFFER OR SELL ANY FRANCHISE IN THIS STATE WITHOUT FIRST PROVIDING TO THE PROSPECTIVE FRANCHISEE, OR SUBFRANCHISOR, AT LEAST SEVEN DAYS PRIOR**

**TO THE EXECUTION BY THE PROSPECTIVE FRANCHISEE OF ANY BINDING FRANCHISE OR OTHER AGREEMENT, OR AT LEAST SEVEN DAYS PRIOR TO THE PAYMENT OF ANY CONSIDERATION BY THE FRANCHISEE, OR SUBFRANCHISOR, WHICHEVER OCCURS FIRST, A COPY OF THE OFFERING CIRCULAR, TOGETHER WITH A COPY OF ALL PROPOSED AGREEMENTS RELATING TO THE SALE OF THE FRANCHISE.**

**THIS OFFERING CIRCULAR CONTAINS A SUMMARY ONLY OF CERTAIN MATERIAL PROVISIONS OF THE FRANCHISE AGREEMENT. THE CONTRACT OR AGREEMENT SHOULD BE REFERRED TO FOR A STATEMENT OF ALL RIGHTS, CONDITIONS, RESTRICTIONS AND OBLIGATIONS OF BOTH THE FRANCHISOR AND THE FRANCHISEE.**

### **ILLINOIS**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. The following paragraphs are added to the end of Item 17:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern the Franchise Agreement and the Area Development Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement or Area Development Agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a Franchise Agreement or Area Development Agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a Franchise Agreement or Area Development Agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

### **MARYLAND**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of

the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. The following is added to the Item 17(c) and Item 17(m):

However, any release required as a condition of renewal, sale and/or assignment/transfer will not apply to claims or liability arising under the Maryland Franchise Registration and Disclosure Law.

3. The following is added to Item 17(h):

The Franchise Agreement and Area Development Agreement provide for termination upon bankruptcy. This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.), but we will enforce it to the extent enforceable.

4. The following sentence is added to Item 17(v):

A franchisee may bring suit in Maryland for claims arising under the Maryland Franchise Registration Disclosure Law. Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

## **MINNESOTA**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. The following is added at the end of the chart in Item 17:

With respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) of the Franchise Agreement and Area Development Agreement and 180 days' notice for non-renewal of the Franchise Agreement and Area Development Agreement.

Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibits us from requiring litigation to be conducted outside Minnesota, requiring waiver of a jury trial or requiring the Area Developer or Franchisee to consent to liquidated damages, termination penalties or judgment notes. In addition, nothing in the Disclosure Document, Area Development Agreement or Franchise Agreement can abrogate or reduce any of Area Developer's or Franchisee's rights as provided for in Minnesota Statutes, Chapter 80C, or Area Developer's or Franchisee's rights to any procedure, forum or remedies provided for by the laws of the jurisdiction.

Any release required as a condition of renewal or transfer/assignment will not apply to the extent prohibited by Governing Law with respect to claims arising under Minn. Rule 2860.4400D.

In compliance with Minnesota Statute 80C.17 Subd. 5, no action may be commenced pursuant to this section more than three years after the cause of action accrues

You cannot consent to us obtaining injunctive relief. You may seek injunctive relief. See Minnesota Rule 2860.4400(J). Also, a court will determine if a bond is required.

## **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 DISCLOSURE DOCUMENT. IF YOU LEARN THAT ANYTHING IN THE DISCLOSURE DOCUMENT IS UNTRUE, CONTACT THE FEDERAL TRADE COMMISSION AND NEW YORK STATE DEPARTMENT OF LAW, BUREAU OF INVESTOR PROTECTION AND SECURITIES, 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 DISCLOSURE DOCUMENT. HOWEVER, THE FRANCHISOR CANNOT USE THE NEGOTIATING PROCESS TO PREVAIL UPON A PROSPECTIVE DEVELOPER OR FRANCHISEE TO ACCEPT TERMS WHICH ARE LESS FAVORABLE THAN THOSE SET FORTH IN THIS DISCLOSURE DOCUMENT.**

2. The following is added at the end of Item 3:

Except as provide above, with regard to us, our parent, predecessor or affiliate, the persons identified in Item 2, or an affiliate offering franchises under our 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, antitrust, or securities law; fraud; embezzlement; fraudulent conversion; 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 we, our affiliate, predecessor, officers, or general partners or any other individual who will have management responsibility relating to the sale or operation of franchises offered by this Disclosure Document have, during the 10-year period immediately preceding the date of the Disclosure Document: (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 U.S. 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:

We apply the initial franchise fee to defray our costs for site review and approval, sales, legal compliance, salary, and general administrative expenses and profits.

5. The following is added to Item 17:

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 is added to Item 17(d):

You may terminate the Franchise Agreement on any grounds available by law.

7. The following is added to Item 17(j)

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under the Area Development Agreement or Franchise Agreement.

8. The following is added to Item 17(v) and 17(w):

However, the governing choice of law and choice of forum shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the General Business Law of the State of New York.

## **VIRGINIA**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. The following language is added to the end of Item 17(h):

Pursuant to Section 13.1-564 of the Virginia Retail Franchising Act, it is unlawful for a franchisor to cancel a franchise without reasonable cause. If any grounds for default or termination stated in the Area Development Agreement or Franchise Agreement does not constitute “reasonable cause,” as that term may be defined in the Virginia Retail Franchising Act or the laws of Virginia, that provision may not be enforceable.

## **WASHINGTON**

1. No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

2. The Securities Division of the State of Washington Department of Financial Institutions requires the following language be added at the end of Item 17:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW (the “Act”) will prevail.

RCW 19.100.180 may supersede the franchise agreement and/or area development 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 and/or area development agreement in your relationship with the franchisor including the areas of termination and renewal of your franchise.

In any arbitration or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Act, in Washington.

A release or waiver of rights executed by a franchisee may not include rights under the Act or any rule or order thereunder 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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement and/or area development agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement and/or area development agreement or elsewhere are void and unenforceable in Washington.

The Franchise Disclosure Document does not waive any liability we may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.



**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
AREA DEVELOPMENT AGREEMENT**

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the **"Area Development Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and the Stores that you develop under your Area Development Agreement are or will be located in the State of Illinois.

2. **ACKNOWLEDGMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

3. **WAIVER OF PUNITIVE DAMAGES, JURY TRIAL, AND CLASS ACTION.** The following is added to the end of the first paragraph of Section 7.H of the Area Development Agreement:

Nothing contained in this section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Area Development Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in an area development agreement that designates jurisdiction or venue outside the State of Illinois is void. However, an area development agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of an area development agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Area Development Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the **"Area Development Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Stores that you develop under your Area Development Agreement are or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **ACKNOWLEDGMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **RELEASES.** The following is added to the end of Sections 4.B and 4.C(4) of the Area Development Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **INSOLVENCY.** The following is added to the end of Section 5.A of the Area Development Agreement:

The provision which provides for termination upon your bankruptcy might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** Section 7.E of the Area Development Agreement is supplemented by adding the following to the end of the Section:

A Maryland franchise regulation states that it is an 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 Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **CONSENT TO JURISDICTION.** Section 7.G of the Area Development Agreement is supplemented by adding the following to the end of the Section:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATIONS OF CLAIMS.** The following is added to the end of the first paragraph of Section 7.J of the Area Development Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

*[SIGNATURE PAGE TO FOLLOW]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Area Development Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (“we” or “us”), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (“you” or “your”).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the “**Area Development Agreement**”) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the Stores that you will develop under the Area Development Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled in, or actually present in the State of Minnesota.

2. **ACKNOWLEDGMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **EVENTS OF TERMINATION.** The following is added to the end of Section 5 of the Area Development Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days’ notice of termination (with 60 days to cure).

4. **RELEASES.** The following is added to the end of Sections 4.B and 4.C(4) of the Area Development Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

5. **INJUNCTIVE RELIEF.** The following language is added to the end of Section 7.I of the Area Development Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

6. **LIMITATIONS OF CLAIMS.** The following is added to the end of the first paragraph of Section 7.J of the Area Development Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

7. **MINNESOTA LAW.** Notwithstanding anything to the contrary contained in the Area Development Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

*[SIGNATURE PAGE TO FOLLOW]*



**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Area Development Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
AREA DEVELOPMENT AGREEMENT  
FOR USE IN NEW YORK**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_ (the **"Area Development Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if you are domiciled in the State of New York, the Store is or will be operated in the State of New York.

2. **RELEASES.** The following is added to the end of Sections 4.B and 4.C(4) of the Area Development Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.4, as amended.

3. **GOVERNING LAW AND CONSENT TO JURISDICTION.** The following sentence is added to the end of Sections 7.F and 7.G of the Area Development Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

4. **TRANSFER BY US.** The following sentence is added to the end of Section 4.A of the Area Development Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

5. **TERMINATION BY YOU.** The following sentence is added to the end of Section 5.B of the Area Development Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

[SIGNATURE PAGE TO FOLLOW]

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Area Development Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**WASHINGTON RIDER TO THE AREA DEVELOPMENT AGREEMENT,  
AND RELATED AGREEMENTS**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Area Development Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the **"Area Development Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Area Development Agreement. This Rider is being signed because (a) the offer is directed into the State of Washington and is received where it is directed; or (b) you are a resident of the State of Washington; or (c) the Stores that you develop under your Area Development Agreement are or will be located or operated, wholly or partly, in the State of Washington.

2. **ACKNOWLEDGEMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **WASHINGTON LAW.** The following paragraphs are added to the end of the Area Development Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

The Securities Division of the State of Washington Department of Financial Institutions requires the following language:

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder

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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The Franchise Disclosure Document does not waive any liability we may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

*[SIGNATURE PAGE TO FOLLOW]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Area Development Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**AREA DEVELOPER**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**THE FOLLOWING PAGES IN THIS EXHIBIT ARE  
STATE-SPECIFIC RIDERS TO THE  
FRANCHISE AGREEMENT**

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
FRANCHISE AGREEMENT  
FOR USE IN ILLINOIS**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 ("we" or "us"), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ ("you" or "your").

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the "**Franchise Agreement**") that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are domiciled in the State of Illinois, or (b) the offer of the franchise is made or accepted in the State of Illinois and the Store that you develop under your Franchise Agreement is or will be operated in the State of Illinois.

2. **ACKNOWLEDGMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **LIMITATIONS OF CLAIMS.** Section 17.J of the Franchise Agreement is amended by adding the following:

However, nothing contained in this section shall constitute a condition, stipulation, or provision purporting to bind any person to waive compliance with any provision of the Illinois Franchise Disclosure Act or any other law of the State of Illinois, to the extent applicable.

4. **ILLINOIS FRANCHISE DISCLOSURE ACT.** The following language is added to the end of the Franchise Agreement:

Except for the U.S. Federal Arbitration Act and other federal laws in the U.S., the laws of the State of Illinois will govern this Agreement.

Section 4 of the Illinois Franchise Disclosure Act provides that any provision in a franchise agreement that designates jurisdiction or venue outside the State of Illinois is void. However, a franchise agreement may provide for arbitration outside of Illinois.

Section 41 of the Illinois Franchise Disclosure Act provides that 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.

Your rights upon termination and non-renewal of a franchise agreement are subject to sections 19 and 20 of the Illinois Franchise Disclosure Act.



**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider on the dates noted below, to be effective as of the Effective Date of the Franchise Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
FRANCHISE AGREEMENT  
FOR USE IN MARYLAND**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the **"Franchise Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) you are a resident of the State of Maryland; or (b) the Store that you develop under your Franchise Agreement is or will be operated in the State of Maryland; or (c) the offer to sell is made in the State of Maryland; or (d) the offer to buy is accepted in the State of Maryland.

2. **ACKNOWLEDGMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **RELEASES.** The following is added to the end of Sections 12.B, 12.C(4), 12.E, 13.A(8), and 15.D of the Franchise Agreement:

Pursuant to COMAR 02.02.08.16L, any release required as a condition of renewal and/or assignment/transfer will not apply to claims arising under the Maryland Franchise Registration and Disclosure Law.

4. **TERMINATION.** The following is added to the end of Section 14.A of the Franchise Agreement:

This provision might not be enforceable under federal bankruptcy law (11 U.S.C. Sections 101 et seq.).

5. **ARBITRATION.** Section 17E of the Franchise Agreement is supplemented by adding the following to the end of the Section:

A Maryland franchise regulation states that it is an 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 Registration and Disclosure Law. In light of the Federal Arbitration Act, there is some dispute as to whether this forum selection requirement is legally enforceable.

6. **CONSENT TO JURISDICTION.** Section 17.G of the Franchise Agreement is supplemented by adding the following to the end of the Section:

A franchisee may bring a lawsuit in Maryland for claims arising under the Maryland Franchise Registration and Disclosure Law.

7. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 17.J of the Franchise Agreement:

Any claims arising under the Maryland Franchise Registration and Disclosure Law must be brought within 3 years after the grant of the franchise.

8. **RELEASES.** The Franchise Agreement is further amended to state that “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]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

**PEET’S COFFEE FRANCHISE, LLC**,  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
FRANCHISE AGREEMENT  
FOR USE IN MINNESOTA**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the **"Franchise Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the Store that you will develop under the Franchise Agreement will be operated wholly or partly in the State of Minnesota; and/or (b) you either a resident of, domiciled it, or actually present in the State of Minnesota.

2. **ACKNOWLEDGMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise

3. **RELEASES.** The following is added to the end of Sections 12.B, 12.C(4), 12.E, 13.A(8), and 15.D of the Franchise Agreement:

Any release required as a condition of renewal and/or assignment/transfer will not apply to the extent prohibited by the Minnesota Franchises Law.

4. **RENEWAL AND TERMINATION.** The following is added to the end of Sections 13.A and 14 of the Franchise Agreement:

However, with respect to franchises governed by Minnesota law, we will comply with Minn. Stat. Sec. 80C.14, Subds. 3, 4 and 5 which require, except in certain specified cases, that you be given 90 days' notice of termination (with 60 days to cure) and 180 days' notice of non-renewal of this Agreement.

5. **LOST REVENUE DAMAGES.** The following language is added to the end of Section 15.E of the Franchise Agreement:

We and you acknowledge that certain parts of this provision might not be enforceable under Minn. Rule Part 2860.4400J. However, we and you agree to enforce the provision to the extent the law allows.

6. **INJUNCTIVE RELIEF.** The following is added to Section 17.I of the Franchise Agreement:

Notwithstanding the foregoing, a court will determine if a bond is required.

7. **LIMITATIONS OF CLAIMS.** The following is added to the end of Section 18.J of the Franchise Agreement:

; provided, however, that Minnesota law provides that no action may be commenced under Minn. Stat. Sec. 80C.17 more than 3 years after the cause of action accrues.

8. **MINNESOTA LAW.** Notwithstanding anything to the contrary contained in the Franchise Agreement, Minn. Stat. Sec. 80C.21 and Minn. Rule 2860.4400J prohibit us from requiring you to waive your rights to a jury trial or to waive your rights to any procedure, forum or remedies provided for by the laws of the jurisdiction, or to consent to liquidated damages, termination penalties or judgment notes.

*[SIGNATURE PAGE TO FOLLOW]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**RIDER TO THE PEET'S COFFEE FRANCHISE, LLC  
FRANCHISE AGREEMENT  
FOR USE IN NEW YORK**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_ (the **"Franchise Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) an offer to sell is made in the State of New York; or (b) an offer to buy is accepted in the State of New York; or (c) if you are domiciled in the State of New York, the Store is or will be operated in the State of New York.

2. **RELEASES.** The following is added to the end of Sections 12.B, 12.C(4), 12.E, 13.A(8), and 15.D of the Franchise Agreement:

Notwithstanding the foregoing all rights enjoyed by you and any causes of action arising in your favor from the provision of Article 33 of the General Business Law of the State of New York and the regulations issued there under shall remain in force to the extent required by the non-waiver provisions of GBL Sections 687.4 and 687.4, as amended.

3. **TRANSFER BY US.** The following sentence is added to the end of Section 12.A of the Franchise Agreement:

However, to the extent required by applicable law, no assignment will be made except to an assignee who, in our good faith judgment, is willing and financially able to assume our obligations under this Agreement.

4. **TERMINATION BY YOU.** The following sentence is added to the end of Section 12.B of the Franchise Agreement:

You also may terminate this Agreement on any grounds available by law under the provisions of Article 33 of the General Business Law of the State of New York.

5. **GOVERNING LAW AND CONSENT TO JURISDICTION.** The following sentence is added to the end of Sections 17.F and 17.G of the Franchise Agreement:

This Section shall not be considered a waiver of any right conferred upon you by the provisions of Article 33 of the New York State General Business Law as amended, and the regulations issued thereunder.

[SIGNATURE PAGE TO FOLLOW]



**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**WASHINGTON RIDER TO THE FRANCHISE AGREEMENT,  
AND RELATED AGREEMENTS**

**THIS RIDER** is made and entered into by and between **PEET'S COFFEE FRANCHISE, LLC**, a Delaware limited liability company with its principal business address at 1400 Park Avenue, Emeryville, California 94608 (**"we"** or **"us"**), and \_\_\_\_\_, whose principal business address is \_\_\_\_\_ (**"you"** or **"your"**).

1. **BACKGROUND.** We and you are parties to that certain Franchise Agreement dated \_\_\_\_\_, 20\_\_\_\_ (the **"Franchise Agreement"**) that has been signed concurrently with the signing of this Rider. This Rider is annexed to and forms part of the Franchise Agreement. This Rider is being signed because (a) the offer is directed into the State of Washington and is received where it is directed; or (b) you are a resident of the State of Washington; or (d) the Store that you develop under your Franchise Agreement is or will be located or operated, wholly or partly, in the State of Washington.

2. **ACKNOWLEDGEMENT.** No statement, questionnaire, or acknowledgment signed or agreed to by a franchisee in connection with the commencement of the franchise relationship shall have the effect of (i) waiving any claims under any applicable state franchise law, including fraud in the inducement, or (ii) disclaiming reliance on any statement made by any franchisor, franchise seller, or other person acting on behalf of the franchisor. This provision supersedes any other term of any document executed in connection with the franchise.

3. **WASHINGTON LAW.** The following paragraphs are added to the end of the Franchise Agreement:

In the event of a conflict of laws, the provisions of the Washington Franchise Investment Protection Act, Chapter 19.100 RCW will prevail.

RCW 19.100.180 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 or mediation involving a franchise purchased in Washington, the arbitration or mediation site will be either in the state of Washington, or in a place mutually agreed upon at the time of the arbitration or mediation, or as determined by the arbitrator or mediator at the time of arbitration or mediation. In addition, if litigation is not precluded by the franchise agreement, a franchisee may bring an action or proceeding arising out of or in connection with the sale of franchises, or a violation of the Washington Franchise Investment Protection Act, in Washington.

The Securities Division of the State of Washington Department of Financial Institutions requires the following language:

A release or waiver of rights executed by a franchisee may not include rights under the Washington Franchise Investment Protection Act or any rule or order thereunder

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, or 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.

Pursuant to RCW 49.62.020, a noncompetition covenant is void and unenforceable against an employee, including an employee of a franchisee, unless the employee's earnings from the party seeking enforcement, when annualized, exceed \$100,000 per year (an amount that will be adjusted annually for inflation). In addition, a noncompetition covenant is void and unenforceable against an independent contractor of a franchisee under RCW 49.62.030 unless the independent contractor's earnings from the party seeking enforcement, when annualized, exceed \$250,000 per year (an amount that will be adjusted annually for inflation). As a result, any provisions contained in the franchise agreement or elsewhere that conflict with these limitations are void and unenforceable in Washington.

RCW 49.62.060 prohibits a franchisor from restricting, restraining, or prohibiting a franchisee from (i) soliciting or hiring any employee of a franchisee of the same franchisor or (ii) soliciting or hiring any employee of the franchisor. As a result, any such provisions contained in the franchise agreement or elsewhere are void and unenforceable in Washington.

The Franchise Disclosure Document does not waive any liability we may have under the Washington Franchise Investment Protection Act, RCW 19.100, and the rules adopted thereunder.

*[SIGNATURE PAGE TO FOLLOW]*

**IN WITNESS WHEREOF**, the parties have executed and delivered this Rider to be effective as of the effective date of the Franchise Agreement.

**PEET’S COFFEE FRANCHISE, LLC,**  
a Delaware limited liability company

Sign: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE A CORPORATION,  
LIMITED LIABILITY COMPANY, OR  
PARTNERSHIP):**

\_\_\_\_\_  
Entity Name

\_\_\_\_\_  
Signature

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

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

**DATED:** \_\_\_\_\_

**FRANCHISEE**

**(IF YOU ARE AN INDIVIDUAL AND NOT  
AN ENTITY):**

\_\_\_\_\_  
Signature

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

**DATED:** \_\_\_\_\_

**NEW YORK REPRESENTATIONS PAGE**

**FRANCHISOR REPRESENTS THAT THIS FRANCHISE DISCLOSURE DOCUMENT DOES NOT KNOWINGLY OMIT ANY MATERIAL FACT OR CONTAIN ANY UNTRUE STATEMENT OF A MATERIAL FACT.**

### **State Effective Dates**

The following states have franchise laws that 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 document is effective and may be used in the following states, where the document is filed, registered or exempt from registration, as of the Effective Date stated below:

<b>State</b>	<b>Effective Date</b>
California	Pending
Hawaii	Pending
Illinois	Pending
Maryland	Pending
Michigan	Pending
Minnesota	Pending
New York	Pending
Virginia	Pending
Washington	Pending
Wisconsin	November 6, 2024

Other states may require registration, filing, or exemption of a franchise under other laws, such as those that regulate the offer and sale of business opportunities or seller-assisted marketing plans.

**EXHIBIT G**

**RECEIPTS**

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 Peet's Coffee Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Peet's Coffee Franchise, LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Peet's Coffee Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 on Exhibit A.

**Issuance date: November 6, 2024**

The Franchisor is Peet's Coffee Franchise, LLC, located at 1400 Park Avenue, Emeryville, California 94608. Its telephone number is (510) 518-6101. The franchise seller who offered you a Peet's Store is:

☐ Robyn Quintal  
Peet's Coffee Franchise, LLC  
1400 Park Avenue  
Emeryville, California 94608

☐ Gordon Bitter  
Peet's Coffee Franchise, LLC  
1400 Park Avenue  
Emeryville, California 94608

☐ \_\_\_\_\_  
Peet's Coffee Franchise, LLC  
9083 Las Tunas Drive  
Temple City, CA 91780

I received a disclosure document dated **November 6, 2024**, that included the following Exhibits:

Exhibit A – State Administrators/Agents for Service  
of Process  
Exhibit B-1 – Franchise Agreement  
Exhibit B-2 – Area Development Agreement  
Exhibit B-3 – Representations Statement  
Exhibit B-4 – Sample General Release

Exhibit C – Table of Contents to Operations Manual  
Exhibit D-1 – List of Franchisees  
Exhibit D-2 – List of Former Franchisees  
Exhibit E – Financial Statements  
Exhibit F – State Addenda and Agreement Riders  
Exhibit G – Receipts

**PROSPECTIVE FRANCHISEE:**

If a business entity:

\_\_\_\_\_  
Name of Business Entity  
By: \_\_\_\_\_  
Its: \_\_\_\_\_  
(Print Name): \_\_\_\_\_  
Dated: \_\_\_\_\_

If an individual:

\_\_\_\_\_  
(Print Name): \_\_\_\_\_  
Dated: \_\_\_\_\_

Please sign this copy of the receipt, print the date on which you received this Disclosure Document and return it, by mail or e-mail, to:

Peet's Coffee Franchise, LLC  
1400 Park Avenue, Emeryville, California 94608, franchise@peets.com



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 Peet’s Coffee Franchise, LLC offers you a franchise, it must provide this Disclosure Document to you 14 calendar-days before you sign a binding agreement with, or make a payment to, the franchisor or an affiliate in connection with the proposed franchise sale. Under Iowa law, Peet’s Coffee Franchise, LLC must give you this Disclosure Document at the earlier of the 1st personal meeting or 14 calendar days before you sign an agreement with, or make a payment to, franchisor or an affiliate in connection with the proposed franchise sale. Under Michigan law, we must give you this disclosure document at least 10 business days before the execution of any binding franchise or other agreement or the payment of any consideration, whichever occurs first. Under New York law, we must provide this disclosure document at the earlier of the 1st personal meeting or 10 business days before you sign a binding agreement with, or make a payment to, us or an affiliate in connection with the proposed franchise sale.

If Peet’s Coffee Franchise, LLC does not deliver this Disclosure Document on time or if it contains a false or misleading statement, or a material omission, a violation of federal 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 on Exhibit A.

**Issuance date: November 6, 2024**

The Franchisor is Peet’s Coffee Franchise, LLC, located at 1400 Park Avenue, Emeryville, California 94608. Its telephone number is (510) 518-6101. The franchise seller who offered you a Peet’s Store is:

- |  |  |   |
|--|--|---|
| <input type="checkbox"/> Robyn Quintal<br>Peet’s Coffee Franchise, LLC<br>1400 Park Avenue<br>Emeryville, California 94608 | <input type="checkbox"/> Gordon Bitter<br>Peet’s Coffee Franchise, LLC<br>1400 Park Avenue<br>Emeryville, California 94608 | <input type="checkbox"/> _____<br>Peet’s Coffee Franchise, LLC<br>9083 Las Tunas Drive<br>Temple City, CA 91780 |
|--|--|---|

I received a disclosure document dated **November 6, 2024**, that included the following Exhibits:

- |  |  |
|--|--|
| Exhibit A – State Administrators/Agents for Service of Process | Exhibit C – Table of Contents to Operations Manual |
| Exhibit B-1 – Franchise Agreement                              | Exhibit D-1 – List of Franchisees                  |
| Exhibit B-2 – Area Development Agreement                       | Exhibit D-2 – List of Former Franchisees           |
| Exhibit B-3 – Representations Statement                        | Exhibit E – Financial Statements                   |
| Exhibit B-4 – Sample General Release                           | Exhibit F – State Addenda and Agreement Riders     |
|  | Exhibit G – Receipts                               |

**PROSPECTIVE FRANCHISEE:**

If a business entity:

\_\_\_\_\_  
Name of Business Entity

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

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

(Print Name): \_\_\_\_\_

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

If an individual:

\_\_\_\_\_  
(Print Name): \_\_\_\_\_

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

You may keep this copy of the receipt for your own records.